

## FRANCHISE DISCLOSURE DOCUMENT

### KidStrong Franchising LLC

a Delaware limited liability company  
3801 Parkwood Boulevard, Suite 301  
Frisco, Texas 75034  
Phone: (214) 233-5052  
Email: [franchising@kidstrong.com](mailto:franchising@kidstrong.com)  
[www.kidstrong.com](http://www.kidstrong.com)



We license the right to operate **KIDSTRONG®** franchised centers (each, a “Center”), which offer “whole child” development programs focused on building stronger kids through innovative training, including in the areas of physical fitness, leadership, and confidence building.

The total investment necessary to begin operation of a **KIDSTRONG®** Center is \$448,100 to \$600,000. This includes initial fees ranging from \$227,000 to \$255,000 that must be paid to us or our affiliate.

We offer qualified individuals the right to own and operate between 2 and 10 Centers in a designated development area by entering into an Area Development Agreement (“Development Agreement”). The total initial investment necessary to begin operating under the Development Agreement ranges from \$493,100 (for the development of 2 Centers) to \$1,005,000 (for the development of 10 Centers). This includes initial fees ranging from \$272,000 to \$300,000 (for the development of 2 Centers) and \$632,000 to \$660,000 (for the development of 10 Centers) that must be paid to us or our affiliate.

This FDD summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this FDD and all accompanying agreements carefully. You must receive this FDD at least 14 calendar-days before you sign a binding agreement with, or make any payment to, us in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your FDD in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact KidStrong HQ, Attention: Josh Patrick, 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034, (214) 233-5052, [josh.patrick@kidstrong.com](mailto:josh.patrick@kidstrong.com).

The terms of your contract will govern your franchise relationship. Don’t rely on the FDD alone to understand your contract. Read all of your contract carefully. Show your contract and this FDD to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this FDD 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 FDD, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them.  
Issuance Date: April 18, 2025.

## 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:

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

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

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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 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.



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

**The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

**The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to:

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

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## ITEM 1. THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

This Franchise Disclosure Document (“FDD”) provides certain information about KidStrong Franchising LLC, and the terms on which KidStrong Franchising LLC currently offers franchises in the United States.

Throughout this FDD, all references to “we,” “us,” or “our” unless the context otherwise requires, refer to KidStrong Franchising LLC. The person who is inquiring about or is granted the right to operate the franchise is referred to as “you” or “your.” If you are a corporation, limited liability company, partnership or other type of legal entity, the provisions of the Franchise Agreement and Development Agreement also apply to your owners by virtue of our requirement that your owners personally guarantee and be personally bound by your obligations under the Franchise Agreement.

### The Franchisor, Its Predecessors, Affiliates, and Parents

KidStrong Franchising, LLC is a limited liability company that was formed under Delaware law on July 31, 2019. We conduct our business under our company name and “**KIDSTRONG®**.” Our principal business address and registered office is 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034. Our agents for service of process in certain states are listed in Exhibit H of this FDD. We have been offering and selling franchises for **KIDSTRONG®** Centers since August 2019. We are engaged only in the business activities that relate to franchising **KIDSTRONG®** Centers and have not offered franchises in any other lines of business. We do not own or operate **KIDSTRONG®** Centers directly.

Our parent is KidStrong, Inc. and our parent shares our principal business address. Our affiliates own and operate **KIDSTRONG®** Centers that are referred to throughout as “company-owned” or “corporate” locations.

Except as disclosed below, we have no predecessors and no affiliates that lease or sell products or services to **KIDSTRONG®** franchisees. Our affiliate, KidStrong IP, LLC, currently owns the marks and other intellectual property our franchisees use in the United States, including all trade secrets and other confidential or proprietary information, copyrights, patents, and rights in computer programs and other applications. Our affiliate, KidStrong Equipment Inc. is the designated supplier of certain KidStrong® equipment to our franchisees. KidStrong Equipment Inc. shares our principal business address.

We have no predecessors and no affiliates that offer franchises in this or any other line of business. Other than as disclosed above, as of December 31, 2024, we have no parents, predecessors or affiliates that must be disclosed in this Item.

### The Franchise

A **KIDSTRONG®** franchise offers a “whole child” development program focused on building stronger kids through innovative training, including in the areas of physical fitness, leadership, and confidence building. The **KIDSTRONG®** curriculum is based on the latest in developmental science and leverages experts in the fields of pediatric occupational therapy, child development, sports physiology, and physical education. We aim to help kids win at life by focusing on 3 key pillars: brain, physical and character development. Before we engage in any substantive conversations with you, we may require you to sign a confidentiality agreement.

If you are awarded a **KIDSTRONG®** franchise, you must sign the Franchise Agreement (the "Franchise Agreement") disclosed in this FDD, which licenses you the right to operate the **KIDSTRONG®** franchise (the "Center") under the trademarks, service marks, trade dress, trade symbols and commercial symbols we designate (collectively, the "Marks"). You must operate the Center in accordance with the terms of the Franchise Agreement, which includes, among other obligations, the requirements that you (a) offer and sell all services, products and merchandise we designate, and (b) operate the Center in accordance with our Manual (as defined in this FDD) and the "System." Our "System" includes the business methods, designs and arrangements for developing, opening and operating **KIDSTRONG®** Centers. The System includes, among other things, the Marks, building designs and layouts, equipment, training, business standards and policies, all of which we may improve, further develop and/or otherwise modify at any time.

An average Center will be 3,200 to 4,500 square feet and will contain two-floors. **KIDSTRONG®** Centers will most likely be located in suburban areas, in business districts and lifestyle centers. Your Center will be open year-round, closing only on selected holidays. You must submit your proposed site to us for our approval before you sign any lease agreement.

If any of our affiliates elects to sell you a corporate location, our affiliate will negotiate with you to reach a mutually agreeable purchase and sale agreement. You must sign our then-current Franchise Agreement as a condition of acquiring a corporate location, which Franchise Agreement may be modified, as we deem necessary, to take into consideration the fact that the location is an existing, operational **KIDSTRONG®** Center.

In addition to our single-unit offering, we grant qualified individuals the right to own and operate multiple Centers through an Area Development Agreement (the "Development Agreement"). If you sign a Development Agreement, you must develop a certain number of Centers in the area stated in the Development Agreement as the "Development Area" under the development schedule stated in the Development Agreement (the "Development Schedule"), which will be between 2 and 10 total Centers as we determine using our then-current criteria. We reserve the right to grant you the right to open more than 10 Centers in our sole discretion. A copy of the Development Agreement is attached as Exhibit B. For the first Center you develop under the Development Agreement, you must sign the form of Franchise Agreement attached to this FDD as Exhibit A. For your second and each additional Center, you must: (a) meet our designated performance criteria with respect to each open Center before you may open your next Center, (b) sign our then-current form of Franchise Agreement before you open each Center, and (c) pay to us the difference between the then-current initial franchise fee and \$45,000. The then-current Franchise Agreement may contain materially different terms as compared to the form of Franchise Agreement attached to this FDD. We also have the right to require you to sign a general release as a condition to our granting you the right to enter into your second and each additional Franchise Agreement. A copy of our current form of general release is attached to this FDD as Exhibit J.

### The Market and Competition

The general market for this business is well developed and highly competitive. The market can change based on local, regional and national economic conditions, changes in consumer tastes, and increases in the number and types of competitors. Various factors can adversely affect the childhood development industry including inflation, the availability of suitable sites, fluctuating interest and insurance rates, state and local regulations and licensing requirements, and the availability of an adequate number of qualified employees and coaches. In addition, other national and regional chains with greater financial resources may offer similar or competitive programs. Your ability to compete will be primarily dependent on your site, general economic conditions in

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.

## **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 is based in Frisco, Texas.

### Kristina Eastman: President

Kristina Eastman become our President in January 2025. From December 2023 to December 2024, Ms. Eastman was the Chief Executive Officer of GoDog Franchising, LLC in Atlanta, Georgia. She has also been a Board Member/Advisor for Heyday, 2ULaundry and To & From, based in Atlanta, Georgia, since June 2021. From October 2021 to December 2023, Ms. Eastman was the President of Level 5 Acceleration Services in Atlanta, Georgia. From June 2014 to August 2021, Ms. Eastman worked for Enjoy Technology, Inc. and from December 2017 to August 2021 she was its Chief Retail Officer in Palo Alto, California. Ms. Eastman is based in Frisco, Texas.

Executive Vice President: S. Tyler Nau

Tyler Nau has been our Executive Vice President since January 2025. From January 2023 to January 2025, Mr. Nau was our Chief Operating Officer. 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. Mr. Nau is based in Frisco, Texas.

Senior Vice President of Franchise Development: Josh Patrick

Josh Patrick has been our Senior Vice President of Franchise Development since August 2024. From May 2023 to August 2024, Mr. Patrick was our Vice President of Franchise Development. From October 2022 to May 2023, Mr. Patrick was our Director of Real Estate. From January 2021 to September 2022, Mr. Patrick served as the Senior Vice President of Franchising and Real Estate for Tapville Social in Naperville, Illinois. Mr. Patrick was a consultant with Rise Consulting, LLC in Frisco, Texas from March 2020 to January 2021. Mr. Patrick is based in Frisco, Texas.

Director of Franchise Development: AJ Schuler

AJ Schuler has been our Director of Franchise Development since February 2025. From April 2021 to January 2025, Mr. Schuler was a Director, Franchise Sales, for Primrose Schools Franchising Company, based in Atlanta, Georgia. From May 2020 to April 2021, Mr. Schuler was a Senior Director, Franchise Development for Integrated Digital Strategies, based in Dallas-Fort Worth, Texas. Mr. Schuler is based in Frisco, Texas.

Chairman of the Board and Co-Founder: Lincoln Brown

Lincoln Brown, one of our Co-Founders, is the Chairman of our Board of Directors and has held this position since our inception. Mr. Brown has also held/holds the following positions: (a) Chairman and Co-Founder of Wild Health (July 2019 through February 2023); (b) Investor through Diligent Ventures (from January 2017 through the present); (c) Board of Rare.org (June 2021 through the present) (d) Owner-operator of Crossfit Maximus and Brick Crossfit (from March 2009 through April 2020).

**ITEM 3. LITIGATION**

No litigation must be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.



## **ITEM 5. INITIAL FEES**

The fees disclosed in this Item 5 are uniformly imposed and non-refundable.

### **Franchise Agreement**

#### Initial Franchise Fee

You must pay us an initial franchise fee of \$45,000 in the form of cashier's check, wire transfer or other form of payment acceptable to us (the "Initial Franchise Fee") when you sign the Franchise Agreement. This fee is uniform for all franchisees and is not refundable.

#### Initial Training Fee

You must pay us an initial training fee of \$5,000 in the form of cashier's check, wire transfer or other form of payment acceptable to us (the "Initial Training Fee") when you sign the Franchise Agreement. This fee is uniform for all franchisees and is not refundable.

#### Equipment Package Fee

You must purchase an equipment package from us or our affiliate, as we designate, before you open the Center. As of April 2025, the equipment package includes the following: program apparel stock kit, retail apparel stock kit, rigs (including attachments), Cargo Net Pros, Plyoboxes BOSU® Sports Balance Trainers, weight plates, slam balls, wedge mats, crash pads, Parallette Pros, Klimber Pros™, Krawlers Pros™, Climbing Rope Pros, Balance Beam Pros, KidStrong shields, shield holders, parallette wall mounts, bathroom shelves and hooks, shoe cubbies, pony wall doors and hinges, posts and clips for pony wall, a service counter, freestanding retail display, flash drives, floor cleaning materials, mop kit, tire bags, rig straps, floor transition ramps, rig wraps, flooring repair kit, class captain bracelets, equipment box and packaging, retail pallet, slider doors, pony wall and flooring by square footage. The cost of the equipment package (the "Equipment Package Fee") will range (depending on the size of the Center) from \$88,500 to \$110,000. You must pay this fee before we will ship the Equipment Package to you. This fee is uniform for all franchisees and is not refundable.

#### Equipment Installation Fee

You must purchase equipment installation services from us. The cost of the equipment installation services will range from about \$12,000 to \$18,500 ("Equipment Installation Fee"), depending on your location, the equipment package that you purchase, and the approved third-party vendor that we arrange for your equipment installation services. You must pay this fee before we will ship the Equipment Package to you. This fee is uniform for all franchisees and is not refundable.

#### Startup Marketing Fee

You must pay to us or to our affiliate, as we designate, a startup marketing fee of \$1,500. This fee is due when you sign your Franchise Agreement and before you begin pre-sales. This fee is uniform for all franchisees and is not refundable.



### Grand Opening Event

You 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 \$45,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open. To the extent that we make the expenditures for your grand opening marketing campaign, we will invoice you monthly for the expenses incurred and you must reimburse us the amount of this expenditure. These expenses vary slightly based on each franchisee's expenditure and all reimbursements to us are non-refundable.

### Fees on Pre-Sales

The Royalty Fee, Brand Fund Contribution, and Technology Fee must be paid on Gross Sales that you receive during the pre-sale period for your Center. See Item 6 for additional information on these non-refundable fees. These fees are uniform for all franchisees and are not refundable.

We also offer an optional program in which we will provide direct sales support through our call center during your pre-sale period for your Center, to assist you in selling memberships. Our charge for this optional program is \$450 per week and \$25 per membership sold. This fee is uniform for all franchisees choosing to participate and is not refundable. If your presales are not on track to achieve the minimum enrollment required to open the Center, we may require you to use our call center support services.

## **Development Agreement**

### Development Fee

If you acquire rights under a Development Agreement, you must pay a development fee to us when you sign the Development Agreement (the "Development Fee"). The Development Agreement will identify the Development Area within which you must develop Centers, as well as the total number of Centers you must develop. We anticipate granting the right to develop between 2 and 10 Centers, as we determine using our then-current criteria. The Development Fee is calculated by multiplying the number of Centers to be developed, by \$45,000. Accordingly, the Development Fee you must pay will range from (a) \$80,000 (for the development of 2 Centers, to (b) \$400,000 (for the development of 10 Centers). We reserve the right to grant you the right to open more than 10 Centers in our sole discretion.

### Additional Franchise Fee

If you sign a Development Agreement, in addition to the Development Fee, for the second and each additional Center you must open under the Development Agreement, you must pay the difference between the then-current Initial Franchise Fee (if we increase it) and \$45,000, which fee is due when you sign the Franchise Agreement for the applicable Centers.

## ITEM 6. OTHER FEES

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty Fee	During the first 24 months after we 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 twice monthly (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	The Brand Fund Contribution is currently paid in the middle of each month. See Notes 2 and 3.
Ongoing Marketing Services Fee	Currently \$825 per month	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	The Ongoing Marketing Services Fee is currently paid at the beginning of each month. See Notes 2 and 3.
Digital Advertising Spend (Post Opening)	Average of 5% of Gross Sales for the prior month (expected to be about \$3,700), with a minimum of \$2,500 per month (See Item 11)	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	See Note 4. You must reimburse us for the media placement costs we incur for the online marketing ads we place for lead generation for your Center. These funds are the direct working dollars spent through an approved agency on advertisements in your market for the purpose of member acquisition. Exact spend levels will be discussed with you, us and the agency to set a spend level appropriate for your Center based on market trends, seasonality, center lifecycle, growth goals, etc.
Call Center (Optional Program)	\$450 per week and \$25 per membership sale	Payable monthly	This an optional program in which we will provide direct sales support through our call center for your Center, to assist you in selling memberships.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Direct Software Fee	Currently \$562 per month (without Career Plug (which is optional), or \$600 per month (with Career Plug). This fee is subject to increase or change, effective on notice to you.	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	The Direct Software Fee is currently paid at the beginning of each month. You must begin paying the Direct Software Fee when we first set up your system, unless we designate a different date. You agree to pay all fees we and/or our designated or approved suppliers assess for the software, including, without limitation, the development, administration and/or maintenance of software (as we designate), and the development, installation and maintenance of current and future developed software programs and platforms. Currently, the Direct Software Fee includes 4 email addresses (each additional email address will require increased fees; email fees are subject to increase). See Notes 2 and 5.
Technology Fee	Currently 1% of Gross Sales. This fee is subject to increase or change, effective on notice to you.	Deducted monthly (or on any other recurring basis we designate) from your bank account by EFT	The Technology Fee is currently paid in the middle of each month. You must begin paying the monthly Technology Fee when you begin the pre-sales for your Center. You agree to pay all fees we and/or our designated or approved suppliers assess for the development and maintenance of mobile applications and other technology (as we designate), the website, and the development, installation and maintenance of current and future developed technology (including mobile apps). See Notes 2 and 5.
Late Fee/ Interest/ Declined Payment Fee	Late fee of 3% of the overdue amount; Fees and Costs Incurred; Interest at 18%	Immediately when assessed	If you are delinquent in payments due under your Franchise Agreement, we will assess late fees and interest. See Note 6.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
State and Local Taxes	Variable	When assessed (if assessed)	If we are assessed state or local sales, use, property, or similar taxes based on your Gross Sales or on our receipt of fees from you (but excluding our ordinary income taxes or receipts taxes for fees due to us), then you must pay those taxes to us or the taxing authority.
Successor Franchise Fee	\$7,500 or 25% of our then-current Initial Franchise Fee, whichever is greater	On signing successor agreement	You must pay a successor franchise fee when you exercise your right to enter into a successor Franchise Agreement.
Audit	Variable	On completion of audit, if due	If we elect to audit your finances, and audit reveals understatement of Gross Sales of 2% or more, then you must reimburse us for the costs of the audit.
Transfer Fee	\$7,500 or 25% of our then-current Initial Franchise Fee, whichever is greater	Before effective date of transfer	We have the right to condition the proposed sale or transfer of your Center or of your interest in the Center on your payment of a transfer fee and satisfaction of other conditions.
Resale Assistance Program Fee	Greater of 3% of the sales price for your Center (in any form, including cash, credit, debt or equity) or \$20,000	On closing of transfer	The Resale Assistance Program is a voluntary program. If you choose to participate, we will provide you with additional assistance in finding an approved buyer for your Center and getting your Center sold.
Minority Owner Transfer Fee	\$750	On submission of request to add additional owner	If you are a legal entity and you request consent to bring on a minority owner in the legal entity after signing your Franchise Agreement, you must pay to us the "Minority Owner Transfer Fee" of \$750, due to us when you submit your request. Note, if your change in ownership results in a change in control of the franchisee entity, we may charge you the full Transfer Fee.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Fees and Costs of Dispute Resolution	Variable	On issuance of judgment	If we win in litigation against you, you must pay us our reasonable costs, experts', and attorneys' fees.
Indemnity-related fees and costs	Variable	As incurred	You must defend and indemnify us for any third-party claims based on your acts or breaches of the Franchise Agreement.
Insurance Verification	Our costs	As incurred	We have preferred vendors for insurance, if you decide to use a different vendor for insurance, we may charge you our costs of obtaining verification that your insurance complies with our requirements.
Insurance Reimbursement	Cost of insurance plus 18% of the cost of insurance	As required by insurer or broker	If you fail to maintain insurance as required under your Franchise Agreement, we have the right to procure insurance on your behalf and charge an 18% administrative fee in addition to the cost of the insurance See Item 8 of this FDD for more information on the types and amounts of insurance you must maintain.
Regional Advertising (Ad Co-op)	Amount is determined by a majority of Ad Co-op members, which amount may not exceed the Local Advertising requirement	Monthly as the Ad Co-op requires	We may, in our discretion, designate any geographical area for establishing a regional advertising and promotional cooperative ("Ad Co-op"), and determine whether you must participate in an Ad Co-op. You will receive credit for Ad Co-op contributions against your Local Advertising Requirement. See Note 7.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Additional Training	Our then-current rates; currently, rates for additional training include \$300 per day per person per training session with a minimum of \$1,800 per training session, plus our expenses, including our transportation, lodging, and meals expenses	At time of additional training	Subject to the availability of our training personnel, we will train your additional and/or replacement General Managers, Assistant General Managers, and Lead Coaches at our then-current tuition rate.
Additional Assistance	Our then-current rates; currently \$300 per day per member of our staff, plus our expenses, including our transportation, lodging, and meals expenses	When incurred	This fee applies only if you request assistance over and above our normal support services.
Financial Records and Reports	Cost of preparing Gross Sales Reports and other reports we require	As the bookkeeper and/or certified public accountant requires	See Note 8.
Supplier Approval/ Testing Costs	Actual costs incurred	When incurred	If we incur any costs for testing a particular product or evaluating a supplier at your request, you must reimburse us for our reasonable testing costs, regardless of whether we approve the product or supplier.
Post-Termination and Post-Expiration Expenses	Actual costs incurred	When incurred	On termination of the Franchise Agreement, regardless of the cause, and on expiration and nonrenewal or transfer of the Franchise Agreement, you must pay all costs we incur associated with your ceasing operation of the Center and de-identifying yourself from the System.
Camera System	Then-current cost to maintain the camera system. Currently \$30 per camera to purchase (4 are required), plus \$6 per month per camera	As incurred	You must purchase, install and maintain the camera system we specify. This system must be turned on and operational at all times during the term of the Franchise Agreement and accessible to us for monitoring on the Internet or otherwise.

Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Product Non-Compliance Fee	\$250 per occurrence	As incurred	If we discover you are selling unauthorized or unapproved products from your Center, you must pay us a non-compliance fee of \$250. Additionally, if you fail to remedy this non-compliance within 14 days notification, we will assess the Non-Compliance Fee again and will continue to assess the fee every 14 days until the non-compliance is cured.
Liquidated Damages	Aggregate Royalty Fees due to us during the 36 months of operation immediately before termination	On termination	If the Franchise Agreement is terminated due to your default, you must pay us liquidated damages. If your Center has not been open for 36 months before termination, liquidated damages will be the average Royalty Fees due under the Franchise Agreement for all months during which the Center was open, multiplied by 36.
Music Licensing Fee	The then-current music licensing fee; currently the music licensing fee is \$29 per month	Monthly	You must comply with our music licensing requirements.
Development Agreement Extension Fee	\$2,500 per month	Monthly	If you fail to meet an opening deadline under your Development Agreement, you may apply for a 6-month extension to the opening deadline by submitting a written extension request detailing the efforts you have undertaken to meet the development deadline and the reason for the delayed opening. If we grant the 6-month extension, you must pay an extension fee of \$2,500 per month.

Notes:

Note 1. Unless otherwise indicated, all fees are payable only to us for our account, and we intend to impose them uniformly. All fees are nonrefundable. We require that all fees payable to us or our affiliates be paid through an electronic funds transfer, including automatic debits from your bank account, unless we specify otherwise.



Note 2. Your obligation to pay the Royalty Fee, Brand Fund Contribution, and Technology Fee begins when pre-sales begin for your Center. We reserve the right to require you to pay the Royalty Fee and other recurring fees on a different frequency, including on a monthly, weekly or twice monthly basis, effective on notice to you. We also may designate a different method through which you must pay the Royalty Fee and other recurring fees, effective on notice to you.

“Gross Sales” means the total amount of all revenue derived in connection with the Center, including all revenues generated through operation of the Center (whether generated in, at or from the Center), and includes member fees, enrollment fees, member dues, revenues derived in connection with any goods and services leased or sold by you, and all other income of any kind or nature related to the Center; except that “Gross Sales” does not include any sales tax collected from your customers and tendered to any taxing authority.

You must use the commercial billing service and the computer program associated with this service, as we designate, to process payment from members, including member enrollment, dues, activity fees and other fees. You must allow the commercial billing service to allow us the unrestricted right to access and review all of your records and reports related to your Center operations, including, without limitation, all Gross Sales information and financial reports. If we require, you must send us monthly, signed Gross Sales reports (“Monthly Reports”) within 15 days of the conclusion of each month for the Gross Sales generated in the immediately preceding month. The Monthly Reports must provide your monthly Gross Sales generated during the previous month, and any other information we require. We may change the form and content of the Monthly Reports periodically. The Royalty Fee must be paid on a twice monthly basis (unless we specify otherwise), by EFT (unless we designate a different method), under which we automatically deduct all payments owed to us under the Franchise Agreement, and any other agreement between you and us, from your bank account.

Note 3. You must pay to us or our designee the monthly Brand Fund Contribution on or before the 15<sup>th</sup> day of each month by EFT. Your obligation to begin paying the Brand Fund Contribution begins on the date that pre-sales begin for your Center. You also must pay to us a Marketing Set-up Fee and Ongoing Marketing Services Fee for administration of online marketing spend and lead generation spend and must reimburse us for the placements costs for the ads. If you own and operate multiple Centers, this fee may be reduced, as we determine in our discretion. We reserve the right to require you to pay the Brand Fund Contribution and/or Ongoing Marketing Services Fee on a different recurring basis, including on a monthly or bi-weekly basis, effective on notice to you. We also may designate a different method through which you must pay the Brand Fund Contribution and Ongoing Marketing Services Fee effective on notice to you.

Note 4. The estimated local marketing spend is based on the average revenues of the top 50% of Centers, as disclosed in Item 19. See Item 11 for additional disclosures on the local marketing spend.

Note 5. Your obligation to begin paying the Technology Fee begins on the date that pre-sales begin for your Center. We reserve the right to require you to pay third-party suppliers directly for any software and/or technology we require you to use in the operation of your Center at any time effective on notice to you.



Note 6. If the payment of any fee is denied or declined by your bank or financial institution, or if any other method of payment you provide fails to allow us to receive when due any payment, then you must reimburse us for all costs incurred with that denial or decline. All delinquent payments and sums due to us under any provision of the Franchise Agreement will bear interest at an annual percentage rate of 18% or the highest rate permitted by law, whichever is lower, and at our option, each delinquent sum will be subject to an administrative charge of 3% of the overdue amount per occurrence to partially compensate us for our efforts in accounting for and collecting delinquent sums.

Note 7. We have not established any Advertising Cooperatives. Therefore, no company-owned or affiliate owned Centers have any voting power in any Advertising Cooperative.

Note 8. You must maintain for at least 7 fiscal years from their preparation complete financial records for the operation of your Center in accordance with generally accepted accounting principles and must provide us, at our request, with Monthly Reports, annual financial reports and operating statements in the form we specify, state and local tax returns and unaudited quarterly and/or monthly profit and loss statements, and any other reports we periodically require. You must keep accurate records and books of account in relation to the Center, including records of all goods and services provided to customers, all prices charged, and all Gross Sales received or credited, in a form and detail we prescribe or approve in the Manual. You must acquire at your own expense and use any accounting or other record-keeping software (including any web-based software or system) we require. Currently, and unless we designate otherwise in writing, you must license and use accounting software that allows us independent access, the ability to pull information and reports, and that is compatible with Qvinci (such as Quickbooks Online or Xero). If you fail to provide this, you are in default under your Franchise Agreement, and the default is subject to a 30-day cure, failing which, we may terminate your Franchise Agreement.

Without limiting our broad rights regarding software and hardware requirements, we have the right to require you to use computer-based point-of-sale cash registers with non-resettable cash register receipts that are fully compatible with any computer program or system that we, in our discretion, may employ. If we require computerized cash registers, all Gross Sales and sales information must be recorded on this equipment. You must provide us with full access to all of your data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at your sole expense.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type Of Expenditure <sup>1</sup>	Amount (Low Range)	Amount (High Range)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fee	\$45,000	\$45,000	Cash	When You Sign Your Franchise Agreement	Us
Pre-Paid Rent And Lease Deposit <sup>2</sup>	\$7,500	\$20,000	As Arranged	As Arranged	Landlord
Startup Marketing Fee	\$1,500	\$1,500	Check, Cash Or Wire Transfer	When You Sign Your Franchise Agreement	Us Or Our Affiliate
Initial Training Fee	\$5,000	\$5,000	Check, Cash Or Wire Transfer	When You Sign Your Franchise Agreement	Us
Architect Fees <sup>3</sup>	\$15,500	\$19,000	Check Or Cash	As Arranged	Approved Vendors
Leasehold Improvements <sup>4</sup>	\$175,000	\$250,000	Check Or Cash	When Work Is Performed	Contractors
Fixtures, Furnishings, And Other Fixed Assets <sup>5</sup>	\$3,500	\$4,000	Check Or Cash	On Delivery	Approved Or Designated Vendors
Equipment Package Fee <sup>6</sup> (Includes Training Floor)	\$88,500	\$110,000	Check Or Cash	On Ordering	Us Or Our Affiliate
Equipment Installation Fee <sup>6</sup>	\$12,000	\$18,500	Check Or Cash	Before Installation	Us Or Our Affiliate
Electronics <sup>7</sup>	\$4,000	\$5,000	As Agreed	Before Opening	Approved Vendor
Office Supplies	\$700	\$800	Check Or Cash	On Delivery	Approved Or Designated Vendors
Interior Signage	\$7,500	\$10,000	As Agreed	As Arranged	Approved Or Designated Vendors
Exterior Signage <sup>8</sup>	\$5,000	\$12,000	Check Or Cash	On Installation	Third-Party Suppliers
Permits, Licenses And Legal/ Professional Services	\$5,000	\$6,000	Check Or Cash	On Application	Cities, Counties And Professionals
Training (Transportation, Lodging, Etc.) <sup>9</sup>	\$2,500	\$4,500	Cash	As Incurred	Vendors, Hotels, Employees, Etc.
Retail And Print	\$9,000	\$11,000	Check Or Cash	On Application	Vendors, Regulatory Agencies And Other 3 <sup>rd</sup> Parties

Type Of Expenditure <sup>1</sup>	Amount (Low Range)	Amount (High Range)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Pre-Sales Marketing And Grand Opening Event <sup>10</sup>	\$35,000	\$45,000	As Incurred	As Incurred	Us
Insurance Deposits <sup>11</sup>	\$900	\$2,700	Cash	As Incurred	3 <sup>rd</sup> Parties
Additional Funds (3 Months) <sup>12</sup>	\$25,000	\$30,000	As Incurred	As Incurred	Employees, Vendors, Etc.
<b>Total</b>	<b>\$448,100</b>	<b>\$600,000</b>			

Note 1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

Note 2. You must lease or sublease a location at which to operate the Center. Real estate expenses will vary based on the Center's location and size. An average Center will be between 3,200 square feet and 4,500 square feet. Figures above include the estimated cost of lease deposits plus 3 months' rent. Because of a number of variables, the costs projected in the chart for the lease deposit are an estimate only, and your initial investment may be higher or lower. Be sure to investigate all real estate costs and leasehold improvement costs thoroughly before signing a lease.

Note 3. You must use our approved architect for your architectural plans.

Note 4. The Center must conform to our specifications for appearance, layout and design. We may provide you our specifications for construction, remodeling and decorating the Center and general floor plans and interior layout and design. You must submit to us for approval all construction and design plans for adapting our specifications to your Center, which plans will comply with any requirements we identify. You must use one of our approved architects for your construction plans. We will review those plans and will approve or disapprove them in writing within 30 days after receipt. You must ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the Center meets all our specifications.

This figure includes general buildout costs. The high range is an estimate based on delivery of a cold, dark shell premises. The buildout figure includes the building permit. Alternatively, if you purchase a space to use for the Center instead of leasing a space, the upfront costs you will incur for leasehold improvements will greatly decrease because you will be able to include the costs for these improvements in the mortgage for the Center.

The costs incurred for the design, remodeling, decorating and/or construction of a Center will vary greatly depending on a number of factors, including the Center' size and location, the amount of construction or remodeling needed and the premises' prior use. You must employ qualified personnel to perform all design, construction, and remodeling work at the Center. At our request, you must provide us with all requested information on the personnel you employ for design, construction, or remodeling, and we may disapprove any of those personnel if we conclude that they are not reasonably qualified or financially capable of performing that work. At our option, you must employ any design, construction, and remodeling professionals we identify. If you obtain financing from a third party for some or all of the construction costs, you also will have to pay interest on the amount borrowed. If leasehold improvement costs are estimated to exceed the

amounts stated in this FDD, you may wish to investigate and/or obtain an alternate site for your Center.

Note 5. You must purchase the required furniture, fixtures, and fixed assets. The estimates for the furniture and fixture categories include chairs, refrigerator, coffee maker, storage racks, six-foot table, change table, baby seat, desk, and hanging materials for equipment. You must purchase these items from our designated or approved suppliers and all these items must meet our current specifications. These estimates will vary depending on the size of your Center and how far your Center is located from the shipping location, among other variables.

Note 6. 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. You also must purchase equipment installation services from us or from our affiliate.

Note 7. 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 8. This represents the expenses of acquiring 1 or 2 exterior signs 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. You may purchase signage only from a supplier that we have approved and to whom we have granted a license to reproduce the Marks on the signage.

Note 9. You are responsible for all expenses associated with attending our 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 10. You 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 \$45,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open. To the extent that we make the expenditures for your grand opening marketing campaign, we will invoice you monthly for the expenses incurred and you must reimburse us the amount of this expenditure. These expenses vary slightly based on each franchisee's expenditure and all reimbursements to us are non-refundable. 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 11. 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 12. 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.

### **YOUR ESTIMATED INITIAL INVESTMENT UNDER THE DEVELOPMENT AGREEMENT**

If you sign a Development Agreement, you should review the above table of estimated initial investment expenses applicable to Franchise Agreement as well as the following table of fees.

<b>Type Of Expenditure<sup>1</sup></b>	<b>Amount (Low Range)</b>	<b>Amount (High Range)</b>	<b>Method Of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is To Be Made</b>
Development Fee <sup>2</sup>	\$45,000	\$405,000	Lump sum	When you sign the Development Agreement	Us
Initial Investment for the First Center <sup>3</sup>	<b>\$448,100</b>	<b>\$600,000</b>	These amounts are from the above Table.		
<b>Total Initial Investment</b>	<b>\$493,100</b>	<b>\$1,005,000</b>			

Note 1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

Note 2. The Development Fee excludes the Initial Franchise Fee for your first Center, as that fee is included in the next line for the Initial Investment for the First Center.

Note 3. This estimated initial investment for each Center you must develop under the Development Agreement is subject to change for future Centers, based on our then current offer at the time of sale, and costs associated with the types of expenditures listed in the first table above. This estimate only includes the first Center you open under the Development Agreement. You will incur initial investment expenses for each Center you must open under the Development Agreement, and that initial investment estimate may increase in the future. Additionally, if we increase the Initial Franchise Fee in the future, you must pay the difference between the then-current initial franchise fee and \$45,000 for the second and each additional Center you open, which fee will be due and payable when you sign the Franchise Agreement for each Center.

## ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

### Generally

The Franchise Agreement includes restrictions on (a) the types of products, classes and services you are permitted to offer in the operation of your Center, and (b) the sources of products, services, inventory, equipment and other items. We may require you to buy some or all products, services and items from us, our affiliates, and/or our designated suppliers. We may change our designations, including our lists of approved and designated sources of supply, at any time on notice to you. We may, in certain instances, permit you to select a vendor or supplier for certain goods or services, but in this event, the goods or services you purchase must comply with specifications that we establish. We may communicate these obligations to you in any way we determine, including through the Manual or other written communications.

You must operate your Center in strict conformance with your Franchise Agreement and our methods and specifications that we prescribe in our confidential brand standards manual and various other confidential manuals and writings (individually and collectively, the “Manual”). We have the unrestricted right to change the Manual over time. The Manual may include class specifications, pricing requirements (to the fullest extent permissible under applicable law), minimum advertised pricing requirements, branding (including design, layout, décor, appearance, lighting and cleanliness specifications), standards of customer service, safety, insurance requirements, cleanliness, maintenance, remodeling, replacement of outdated, obsolete or worn out equipment, signage specifications, graphics and artwork specifications, dress and uniform requirements, environmental care, consistency, training services, brand image, advertising, and promotion among other subjects and areas. We may require you to participate in in-house certification, videos and instruction that you must use when conducting **KIDSTRONG®** classes.

### Required Purchases and Approved Suppliers

You may only offer approved services, classes and products (“Approved Services and Products”) at your Center. You are not permitted to offer or sell any other services, classes, products or items in the operation of your Center. We will provide you with a list of the Approved Services and Products on signing your Franchise Agreement. All Approved Services and Products must meet our specifications. To: (i) better assure the quality of the Approved Services and Products; (ii) assure the supply of the Approved Services and Products; and/or (iii) enable us, in our sole discretion to take advantage of marketplace efficiencies, we have the right to require you to purchase any and all items from us, our affiliates, and/or other suppliers or distributors we approve or designate. Your purchase or lease of goods or services as required is an essential element of your compliance with the Franchise Agreement and the Manual, and your failure to do so is a breach of the Franchise Agreement and may result in your loss of material benefits, including the termination of the Franchise Agreement. We also may develop certain equipment, products, marketing services and items that you must purchase from us and/or our affiliates and use and/or offer for sale, as applicable, at or in the operation of your Center.



We may formulate and modify our specifications for products and services based on the collective experience of our franchisees and our principals, among other reasons. Our specifications are described in the Franchise Agreement, the Manual, and other written documents. We have the right, under the Franchise Agreement, to change the specifications applicable to operation of the Center, including specifications for services, products, signs, furnishings, supplies, fixtures and equipment by written notice to you or through changes in the Manual. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement. We will notify you of any change to our specifications by way of written amendments to the Manual or otherwise in writing.

We estimate that, in establishing your Center, your purchases or leases of goods, equipment, and supplies made in accordance with our specifications (including from us, an affiliate or designated or approved vendors) will represent about 85% to 95% of all of your total purchases or leases of goods, equipment, and supplies. Once your Center is established, we estimate that, on an ongoing basis, your purchases or leases of goods, equipment, and supplies made in accordance with our specifications (including from us, an affiliate or designated or approved supplier) will represent about 10% to 20% of all of your purchases or leases of goods, equipment, and supplies.

#### Currently Required Purchases From Us Or Our Affiliates

Currently, you must purchase start-up marketing services, ongoing marketing services, the equipment package, and equipment installation services from us or our affiliate, as we designate. We and/or our affiliates will derive revenue and other material consideration on account of these purchases. The amount of margin and pricing for required purchases is unrestricted and subject to our absolute discretion to the fullest extent permissible under applicable law. Currently, the margin on equipment and installation services is about 20% to 35% and is subject to increase.

Except as stated above, currently neither we nor any of our affiliates are approved suppliers of any item, equipment, product or service. We and our affiliates reserve the right to become approved suppliers, including the sole approved supplier of any item, equipment, product and/or service at any time.

#### Right to Derive Revenue and Material Consideration

We and our affiliates reserve the right to derive revenue and to receive consideration, including monetary payments and other benefits, from franchisees for goods or services that we and/or our affiliates sell or lease to them, and also from vendors who sell or lease products and/or services to our franchisees. During our fiscal year ended December 31, 2024, we did not receive any revenues on account of franchisees' required purchases. Our affiliate, KidStrong, Inc., derived \$235,805 on account of our franchisees' required purchases during its fiscal year ended December 31, 2024. Our affiliate, KidStrong Equipment, Inc. derived \$6,516,066 from franchisees' required purchases of equipment during its fiscal year ended December 31, 2024. We and our affiliates reserve the right to derive revenue from the sale and/or lease of any goods, products, items and/or services to franchisees without restriction. We and our affiliates may impose mark-ups on any purchases and leases from us or our affiliates.

We received a rebate from an approved payroll services vendor in 2024 of \$1,817. We received a rebate from an approved apparel vendor in 2024 of \$294,321. Except as disclosed in this Item, we currently do not currently have any third-party vendors or suppliers that pay us a rebate or any other consideration from required franchisee purchases, but we reserve the right to collect these types of rebates or other consideration at any time in the future without restriction. We and our affiliates also reserve the right to receive compensation from suppliers for creating or maintaining purchasing relationships. If we and/or our affiliates receive these rebates or payments, there will be no restriction on our and/or our affiliate's use of these monies. We have negotiated price discounts on items you must purchase from some designated vendors. We reserve the right to enter into and to modify vendor arrangements at any time and are not under any obligation to ensure future price discounts on any item. Except as disclosed in this Item, we have not negotiated any purchase agreements with suppliers for the benefit of franchisees, but we reserve the right to do so at any time in the future.

None of our officers currently own any interest in an approved supplier, other than the franchisor entity, KidStrong Franchising LLC, and our affiliates, KidStrong, Inc., KidStrong IP, LLC and KidStrong Equipment, Inc. There currently are no purchasing or distribution cooperatives in place for the purchase or lease of goods or services by franchisees.

#### Approved and Designated Suppliers

We have the absolute right to limit the suppliers with whom you are permitted to deal with in the development and/or operation of your Center. We may designate exclusive suppliers for products, services and other items, without restriction. Your compliance in using designated suppliers is of material importance to us, and to the System as a whole. You must use equipment, products and items purchased from approved suppliers only for the operation of your Center and not for any competitive business purpose.

If you wish to purchase, lease or use any product, service or any other item (a) that we have not approved, or (b) from a supplier or distributor that is not on our approved list, you may request our approval of the proposed product, service, supplier or distributor, as applicable. We are not obligated to consider or to approve these requests. We do not use any fixed process for granting or revoking approval of designated suppliers. Instead, we evaluate products, items, services and suppliers, as applicable, on a variety of criteria, which may include quality, price, responsiveness, reputation, timeliness, and experience, ability to service the entire franchise system, among others. We will make a reasonable effort to approve or disapprove any proposed item or supplier within 30 days. If you do not hear back from us regarding our approval or disapproval, your request is considered denied. Our evaluation may include a sampling of the service, equipment or product at either the supplier's/distributor's or our place of business, as we determine. Where appropriate, the supplier or distributor must provide us with indemnification rights and appropriate liability insurance (including products liability insurance) and name us and our parents and affiliates (including KidStrong, Inc., KidStrong Equipment, Inc.) as an additional named insured on their insurance policies. We may require the suppliers and distributors to provide information and reports to us containing all information we designate, including information on all purchases by, and information on, our franchisees. If we approve a supplier you propose, the supplier or distributor will be added to our approved list, but our approval will relate only to the item or product line we evaluated and approved. We may provide our specifications for goods and services directly to the proposed suppliers or to our approved and designated suppliers. We may charge you a fee for our review and evaluation of the proposed supplier, product and/or service, as applicable. The amount of this fee may vary and will depend on the costs we incur (including salaries) in inspecting and vetting the proposed product, service and/or supplier, laboratory fees



(if applicable), legal fees, other professional fees and travel and living expenses. We may revoke our approval of particular products, services or suppliers at any time, in our sole discretion. On receipt of written notice of revocation, you must stop purchasing products or services from that supplier.

### Insurance

As an independently owned and operated Center, it is imperative that you carry adequate insurance to protect yourself. You must obtain and maintain insurance, at your expense, as we require. We may communicate these requirements to you in the Manual or other written communications, and our requirements are subject to change at any time in the future (including through updates to the Manual). We have preferred vendors for insurance, if you decide to use a different vendor for insurance, we may charge you our costs of obtaining verification that your insurance complies with our requirements.

The current minimum coverages and limits are:

(A) General Liability coverage, including: (i) Personal and Advertising injury of \$1,000,000 per occurrence; (ii) \$2,000,000 General Aggregate, including Products/Completed Operations; (iii) damage to premises rented to you and/or fire damage legal liability must be included; (iv) medical expense cannot be excluded; (v) additional insured, grantor of franchise, endorsement in the name of us and our parents and affiliates (including KidStrong, Inc. and KidStrong Equipment, Inc.), and (vi) a waiver of subrogation in favor of us and our parents and affiliates (including KidStrong, Inc. and KidStrong Equipment, Inc.);

(B) Sexual Abuse & Molestation (Sexual Misconduct) coverage of \$1,000,000 per occurrence;

(C) Auto Liability Insurance, including (i) hired and non-owned auto liability coverage of \$1,000,000 CSL; (ii) owned auto coverage included (as applicable); (iii) additional insured endorsement in the name of us and our parents and affiliates (including KidStrong, Inc. and KidStrong Equipment, Inc.); (iv) a waiver of subrogation in favor of us and our parents and affiliates (including KidStrong, Inc. and KidStrong Equipment, Inc.);

(D) Umbrella Liability Insurance, including (i) umbrella liability limit of \$1,000,000 per occurrence/\$1,000,000 aggregate for 1-2 locations (3-5 owned locations requires \$3,000,000 per occurrence/\$3,000,000 aggregate, 6-8 owned locations requires \$5,000,000 per occurrence/\$5,000,000 aggregate). The Umbrella policy must go over General Liability, Auto Liability, and Employers Liability; Additional Insured Grantor of Franchise (in the name of us and our parents and affiliates, including KidStrong, Inc. and KidStrong Equipment, Inc.); and a waiver of subrogation in favor of these parties;

(E) Property Insurance including (i) business income and extra expense coverage of at least 12 months' income replacement; (ii) business personal property and tenant improvements and betterments at full replacement cost; and (iii) special causes of loss form required;

(F) Professional Liability Coverage: if a certification or licensure is required by your state or county in order to operate a Center, you must carry Professional Liability coverage in a limit of at least \$1,000,000 per occurrence;

(G) Workers Compensation and Employers Liability Insurance (price will vary depending on, among other factors, the state in which the Center is located): employers liability of at least \$500,000 each accident, \$500,000 each employee, \$500,000 policy limit; with a waiver of subrogation in favor of us and our parents and affiliates, including KidStrong, Inc. and KidStrong Equipment, Inc.

We also strongly recommend, but do not currently require, Employment Practices Liability Coverage (with a minimum of \$500,000 per claim, including 1<sup>st</sup> and 3<sup>rd</sup> party coverage, wage and hour defense sublimit of at least \$25,000, include co-defense language for us and our parents and affiliates (including KidStrong, Inc. and KidStrong Equipment, Inc.); Cyber Liability / Data Privacy Coverage (with a minimum limit of \$250,000 policy aggregate, including 1<sup>st</sup> and 3<sup>rd</sup> party coverage and cyber business interruption); and Participant Accident Coverage with a \$25,000 policy limit.

We reserve the right to modify the insurance requirements at any time by providing written notice to you or through changes to the Manual.

All insurance policies must be written by an insurance company with an A.M. Best's Key Rating Guide minimum rating of A- or better. In addition to the information listed above, you must carry all insurance required by the lease for your Center, by any lender or equipment lessor you select, and worker's compensation insurance as required by applicable law. All insurance policies must provide for 30 days prior written notice to us (10 days for non-payment of premiums) of any material modification, cancellation or expiration of any policy. The premiums will vary based on location of the Center and any prior claim history.

### Advertising

You must send us, in advance of use or publication, all proposed advertising (which must meet all of our specifications) for our prior review and approval.

### Lease and Leasehold Improvements

You must purchase or lease a space for your Center that meets our specifications for a **KIDSTRONG®** Center. We must approve your location and lease terms before you sign any lease. We may condition our approval of your lease on, among other conditions, you and your landlord's signing of a lease rider in the form we designate or approve, which form must include collateral assignment rights whereby your landlord grants us or our affiliate the right to assume your rights and obligations under the lease if you breach your lease agreement, or if your Franchise Agreement is terminated or expires.

You must employ qualified personnel to perform all design, construction, and remodeling work at the Center. At our request, you must provide us with any requested information on the personnel you employ for design, construction, or remodeling, and we may disapprove any of those personnel if we conclude that they are not reasonably qualified or financially capable of performing that work. At our option, you must employ any design, construction, and remodeling professionals we identify or designate. We will provide you our specifications for construction, remodeling and decorating the Center and general floor plans and interior layout and design. You will submit to us for approval all construction and design plans for adapting our specifications to your location, which plans will comply with any requirements we identify. You must use one of our approved architects for your construction plans.

We will review those plans and will approve or disapprove them in writing within 30 days after receipt. You must obtain and maintain in good standing all licenses, permits and certifications required for lawful construction or remodeling of the Center. At our request, you must provide to us written evidence of your funding or funding commitments in a form acceptable to us, and you authorize us to contact any funding sources directly to discuss all financial aspects of the construction or remodeling of the Center. You must ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the Center meets all our specifications. You must provide us with any progress reports we request during the course of any design, construction, and remodeling work. We may visit and inspect the Center at any time during the design, construction, and remodeling process. Your completion of the construction or remodeling process includes the complete construction of the Center at the location, the installation of all equipment, fixtures, furnishings, and signage required by our specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Center fit for use, which you will incur at your own expense.

#### Computer Hardware and Software Components

You must purchase the computer hardware and software we designate for use in the operation of your Center. Please see Items 6, 7, and 11 of this FDD for more information on required computer hardware and software purchases.

You have the sole and complete responsibility for (i) the acquisition, operation, maintenance, and upgrading of any computer hardware and software we require you to use in operation of the Center; and (ii) all consequences that may arise if the computer hardware and software is not properly maintained, operated, and upgraded. We may require you to enter into a separate maintenance agreement for computer hardware and software. On our request, you must promptly acquire, install, update or replace any computer hardware and/or computer software we designate.

### **ITEM 9. FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	Sections 1.3, 6.1 and 6.2 of Franchise Agreement	Items 7, 11, 12
b. Pre-opening purchases/leases	Sections 1.3, 6.1, 6.2, 7.3, 7.4, 7.5, 7.15, 7.27, 7.29, 7.31, 7.32, 8.6 and 14.4 of Franchise Agreement	Items 5, 6, 7, 8, 11
c. Site development and other pre-opening requirements	Sections 1.3, 3.1, 3.3, 6.1, 6.2, 6.3, 6.4, 7.18 and 9.1 of Franchise Agreement	Items 5, 6, 7, 8, 11
d. Initial and ongoing training	Section 9 of Franchise Agreement	Items 6, 7, 8, 11, 15
e. Opening	Sections 6.3, 6.4 and 15.2(d) of Franchise Agreement and Section 1.2 of Development Agreement	Items 6, 7, 11

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Disclosure Document Item</b>
f. Fees	Sections 2.2(k), 3, 7.27, 7.29, 8.1, 8.6, 8.7, 8.9, 8.11, 9.3, 9.5, 10.5, 12.2(d), 17.8 of Franchise Agreement and Section 2.1 of Development Agreement	Items 5, 6, 7, 8, 11
g. Compliance with standards and policies/operating manual	Sections 6.5, 6.6, 6.7, 7, 14.4, 15.2, 15.3 of Franchise Agreement	Items 7, 8, 11, 12, 13, 14, 16
h. Trademarks and proprietary information	Sections 4, 5, 7.20, 7.22, 8.8, 8.10, 8.11 and 15.2(o) of Franchise Agreement	Items 7, 8, 11, 13, 14
i. Restrictions on products/services offered	Sections 1.1, 1.2, 7.2, 7.3, 7.4, 7.5, 7.6, 7.7, 7.23 and 15.2(n) of Franchise Agreement	Items 7, 8, 11, 13
j. Warranty and customer service requirements	Section 7.2, 7.20, 7.21 and 7.23 of Franchise Agreement	Items 1, 8, 11
k. Territorial development and sales quotas	Section 6.3(b) of Franchise Agreement Section 1.2 of Development Agreement	Items 12, 17
l. Ongoing product/service purchases	Sections 7.3-7.7, 7.27, 7.28 and 7.29 of Franchise Agreement	Items 6, 7, 8, 11, 16
m. Maintenance, appearance and remodeling requirements	Sections 6.5, 6.6, 7.27 of Franchise Agreement	Items 7, 8
n. Insurance	Section 14 of Franchise Agreement	Item 7
o. Advertising	Section 8 of Franchise Agreement	Items 5, 7, 8, 11, 18
p. Indemnification	Section 14 of Franchise Agreement and Section 9.4 of the Development Agreement	Item 7
q. Owner's participation/management/staffing	Sections 7.13, 7.17 and 9.1 of Franchise Agreement	Items 7, 8, 11, 15
r. Records and reports	Section 10 of Franchise Agreement	Items 6, 7, 11
s. Inspections and audits	Sections 6.8 and 10.5 of Franchise Agreement	Item 6
t. Transfer	Section 12 of Franchise Agreement and Section 6 of Development Agreement	Items 6, 17
u. Renewal	Sections 2.2 and 2.3 of Franchise Agreement	Items 6, 17
v. Post-termination obligations	Section 16 of Franchise Agreement and Section 5.3 of Development Agreement	Items 6, 17
w. Non-competition covenants	Section 11 of Franchise Agreement and Section 7.1 of Development Agreement	Item 17
x. Dispute resolution	Section 17 of Franchise Agreement and Section 8 of Development Agreement	Item 17

## ITEM 10. FINANCING

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

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

**Except as listed below, we need not provide any assistance to you.**

### Assistance Before Opening

Before you open your **KIDSTRONG®** Center:

1. We will provide you with assistance with site selection and development of the Center. We will review and approve your architectural plans at 45% completion, and 95% completion prior to permit submittal (Site Selection Addendum and Section 6.1 of the Franchise Agreement). You must use one of our approved architects for your construction plans.
2. We will provide you with initial training and opening assistance (Section 9.1 of the Franchise Agreement).
3. We will provide you with a digital copy of our proprietary and confidential Manual, which we may amend periodically (Section 7.1 of the Franchise Agreement). The Table of Contents of the Manual is included as Exhibit G to this document. The Manual is currently 116 pages.
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. We will, to the extent we deem necessary, provide you with equipment installation services necessary for the start-up and ongoing operation of the Center (see Sections 3.5, 7.4 and 7.5 of the Franchise Agreement).
6. You must pay to us or to our affiliate, as we designate, a startup marketing fee of \$1,500 when you sign the Franchise Agreement. You also must 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 \$45,000 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 325 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 decorating your Center and general floor plans and interior layout and design for a **KIDSTRONG®** Center. You must submit to us for approval all construction and design plans for adapting our specifications to the Center, which plans will comply with any requirements we identify. You must use one of our approved architects for your construction plans. We will review those plans and will approve or disapprove them in writing within 30 days after receipt (Franchise Agreement Section 6.2(b)). However, you are solely responsible for the engagement of local contractors to develop construction plans that meet with applicable ordinances, building codes, permit requirements, and the Americans with Disabilities Act. Your completion of the construction or remodeling process will include the complete construction of the premises at the Center, the installation of all equipment, fixtures, furnishings, and signage required by our specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Center fit for use, which you will incur at your own expense (Section 6.2(g) of Franchise Agreement).

### Time to Open

We estimate that you will open your Center within 8 to 12 months after you sign the Franchise Agreement. You must notify us on completion of all construction and remodeling work, and at our option, we will promptly inspect the Center and identify any additional actions that you must take to comply with our specifications (Franchise Agreement Section 6.3). You must meet the designated pre-opening criteria within the time we designate before you open your Center. We may designate pre-opening criteria in the Manual or in other written specifications provided to

you. You must satisfy our designated pre-sales membership requirement, which currently is 325 members. Once you have reached 325 members and we have cleared you to open, we estimate that you will open your Center within 2 to 3 weeks. The Center must be open and operating within 12 months from the date the Franchise Agreement is signed (Franchise Agreement Section 6.4), or, if you signed the Franchise Agreement under a Development Agreement, you must open the Center on or before the deadline stated in the Development Agreement. We have the right to terminate the Franchise Agreement if you do not open the Center within this time frame (Franchise Agreement Section 15.2(d)). We have the right to terminate the Development Agreement if you do not comply with the deadlines, including the opening deadlines, stated in the Development Agreement. Under your Development Agreement, you must comply with our then-current, designated pre-opening requirements before you may open your second and/or each additional Center under your Development Agreement, which may include performance requirements for operational Centers.

Factors that will affect your opening date include selecting the location for your Center, whether or not you meet your pre-opening criteria including pre-sales membership requirement (currently, 325 members to be cleared for opening), obtaining required licenses, construction or remodeling of the premises, delivery of your furniture, fixtures and equipment, acquiring inventory and supplies, obtaining financing (if applicable), hiring and certifying your General Manager, hiring and certifying at least 8 coaches, and completing the initial training program. On your final compliance with all specifications and requirements, we will grant approval for you to open for business. You will not open for business until we have issued that approval, but you will promptly open for business once we have issued our approval (Franchise Agreement Section 6.3).

#### Training at KidStrong Headquarters (Before Opening)

After you sign your first Franchise Agreement and before you open your Center, we will provide our then-current initial training program (the "Initial Training"). Our Initial Training program consists of initial developer training ("Initial Developer Training") and our General Manager Certification Program ("General Manager Certification Program"). We may modify the Initial Training program at any time, including through updates to the Manual. The Initial Trainees (defined below) must complete the Initial Training to our satisfaction, before you open your Center. You must pay for all travel, accommodations, wages, and other costs for the Initial Trainees.

The training program will consist of classroom and on-the-job instruction. Our current program includes instruction on basic business procedures, operational procedures, basic accounting principles, computer operations, advertising and promotion, purchasing procedures, cost controls, customer service, general maintenance and other topics we select.

#### Initial Developer Training

You must attend (if you are a partnership, corporation or limited liability company, your general partner, principal shareholder, or member/manager, and your Operating Partner and Regional Operations Manager, as appropriate, must attend) and complete to our satisfaction, our Initial Developer Training at the next available training date after you sign this Agreement. You must successfully complete Initial Developer Training before attending our General Manager Certification Program.

Currently, the Initial Developer Training program includes the following classroom and on-the-job instruction:

### INITIAL DEVELOPER TRAINING

Developer 1 Training			
Subject	Virtual Hours	Center Hours	Location
Real Estate Training	2 to 3	0	Hosted remotely via Zoom or similar program. You must have access to a computer
Hiring, Training & Certifications	1	0	Hosted remotely via Zoom or similar program. You must have access to a computer
Marketing	1	0	Hosted remotely via Zoom or similar program. You must have access to a computer
Programming	1	0	Hosted remotely via Zoom or similar program. You must have access to a computer
Total	5 to 6	0	

Developer 2 Training			
Subject	Classroom Hours	Center Hours	Location
Culture	4	0	HQ and centers in Frisco, Texas area or at other designated location
Product	7	1	HQ and centers in Frisco, Texas area or at other designated location
Hiring & Training	6	0	HQ and centers in Frisco, Texas area or at other designated location
Business Acumen	3	0	HQ and centers in Frisco, Texas area or at other designated location
Sales & Marketing	3	0	HQ and centers in Frisco, Texas area or at other designated location
Bring It Together	8	0	HQ and centers in Frisco, Texas area or at other designated location
Total	31	1	

### General Manager and Coach Certification Program

You must attend (if you are a partnership, corporation or limited liability company, your general partner, principal shareholder, or member/manager, and your Operating Partner and Regional Operations Manager or regional staff, as appropriate, must attend) and complete to our satisfaction, our 5-day General Manager Certification Program, which includes our Coach Certification, no later than 30 days before the projected opening of your Center. If you are an individual, the participants in General Manager Certification Program will be you and two



members of your Center leadership team (collectively the “Initial Trainees”), the cost of which is covered by the Initial Training Fee. The Initial Trainees must attend and complete all designated components of the General Manager Certification Program, after completing all prerequisites, as stated in the Manual or other written specifications, to our reasonable satisfaction before opening for business. Should the Initial Trainees fail to complete the General Manager Certification Program to our satisfaction, the respective person may repeat the course, or in the case of an employee, you may send a replacement (the “Replacement Personnel”) to the next available General Manager Certification Program. You must pay all charges in advance of the Replacement Personnel attending the General Manager Certification Program. You may not open the Center until your Initial Trainees have successfully passed the General Manager Certification Program.

Currently, the General Manager Certification Program includes the following classroom and on-the-job instruction:

### **GENERAL MANAGER AND COACH CERTIFICATION PROGRAM**

<b>General Manager Certification</b>			
<b>Subject</b>	<b>Classroom Hours</b>	<b>Center Hours</b>	<b>Location</b>
Culture	2	0	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
Leadership & Business Management	4	0	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
Operations & Systems	6	0	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
Sales & Customer Experience	8	0	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
Coach Hiring, Training & Development	4	4	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
Coach Certification	16	16	HQ and centers in Frisco, Texas area or at other designated location/Online Training Platform
<b>Total</b>	<b>40</b>	<b>20</b>	

<b>Pre-opening Coach Certification*</b>			
<b>Subject</b>	<b>Classroom Hours</b>	<b>Center Hours</b>	<b>Location</b>
Coaching Standards	4	0	Your center or at other designated location
Coaching Techniques	2	6	Your center or at other designated location
Coaching Observation & Practice	0	12	Your center or at other designated location
<b>Total</b>	<b>6</b>	<b>18</b>	

Pre-Opening Coach Certification (also referred to as “NCO Certification”) occurs over the first 3 days of Center opening. You must have at least 8 certified coaches to open, and therefore must plan to hire a minimum of 12 coaches who are able to attend all 3 days of Pre-Opening Coach Certification. It is common for 2 to 4 coach hires not to pass the coach certification. New Center hiring plans are discussed in more detail in the Manual and/or other written materials. Training is conducted by various members of our staff and management personnel who have experience in the operation of a **KIDSTRONG®** Center, or who have relevant experience in corporate and/or franchise systems. The training program is conducted by instructors that are under the supervision of Matt Sharp and Megin Sharp. The Initial Training will be provided at a time we designate before the Center opening .

You must complete Developer 1, Developer 2, and General Manager Certification parts of Initial Training no more than 30 days before the projected opening of your Center. Pre-Opening Coach Certification occurs over the first 3 days of a Center opening. Failure to complete initial training to our satisfaction within the applicable time period may result in termination of the Franchise Agreement.

Throughout the term of your Franchise Agreement, you must ensure that your designated Lead Coach, General Manager or Assistant General Manager, and your Operating Partner and Regional Operations Manager or regional staff, as applicable, associated with your Center completes the General Manager Certification Training Program before this person begins coaching classes, but not more than 30 days after that person’s hiring. The General Manager Certification Training Program is discussed above and in more detail in the Manual and/or other written materials. We reserve the right to provide the Lead Coach, or General Manager or Assistant General Manager, and your Operating Partner and Regional Operations Manager or regional staff, as applicable, training online through our designated technology, and/or at our designated corporate Center. We reserve the right to change any portion of the Leadership Certification Training Program in our sole discretion and require your compliance with the changes. You must (a) hire and train at least one General Manager, Assistant General Manager, and if applicable per the specifications in the Manual, a Lead Coach and/or a Regional Operations Manager and (b) at all times have a properly trained and certified General Manager, Assistant General Manager, and if applicable per the specifications in the Manual, a Lead Coach and/or a Regional Operations Manager on staff.

All training related expenses for your additional center leadership team, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. Updated training materials will be provided to you as they are developed. All training materials provided to you are our property, and you agree not to challenge our or our affiliates’ title or rights in or to the training materials. For your second and each additional Center you develop, you must attend and successfully complete NCO Certification and your General Manager, Assistant General Manager, Lead Coach, and/or Regional Operations Manager as applicable, must attend and pass the General Manager Certification Training Program.

We may offer additional training programs and/or refresher courses to you, your Lead Coach, your General Manager, Assistant General Manager, Operating Partner and Regional Operations Manager or regional staff, as applicable, and/or your employees. We may require you and your employees’ attendance at these programs at a location we designate. You must pay for your and your employees’ travel, meal, lodging, and payroll expenses while attending our additional training programs. The additional training programs and refresher courses will be at our then-current tuition for ongoing training (Sections 9.3 and 9.4 of the Franchise Agreement). Our current rates

are disclosed in Item 6. Additionally, we may require you to attend remedial training at our sole discretion if we determine you are not operating the Center in accordance with the Manual, the Franchise Agreement or other applicable specifications. All training related expenses for your remedial training, including transportation to and from the training site, lodging, meals, and salaries during training, are your sole responsibility. If you require and request additional on-site assistance from us, subject to the availability of our personnel, we will provide you with this assistance at our then-current rate for providing ongoing assistance, plus expenses, including our travel and lodging expenses (Sections 9.3 and 9.4 of the Franchise Agreement).

### Assistance During Operation of the Center

During your operation of the Center:

1. We are permitted, by written notice to you, to add to, delete from, modify, or otherwise change the System and the Manual, including without limitation by adding new or enhanced services and products, new operational requirements, and new techniques and methods of operation. We will provide any revisions to you in a written form of our choosing (Franchise Agreement, Section 7.1).

2. If you appoint a new Lead Coach or General Manager or Assistant General Manager or Regional Operations Manager, as applicable, you must ensure that the new Lead Coach or General Manager or Assistant General Manager or Regional Operations Manager (as applicable) completes all training and certification courses we require or direct. We reserve the right to charge you our then-current training fee for attendance at this training and you will pay for any travel, accommodations, wages, and other costs for your representative attending any additional training programs.

3. We and/or our designees may maintain an interactive **KIDSTRONG®** website (Franchise Agreement, Section 8.11). We may develop and/or designate a proprietary intranet system or web-based software for use for the System (Franchise Agreement, Section 7.28). All fictitious names under which you propose to do business must be approved by us in writing before use (Franchise Agreement, Section 4.1(c)).

4. We are permitted to establish an annual convention or meeting of franchisees (the "Annual Convention"), which you and your Lead Coach, General Manager or Assistant General Manager and/or Operating Partner and Regional Operations Manager must attend. We reserve the right to charge a registration fee for attendance at the Annual Convention and you will pay the travel, accommodations, wages, and all other expenses for your representatives attending the Annual Convention (Franchise Agreement, Section 9.5).

5. If we determine in our sole discretion that we may lawfully direct you to charge certain prices for memberships, goods and/or services, then you will charge prices as we establish in the Manual or otherwise in writing (Franchise Agreement, Section 7.11). You must comply with our designated minimum retail advertising pricing requirements to the fullest extent permissible under applicable law.

6. We will provide to you, to the extent we deem necessary, our written specifications for certain equipment, signs and fixtures for the Center. You must obtain and use all equipment we require and must refrain from using any equipment we have prohibited or not approved (Franchise Agreement, Section 7.15).

7. We will provide, as we deem necessary, initial and continuing advisory assistance in the operation of the Center. We will provide this assistance, in our discretion, by telephone, intranet communication and on-site visits. If you require and request additional on-site assistance from us, subject to the availability of our personnel, we will provide you with this assistance at our then-current rate for providing ongoing assistance, plus expenses, including our travel and lodging expenses (Section 9.4 of the Franchise Agreement).

### Advertising Program

#### *Brand Fund*

We have established a Brand Fund to promote the System and **KIDSTRONG®** Centers, and for the purpose of developing, implementing and administering regional, and/or national advertising, marketing, development and promotions programs Brand Fund (Section 8.1 of the Franchise Agreement). You must contribute up to 1.65% of Gross Sales of the prior month to the Brand Fund, payable on a monthly basis ("Brand Fund Contribution") (Section 3.2(b) of the Franchise Agreement), unless we designate otherwise. We also may modify the Brand Fund contributions in the future. Franchisees who joined the System before April 2023 may not be required to contribute to the Brand Fund or may be required to contribute at different rates. The Brand Fund contributions are used, at our discretion, to promote **KIDSTRONG®** businesses on a system-wide basis. You must begin paying the monthly Brand Fund Contribution when you begin pre-sales. We have complete discretion over the expenditure of Brand Fund Contributions. We may, in addition to other expenditures, use Brand Fund Contributions for media placement, commissions, market research, creative and production costs, artwork, printing, and any other costs, expenses, or compensation reasonably related to advertising, marketing, or promotions (Section 8.1 of the Franchise Agreement). Advertising may be conducted on a national, regional, and local basis, as we determine in our sole discretion. We also may use the Brand Fund Contribution to purchase and pay for service and product research and development, advertising materials, production costs, brochures, ad slicks, radio, film and television commercials, media accessible through mobile applications or similar technology, video tapes, newspaper, magazine and other print advertising, direct mail pieces, photographer costs, pictures, designs, services provided by advertising agencies, public relations firms and other marketing, research or consulting firms, market research and market surveys, menu designs and graphics, customer incentive programs, sponsorships, marketing meetings and sales incentives, development of web pages on the internet, administrative costs and salaries for marketing support personnel.

We are permitted to perform any Brand Fund functions ourselves through our employees, representatives, agents, or affiliates, in which case we may compensate ourselves and/or our affiliate from Brand Fund Contributions for the reasonable cost of performing those functions, including reasonable allocations of overhead and administrative expenses (Section 8.1 of the Franchise Agreement). We determine the use of the money in the Brand Fund and our KidStrong Franchise Advisory Council advises us on advertising policies but does not have decision making authority. The KidStrong Franchise Advisory Council is described in Item 20. We have no obligation to ensure that you benefit directly or on a pro rata basis from the placement or conduct of advertising, marketing, or promotional activities, and your own benefits will vary depending on your proximity to other franchisees, the competition from other industry operators in our area or region, the types of media reasonably available and the costs of those media, and other factors (Section 8.2 of the Franchise Agreement). The Brand Fund and Brand Fund Contributions inure to our benefit. We have no fiduciary duty to you, or to any System franchisee, or to your owners, including with regard to the creation, administration, development and/or operation of the Brand Fund.

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). If you request in writing before March 15, we will make available an unaudited annual statement of operations for the Brand Fund for the most recently concluded fiscal year within 30 days after the date on which the statement is issued, with any cost of preparing that statement to be paid from Brand Fund Contributions. We will not have an independent audit of the Brand Fund's financial statements.

We may establish a separate entity to receive payments and administer the Brand Fund with comparable rights and restrictions established in the Franchise Agreement, in which case we may require you to submit Brand Fund Contributions directly to that separate entity (Section 8.3 of the Franchise Agreement). We anticipate that all Brand Fund Contributions will be spent for programs during the fiscal year in which they were collected. If there are excess Brand Fund Contributions at the end of the fiscal year, the funds will be carried over into later years. We may spend an amount that is more or less than Brand Fund Contributions collected in any given year, and we can borrow funds from any lender, including from us, our affiliates and any related parties, to cover Brand Fund expenditures or commitments. We intend for the Brand Fund to be of perpetual duration; however we may terminate the Brand Fund at any time. If terminated, any unspent Brand Fund Contributions will be used, at our discretion, on marketing, promotion and/or public relations purposes. We also may, at our discretion, distribute any unspent Brand Fund Contributions to our franchisees in proportion to their respective contributions as we determine.

None of the advertising paid for out of the Brand Fund will be used principally for the purpose of soliciting franchisees, however we may include statements about the availability of information on the **KIDSTRONG®** franchise opportunity and the purchase of a **KIDSTRONG®** franchise in any advertising or other items produced, circulated and/or distributed using Brand Fund Contributions.

Vendors and suppliers may, if we permit or require, contribute to the Brand Fund. Franchisor-owned outlets are not required to contribute to the Brand Fund. We are under no obligation to use any Brand Fund Contributions to conduct any advertising in your or any other franchisee's Territory; however, we reserve the right use Brand Fund Contributions to conduct such advertising in our sole discretion.

During our fiscal year ended December 31, 2024, the fund was used for production of advertising and promotional materials (11%), media placement (23%), administrative expenses (62%), and other items including publicity efforts (4%).

#### *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 \$1,500; and (b) conduct a membership pre-opening sales, marketing and grand opening campaign on which 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 \$45,000 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. To the extent that we make the expenditures for your grand opening marketing campaign, we will invoice you monthly for the expenses incurred and you must



reimburse us the amount of this expenditure. 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 325 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 an average of 5% of your Gross Sales per month (as we determine but expected to be about \$3,700), but not less than \$2,500 per month) 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. We also reserve the right to require you to use our Call Center Post-Opening Sales Support to provide you with sales support if your sales are lacking.

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.

### *Ad Co-Op*

We have the right to establish or to authorize any number of Ad Co-ops to coordinate advertising, marketing, and promotions among franchisees within a certain region, among certain common types of franchisees, or for other designated purposes. You must participate fully and in good faith in any Ad Co-ops we require. We may, but are not required, to delegate to any Ad Co-op the full or limited right to direct its own operations, and we will follow all rules and procedures the Ad Co-op prescribes. However, no Ad Co-op we create or manage will be permitted, without our consent: (i) to impose any fee or mandatory contribution to the members on an unequal basis; or (ii) to allocate votes among members on any basis other than one vote per authorized Center. We are permitted, but not obligated, to resolve any disputes between you and any other franchisee on any Ad Co-op matter, and you must adhere to any decision or direction we issue in that dispute. Any contributions or fees you pay for an Ad Co-op constitute fees to meet the local advertising requirement described in Section 8.7 of the Franchise Agreement, and the required contributions or fees for an Ad Co-op may not exceed your local advertising requirement, which is disclosed in the first paragraph of this section. If we administer the Ad Co-op, we will make available to you an unaudited annual statement of operations and the books and records of the Ad Co-op on your reasonable written request (Section 8.9 of the Franchise Agreement).

### Website and Internet

We currently maintain an interactive **KIDSTRONG®** website (the “**KIDSTRONG®** Home Page”). We determine, in our sole discretion, all features of the **KIDSTRONG®** Home Page, including the domain name, content, format, and links to other websites. We also have the right to modify, suspend or temporarily or permanently discontinue the **KIDSTRONG®** Home Page at any time, in our sole discretion. We and our affiliates and designees have the unrestricted right to sell merchandise, equipment and other items and services directly to retail and/or wholesale customers via the Internet under the “**KIDSTRONG®**” name and the Marks, to create a website or home page containing the “**KIDSTRONG®**” name and the Marks, and the exclusive right to reserve or to use “**KIDSTRONG**” or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix). You are not permitted to access the **KIDSTRONG®** website in any manner, such as linking, framing, or using the Marks as “keywords” or “adword” purchasing in conducting SEO marketing. In addition, you are not permitted to establish your own web page.

You must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Center, including any profile on Facebook, Instagram, TikTok, Twitter, LinkedIn, YouTube or any other currently existing or future developed social media and/or networking site (“Social Media Site”), without our prior written consent, which we may withhold in our sole discretion. We have the right to, directly or through our affiliates or designee, establish, develop, administer and maintain one or more websites, mobile applications and/or future developed technology (each a “KidStrong App”) for franchisees, Center members and/or prospective members. You must, if we require, use and promote the use of the KidStrong Apps. We have the right to establish and implement social media guidelines and policies at any time, and we have the right to discontinue, modify and supplement any social media guidelines and policies as we determine in our sole discretion. You must comply with all our social media guidelines and policies, and you are responsible for ensuring that your directors, coaches, managers and employees comply with the guidelines and procedures. We have the right to modify our policies governing media and Internet usage at any time in writing, whether in the Manual or otherwise (Section 8.11 of the Franchise Agreement). You must comply with all modifications.

### Pricing and Promotion Requirements

We reserve the right to require you to offer services, memberships and products at prices not to exceed the prices we publish from time to time, to the fullest extent permitted under applicable law. We reserve the right to require you and other System Centers to offer and participate in all promotions we designate at any time, including charitable promotions, loyalty programs, discounts and other promotions, at your sole expense. You are responsible for ensuring your compliance with all applicable laws, rules and regulations.

### POS System and Computer Hardware and Software Requirements

We have the right to designate the type of computer hardware and software you must use in the operation of your Center, and we have the right to change these requirements during the term of your Franchise Agreement on notice to you without restriction. You must comply with these requirements under the terms of your Franchise Agreement. This requirement is critical to the System and is one of the material obligations applicable to you under the Franchise Agreement. You may incur increased costs for these changes and/or updates.



Currently, you must purchase, install and use the following electronics, and computer hardware and software components:

	<b>Component</b>	<b>Estimated Cost</b>
<b>Hardware</b>	Laptop with at least 8gb of RAM and a screen that is 1280x720, with Wifi (11n or better). Asus, Lenovo, or HP Chromebook or better	\$350
	Apple iPad	\$660 (includes 2)
	Color Printer	\$300
	Television (plus mounts)	\$1,200 (includes 2)
	Android Shield	\$400 (includes 2)
	Sound Bar (requires Bluetooth and mount)	\$600 (includes 2)
	Phone (cordless/optional)	\$50
	Camera	\$90 to purchase (includes 3) (plus \$6 per month per camera optional maintenance fee)
	Clock (plus mounts)	\$50
<b>Software &amp; Software Subscriptions</b>	ZenPlanner or equivalent as we designate and CRM	Currently included in Direct Software Fee
	PaySimple	Currently included in Direct Software Fee
	Accounting Software (Quickbooks Online, Xero or other software compatible with Qvinci)	Estimated at \$50 per Center plus \$21.95 per month (subject to third-party designated increases)
	Soft Phone Line (Ooma or equivalent)	\$30
	Google email	Included in the Direct Software Fee

We have the right to develop and/or designate for use in the operation of your Center different, modified or additional computer hardware and software components and programs. We also have the right to require you to enter into a maintenance, support and other agreements for the computer hardware and/or software. You must buy, use and maintain the computer hardware and software meeting our specifications, and you have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and software; and (ii) all consequences that arise if the computer hardware and software is not properly operated, maintained and upgraded. You must allow us to have unrestricted access your computerized data. We may require you to install a "systems backup solution" that backs up critical data in your computer system using off-premises storage.

You must not allow any unauthorized person to access any proprietary intranet or other computerized systems (Section 7.27 of the Franchise Agreement). You grant to us unlimited independent access to the data generated by your computerized point of sale system and will permit us to poll by electronic connection your computer systems for any purpose we deem appropriate, including to compile sales data, consumer trends, labor costs, and any other information, including financial and marketing information, we deem appropriate (Section 7.30 of the Franchise Agreement).

We may require you to participate in any System-wide area computer network, intranet system or extranet system, and other platforms that we implement and you may be required to use the area computer network, intranet system or extranet system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) participate in online training. You agree to use the area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Manual or other written specifications, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements (Section 7.28 of the Franchise Agreement).

You also must purchase certain point of sale systems and use a high-speed internet service provider we designate (Section 7.27 of the Franchise Agreement). The telephone communications equipment, computer hardware and peripherals, maintenance agreements and computer software and operating systems are all available through commercial office and telecommunications equipment and computer hardware and software vendors. We may require you to update or upgrade computer hardware components and/or Software as we deem necessary (Section 7.27 of the Franchise Agreement). We will notify you when changes and updates are available. There are no contractual limitations on the cost and frequency of this obligation.

We estimate that your annual expenditures for computer upgrades and annual maintenance will range from \$1,500 to \$2,000. Every few years, your computer may become outdated and this may cause you to incur maintenance expenditures. The costs of these expenditures will vary depending on your repair history, local costs of computer maintenance services and technological advances. You must assist us in bringing your system on-line with our home-office computer at the earliest possible time and maintain this connection, as we require.

You must purchase and use in the operation of the Center the information systems stated in the Manual. We may, in our sole discretion, collect from you the license fees due the unaffiliated licensors of certain computer software programs that we require our franchisees to use, and may otherwise administer the relationship with these licensors (Section 7.29 of the Franchise Agreement).

You must purchase, install and maintain the camera system we require. This system must be turned on and operational at all times and must be accessible to us for monitoring on the Internet or otherwise (Section 7.32 of the Franchise Agreement). You also must install and use, in accordance with our specifications, one additional camera per floor (which we send to you and you must install) for inspection, class and brand monitoring purposes. You must ensure that you comply with all applicable laws, rules and regulations (including the posting of all required notices) regarding the use of cameras in the operation of your Center.

## ITEM 12. TERRITORY

### Franchise Agreement

#### *Approved Location and Relocation*

Under the Franchise Agreement, your Center will operate from a specific location, for which you must obtain our advance written approval. You may not conduct the Center at any other location. If you have not yet secured a site for the Center when you sign the Franchise Agreement, you must enter into our Site Selection Addendum, attached as Exhibit F to the Franchise Agreement, that will govern the site selection process. You may relocate the Center only with our prior written consent, which we will not unreasonably withhold if the proposed new location meets our then-current criteria for a **KIDSTRONG®** Center and is located within your Territory. You may not open any additional locations unless under a separate Franchise Agreement, for which you must pay a separate franchise fee, and which is subject to our approval. We have the sole discretion to grant or deny any request for another franchise.

#### *Protected Territory*

You will operate your Center at the location within the Protected Territory (the "Territory" or the "Protected Territory") that is identified in the Data Sheet of the Franchise Agreement, generally including: (a) a custom polygon with boundaries we determine, based on mobile data from where you will be pulling customers from (b) a 2 mile radius around your center if in a rural area; or (c) a block radius if your center is in an urban area. You may not solicit customers and/or advertise outside your Territory or provide or deliver any products or services to any destination outside your Territory without our prior written consent.

We reserve the right in our sole discretion to grant you a smaller territory and deviate from this formula. We and our affiliates have the unrestricted right to offer and sell products and services to customers in your Territory through alternative channels of distribution. We will not compensate you for any sales we or our affiliates make within your Territory. The Franchise Agreement does not provide you with any options, rights of first refusal or similar rights to acquire additional franchises.

Except as stated below, you may not solicit or accept orders outside of your Territory. Your local advertising is limited to an area reasonably surrounding your Center, and that is not part of the territory of any other franchisee. You are only permitted to sell products and services from your Center location. You have no rights to sell products or services through the Internet, the worldwide web, mail order or catalogs or through any other form of distribution channel or method.

Except as otherwise provided in the Franchise Agreement, if you comply with the terms of the Franchise Agreement, we will not establish and operate, nor license any party other than you to establish and operate, any **KIDSTRONG®** bricks and mortar Center under the System and the Marks within your Territory. Continuation of your Territory is not dependent on your achievement of a certain sales volume, market penetration or other contingency. There is no provision in the Franchise Agreement for modification of your Territory for any reason.

Although you will receive a Protected Territory, you will not receive an exclusive territory. You may face competition from other franchisees, from Centers that we own, or from other channels of distribution or competitive brands that we control.

## Development Agreement

Under the Development Agreement, we grant you the right to establish, according to a schedule, 2 or more Centers within a geographical territory ("Development Area"). A Development Area is usually defined by zip codes or other boundaries such as streets, city, county, or state limits or by other reasonable boundaries. The number of Centers you must develop may be adjusted depending on demographics and other characteristics of a Development Area, including population density, income and other characteristics of the surrounding area, natural boundaries, extent of competition and whether the proposed Development Area is urban, suburban or rural in nature. You have no option, right of first refusal or similar contractual right to acquire additional **KIDSTRONG®** Centers within your Development Area or in contiguous areas.

Each additional **KIDSTRONG®** Center must be open according to the Development Schedule stated in the Development Agreement, which will specify the number of Centers to be open, the time frames within which they must be open and the criteria we require you to meet before you may open the second and each additional Center under the Development Agreement. If, despite using your best efforts, you fail to meet an opening deadline under your Development Agreement, you may apply for a 6-month extension to the opening deadline by submitting a written extension request detailing the efforts you have undertaken to meet the development deadline and the reason for the delayed opening. If we grant the 6-month extension, you must pay a monthly extension fee of \$2,500 per month for each month of the extension period.

If you fail to meet the mandatory Development Schedule and the Development Agreement is terminated, you will retain your rights to any open Centers, including the territorial rights described in the Franchise Agreement for these Centers, provided that the Development Agreement was not terminated as a result of your failure to comply with the terms of your existing Franchise Agreement(s). Your rights to any Centers for which there is no Franchise Agreement and your protection in the Development Area will terminate immediately. We then have the right to develop the Development Area on our own or through third parties.

You will not receive an exclusive territory. You may face competition from other franchisees, from Centers that we own, or from other channels of distribution or competitive brands that we control. You will receive a Development Area, as described above.

## Reservation of Rights Under the Franchise Agreement and Development Agreement

We retain all rights that are not granted to you under the Franchise Agreement. If you sign a Development Agreement, we retain all rights that are not granted to you under the Development Agreement. The rights granted under both the Franchise Agreement and Development Agreement do not include: (i) any right to offer any product or service via e-commerce; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation of the Marks; (iii) any right to sell merchandise at wholesale; or (iv) any right to otherwise distribute, market, or implement our products and services in any channel of distribution not specifically identified in the Franchise Agreement/Development Agreement. We do not owe you any compensation for any orders we solicit or accept within your Territory or Development Area.

Without limiting this broad retention, and without granting you any rights with regard to the same, under the Franchise Agreement and the Development Agreement, we and our affiliates have the right, in our sole discretion, to:

1. Offer and sell, and authorize others to offer and sell, any goods and services in, at or from any location outside of your Territory and, if you sign a Development Agreement, outside of your Development Area.

2. Offer and sell, and authorize others to offer and sell, any goods and/or services (including, without limitation, use-at-home equipment and remote services) in, at or from any location, including any location within the Territory and within the Development Area (if you sign a Development Agreement):

(a) through alternative channels of distribution without restriction (including under the Marks and/or other marks we adopt or designate), including sales on the Internet, mobile applications, any currently existing or future developed alternative method of distribution, through kiosk locations, print and online catalogs, and in retail locations; and/or

(b) under any names or trademarks other than the Marks.

Without limiting these rights, we have the right to develop, administer and operate, whether directly or through an affiliate or licensee, digital platforms and digital products offering **KIDSTRONG®** products (including equipment and merchandise) and services to customers and end users regardless of whether they are located in your Territory and/or Development Area (if you sign a Development Agreement). Additionally, we (including through our affiliates and designees) have the right to sell **KIDSTRONG®** merchandise and equipment through any outlet and from any location without restriction and we have the right to promote, offer, sell and provide **KIDSTRONG®** fitness services through mobile applications and other platforms without restriction.

3. Merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any competitor of ours or a competitor of yours, and continue to conduct in any location any business engaged in by the merging, acquiring, or acquired person or entity, including any business directly competitive with the Center. We may require you to convert your Center to another brand in connection with a merger or acquisition transaction at your expense.

4. Use the Marks and System in connection with services and products, promotional and marketing efforts or related items, without regard to location.

5. Develop or become associated with other concepts (either directly or through affiliate entities) and grant franchises under those concepts for locations anywhere, including in the Territory and Development Area.


6. Use and license to engage in any other activities not expressly prohibited in the Franchise Agreement or the Development Agreement, if applicable.

We also have the right to operate, and to license others the right to operate, Centers located in Non-Public Access Venues, including within the Territory. For purposes of this FDD, the term Non-Public Access Venues means private businesses, military bases, government institutions, private clubs, and other Centers that are not accessible to the general public.



Neither we nor our affiliates operate any franchise system under any different name or trademark, but we reserve the right to do so.

### ITEM 13. TRADEMARKS

We grant you the right to operate the Business under the “**KIDSTRONG®**,” word mark and design mark (collectively, the “Marks”). You also may use our other current or future trademarks to operate your Center, as we designate or authorize. You have the limited right to use the following principal mark, which is registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
<b>KIDSTRONG</b>	5705364	March 19, 2019	Principal
	6203530	November 24, 2020	Principal

We also have filed applications to register the marks below with the USPTO. We do not have federal registrations for the below Marks. Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

MARK	APPLICATION NUMBER	APPLICATION DATE	REGISTER
	98904863	December 16, 2024	Principal
	98904944	December 16, 2024	Principal

All required affidavits have been filed. We have the right to add, modify, or remove Marks from those that we license to you. You may not use the Marks, or any modified form of the Marks, as a part of your corporate or other entity name or in any domain name or email address. Additionally, your employees do not have the right to use the Marks unless we approve in writing in advance. It is your responsibility and obligation to ensure that your employees comply with our policies regarding use of the Marks.



There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court relating to our Marks. We also are unaware of any pending infringement, opposition, or cancellation proceeding, or of any pending material litigation regarding our use or rights in any Marks.

The Marks listed above are currently owned by our affiliated company, KidStrong IP, LLC, which granted us a trademark license (the "TM License") and exclusive right to use and franchise the System in the United States under the Marks and associated trade names, trademarks, service marks, logotypes and other commercial symbols, copyrights and proprietary materials. The TM License does not contain any significant limitations on our right to use or license the Marks to you, and will continue for a term of 20 years, with consecutive 10-year renewal terms. If the TM License Agreement is terminated or not renewed, KidStrong IP, LLC has the right to take an assignment of all franchise agreements, and you would have the right to continue to use the Marks under your Franchise Agreement. Except as disclosed in this Item, there are no agreements that limit our rights to use or license the use of the Marks.

You must notify us if you learn of any apparent or potential infringement of any Marks, as well as any challenge to our or your use of the Marks. We have the right to control any administrative proceeding or litigation that arises out of any claim related to the use of the Marks, including whether to initiate litigation to challenge another person's infringing use.

We have the right, but not the obligation, to defend you against any third-party claim, suit, or demand arising solely out of your use of the Marks in a manner we authorized. If we, in our sole discretion, determine that you have used the Marks in accordance with the Franchise Agreement and the Manual, we will pay the cost of defending the action, including the cost of any judgment or settlement. If we, in our sole discretion, determine that you have not used the Marks in accordance with the Franchise Agreement and the Manual, you must pay for the defense or reimburse us for costs we incurred in providing the defense, including the cost of any judgment or settlement. In any litigation relating to your use of the Marks, you must sign all documents and assist us, as we deem necessary, to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Marks in a manner not in accordance with the terms of the Franchise Agreement, we will reimburse you for your out-of-pocket costs in performing these acts.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Marks in any state. Before entering into the Franchise Agreement, you should make every effort to ascertain that there are no existing uses of the Marks or confusingly similar marks being used in the market area where you wish to do business. You should immediately notify us of any confusingly similar marks you discover.

You cannot register any of the Marks that we now or later own, or any abbreviation, acronym or variation of the Marks, or any other name that could be deemed confusingly similar, as Internet domain names. We retain the sole right to advertise the system on the Internet and to create, operate, maintain and modify, or discontinue use of a website using the Marks.

You may use only the Marks that we designate and may use them only in the manner we authorize and permit. Any goodwill associated with Marks, including any goodwill that might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Marks only for the operation of the Center and only at the Center or in advertising for the Center. You must use all Marks without prefix or suffix and with the symbols "SM," "TM," "S" or "R," as applicable. You may not use the Marks in the offer or sale of any services or products that



we have not authorized for use with the System. You may not use the Marks, any component of the Marks (including the words “Kid” or “Strong”), or any variation of the Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “d/b/a” and the business name “**KIDSTRONG®**.” You must promptly register at the office of the county in which your Center is located, or any other public office as provided for by the laws of the state in which your Center is located, as doing business under your assumed business name.

All of your advertising must prominently display the Marks and must comply with our standards for using the Marks. All advertising is subject to our prior written approval. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Marks. You may use the Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Marks, or related marks, before first publication or use. You must identify yourself as the owner of the Center (in the manner we prescribe) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at conspicuous locations as we may designate in writing at the Center.

We reserve the right to substitute different proprietary marks for use in identifying the System and the Centers. If we notify you in writing that the Marks have been modified or discontinued, you must stop using the Marks and begin using the new or modified Marks at your own expense within 10 days and must promptly begin using the additional, modified or substituted Marks at your expense.

#### **ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We do not own any rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications that are material to the franchise. We do claim copyright protection in the Manual, in our advertising and marketing materials, and our Franchise Agreement.

There are no current material determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials you must notify us of this unauthorized use. We may revise any of our copyrighted materials, at our discretion, and may require that you cease using any outdated copyrighted material. You are responsible for printing any revised or new advertising, marketing or other business materials. In general, we intend to take any necessary action to protect our copyrights, but we are not obligated to do so, or to take any affirmative action, under the Franchise Agreement. If there is any litigation involving any copyright, we and/or our affiliates or founder have the right to control the litigation. We are not obligated to participate in your defense or to indemnify you for expenses or damages in a proceeding involving a copyright licensed to you. If we modify any copyrighted advertising or marketing material, we may require you to cease any use of the old material. We are not aware of any current infringement of our rights in any copyrighted materials.

During the term of the Franchise Agreement, you will receive information that is our trade secrets and confidential information. You may not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company trade secrets and confidential information, including but not limited to methods of movements; information regarding the build-out of a Center; information about proprietary merchandise; any proprietary software we may now or in the future create; the Manual; trade secrets; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; specifications for Center equipment, floor design, equipment layout, lighting, supplemental exercise equipment configuration, systems and training manuals, instructor training systems, instructor break environments, compensation systems, online social marketing systems, merchandise sales systems, location identification and acquisition systems, ongoing instructor training, the operating results and financial performance of KidStrong Centers, and general operations; our copyrighted materials; and methods and other techniques and know-how concerning the operation of the Center that may be communicated to you or of which you may be apprised by virtue of your operation of a Center (collectively, the "Confidential Information"). Our Confidential Information also includes: (i) current customer and prospective customer names and addresses; (ii) information about credit extensions to customers; (iii) customer service purchasing histories; (iv) rates charged to customers; and (v) sources of suppliers and purchasing arrangements with suppliers. You may divulge this Confidential Information only to your employees who must have it to perform their employment obligations to you. You must require your Lead Coach or General Manager or Assistant General Manager and/or Operating Partner and Regional Operations Manager, as applicable, and any personnel having access to any of our Confidential Information to sign an agreement stating that they will maintain the confidentiality of information they receive in their employment and restricting their right to work for a competitor while they are employed by you. This agreement must be in a form that we approve, identify us as a third-party beneficiary to the agreement and give us independent enforcement rights.

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Center, you must promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. You and your principals must assign to us any rights you may have or acquire, including the right to modify the concept, process or improvement, and otherwise must waive and/or release all rights of restraint and moral rights. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in all countries and further agree to sign and provide us with all necessary documentation for obtaining and enforcing these rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to sign and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process or improvement. If these provisions are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement if this use or sublicense would otherwise directly or indirectly infringe your rights.

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

You must appoint a General Manager and Assistant General Manager who must successfully complete our General Manager Certification Program to our satisfaction. The General Manager, Assistant General Manager, and Lead Coach, as applicable, will perform and manage the core operations of the Center. Neither you nor your Operating Partner may serve as the General Manager, Assistant General Manager, or Lead Coach yourself. You and your General Manager, Assistant General Manager, or Lead Coach, as applicable, (including any replacements) must successfully complete our Initial Training program before assuming any managerial responsibility. We normally recommend that you personally participate in the actual operation of the Center, however, you are not required to participate in the actual operation of the Center.

We do not require that the Lead Coach or General Manager or Assistant General Manager, as applicable, hold any ownership interest in an entity Franchisee. You must keep us informed at all times of the identity of the Lead Coach or General Manager or Assistant General Manager, as applicable. Your Lead Coach or General Manager or Assistant General Manager, as applicable, must devote his/her full time and best efforts to the day-to-day operation and management of the Center. You must ensure that your Lead Coach or General Manager or Assistant General Manager, as applicable, and all other managers agree to comply with the Franchise Agreement's training, confidentiality and non-competition covenants.

We have the right to require you to obtain signed confidentiality and intellectual property protection agreements naming us as third-party beneficiaries with the independent right to enforce the agreements, from each of your managers, owners, officers, directors, and employees and independent contractors who will receive or have access to our Confidential Information or our training programs. It is your responsibility to ensure the enforceability of the confidentiality and intellectual property protection agreement.

Each of your owners must sign the Guaranty of Performance attached to the Franchise Agreement as Exhibit B.

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

You are only permitted to offer services, classes and products that we have approved in writing in the operation of your Center. You must offer and sell only those goods and services that we have designated. All classes you offer must be conducted in accordance with our designated specifications, which may be communicated to you in training, through the Manual or other written or electronically communicated means. We have the unlimited right to change the services, classes and/or products that must and may be offered to customers, and you must adhere to any such changes. You must stop offering disapproved products, classes and/or services no later than 10 days after receiving notice that the products, classes and/or services have been discontinued. You must maintain a sufficient supply of required products to meet the demands of your customers and as we may prescribe, including through the Manual. If the law prohibits the use or sale of any product, program or service, you must cease use and/or sale, as applicable, immediately. You must comply with any pricing mandates, reciprocity programs and/or transfer programs we implement or designate to the fullest extent permissible under applicable law.

You must operate the Center in accordance with the Manual, all applicable laws and regulations, and in accordance the requirements of your lease or sublease. You are solely responsible for ensuring that all waivers, notices, membership agreements, contracts and other legal documents you use in the operation of your Center comply with all applicable laws, rules and regulations. If your counsel advises modifications to any forms on account of applicable regulations, you must provide us with advance written notification of the proposed modifications. You may not conduct any other business at the Center's location and you may not make any sales or products, classes or services outside of the Center unless you have obtained our prior written consent in each instance. See Items 8, 9 and 12 of this FDD for information about other restrictions.

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

### **THE FRANCHISE RELATIONSHIP**

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

#### **SINGLE-UNIT FRANCHISE AGREEMENT**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	2.1	10 years
b. Renewal or extension of the term	2.2	If you are in good standing, you may acquire successor franchises for 10 years on our then-current terms.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
c. Requirements for you to renew or extend	2.2	You must: (i) provide notice of your intent to enter into a successor agreement between 90 and 180 days before the end of the term; (ii) sign our then-current form of Franchise Agreement, the terms of which may vary materially from the Franchise Agreement; (iii) be in full compliance with the Franchise Agreement, the Manual, and any other agreement with us or our affiliates; (iv) have and be in good standing with all licenses and permits; (v) be in full compliance with all monetary obligations to us, our affiliates, and all third parties; (vi) have made any required modifications, repairs, updates, upgrades, and renovations we require for the Center, the goods and services you offer, your advertising, marketing and promotional programs, and your computer, financial, and accounting systems, and you are current on all then-required training programs; (vii) have committed no more than 2 material defaults of the Franchise Agreement for which you received written notice and a demand for cure; (viii) have demonstrated to our satisfaction that you have the right to retain possession of the Center for the term of the successor agreement; (ix) along with your direct and ultimate personal owners, shareholders, members, and partners (as applicable), sign a general release of all claims against us (to the extent permitted by applicable law); (x) meet all general requirements then applicable to the approval of new franchisees; and (xi) pay a successor agreement fee in lieu of the initial fee otherwise due under the successor agreement.
d. Termination by you	N/A	You have no right to terminate the Franchise Agreement.
e. Termination by us without cause	N/A	We may not terminate your Franchise Agreement without cause.
f. Termination by us with cause	15	We may terminate your Franchise Agreement only with cause.

Provision	Section in Franchise Agreement	Summary
g. "Cause" defined-curable defaults	15.3 and 15.4	<p>We may terminate your Franchise Agreement following a 15-day cure period if you: (a) fail to pay sums owed to us, our affiliates, or our major vendors and suppliers; (b) under-report royalty or advertising fees or expenditures by more than 2% or fail to submit timely reports or payments for any 2 reporting periods in a 12-month period; (c) fail to immediately endorse and deliver to us any payments due to us from a third party that are erroneously remitted to you; (d) fail to maintain sufficient levels of inventory; (e) fail to maintain the required days and hours of operation at your Center; (f) fail to maintain the strict quality controls reasonably required by your Franchise Agreement and/or the Manual; (g) conduct yourself in a manner that reflects adversely on the System, the Marks, or the services or products offered through the System; or (h) fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your Center.</p> <p>We may terminate your Franchise Agreement following a 30-day cure period if you violate any other provision of the Franchise Agreement and if you do not fully cure that violation after receiving our written notice of default. If your violation is not reasonably susceptible to cure, then we have the option to: (i) terminate the Franchise Agreement immediately on written notice; or (ii) require you to take any remedial measures we require in our sole discretion, and if you fail to implement those remedial measures in the time and manner we require, then we may terminate the Franchise Agreement immediately on notice.</p>



<p>h. "Cause" defined-non-curable defaults</p>	<p>15.1 and 15.2</p>	<p>Your Franchise Agreement will automatically terminate if: (a) you make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the Center; (b) proceedings are begun to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and the proceedings are not dismissed within 60 days.</p> <p>We may terminate your agreement on notice but without providing you with an opportunity to cure if: (a) you or your principals have misrepresented or omitted material facts in your application or other materials provided to us before we sign your Franchise Agreement (b) you abandon the Center; (c) you, or through any Owner, are held liable for, convicted of, or plead guilty or no contest to a felony or any other law relevant to the Center; (d) you fail to meet the required schedule to obtain the Center, complete construction, and open for business; (e) you or your principals commit any fraud or misrepresentation in the operation of your Center; (f) you fail to successfully complete initial training; (g) we send you 3 or more written notices to cure in any 12 month period; (h) you or your Owners materially breach any other agreement with us or any of our affiliates, or the lease for the Center, or threaten any material breach of any such agreement or Lease, and fail to cure the breach within any permitted cure period; (i) you violate any health, safety or sanitation law, ordinance or regulation, including those regulating health and fitness centers (if applicable), or operate the Center in a manner that presents a health or safety hazard to customers, or the general public; (j) you violate the in-term restrictive covenant; (k) a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets that is not released or bonded against within 30 days; (l) you or your principals become insolvent; (m) you offer any unauthorized and unapproved products or services at or from the Center; (n) you order or purchase supplies, signs, furnishings, fixtures, equipment or inventory from any currently unapproved supplier or any supplier that we have not approved; (o) you misuse or make unauthorized use of our Proprietary Software; (p) you fail to maintain insurance or otherwise adhere to our insurance requirements; (q) you fail, within 15 calendar days after notification of non-compliance by federal, state or local</p>
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Provision	Section in Franchise Agreement	Summary
		government authorities to comply with any law or regulation applicable to the Center; (r) any government action is taken against you that results in any obligation on us that in our sole judgment is uneconomical, not in our best interests, or would result in us having an unintended relationship or obligation; (s) you fail to comply with the anti-terrorist provision of your franchise agreement; (t) you take for your own personal use any assets or property of the Center, including employee taxes, FICA, insurance or benefits; or (u) there are insufficient funds in your bank account to cover a check or EFT payment to us 3 or more times within any 12-month period.
i. Your obligations on termination/non-renewal	16.1	You must: (i) pay all fees due us through the effective date of termination and pay all other amounts then due; (ii) promptly return the Manual, any item bearing the Marks, and any other copyrights or proprietary materials or software; (iii) stop doing any business under or associated with the Marks; (iv) cancel any corporate or trade name registrations using any Mark or derivative; (v) remove from all property any Marks and signs displaying the Marks, including trade dress; (vi) stop using and transfer to us any telephone numbers, domain names, email addresses, electronic network, and directory listings relating to the Center and cooperate with us to ensure those transfers; (vii) comply with our notification procedures and applicable laws for notification of Center closure to Members; (viii) allow us to conduct a final audit and to verify your compliance with post-termination obligations; (ix) immediately vacate the Center if we or our affiliate exercises our rights under the Lease Rider; (x) stop using advertising or in any other manner, any methods, procedures or techniques associated with us or the System; and (xi) sign all necessary papers, documents, and assurances to complete compliance with Section 16 of the Franchise Agreement. We are entitled to exercise all other remedies available under the Franchise Agreement or by law.
j. Assignment of contract by us	12.9	We may assign your Franchise Agreement at any time.

Provision	Section in Franchise Agreement	Summary
k. "Transfer" by you-defined	12.1	Neither you, nor any immediate or remote successor to any part of your interest in the franchise, nor any individual, partnership, corporation, limited liability company or other legal entity that directly or indirectly owns any interest in this franchise or in your shares, membership interests or partnership interests (if you are a corporation, limited liability company or partnership) may sell, assign, transfer, convey or give away, any direct or indirect interest in (a) the franchise, (b) the Franchise Agreement, (c) the Center, and/or (d) in any legal entity that owns the franchise (each a "Transfer") without first obtaining our prior written consent, which may be granted or withheld in our sole and absolute discretion.
l. Our approval of transfer by you	12.1	Any proposed transfer requires our prior written consent.
m. Conditions for our approval of transfer	12.2	Minimum conditions to transfer are: (i) you are in full compliance with the Franchise Agreement, Manual, and any other agreements with us or our affiliates; (ii) you have made all required modifications and upgrades to your Center and operations; (iii) you or transferee have paid a transfer fee; (iv) we have approved the terms of the transfer agreement; (v) the transferee has submitted all information and meets the criteria applicable to new franchisees; (vi) at our option, the transferee has assumed the Franchise Agreement and all ancillary agreements or has signed our then-current Franchise Agreement and ancillary agreements; (vii) you obtain necessary third party consents to transfer licenses and other agreements; (viii) you and your owners sign a general release of all claims against us; (ix) the transferee completes our training program to our satisfaction; (x) you or the transferee must provide us with a copy of the signed purchase agreement; (xi) you and your principals' family members agree to abide by the post-termination obligations; and (xii) the transferee obtains and maintains all permits and licenses required for the operation of the Center. Our approval of the transfer will not constitute a waiver of any claims we may have against the transferring party.

Provision	Section in Franchise Agreement	Summary
n. Our right of first refusal to acquire your business	12.7	You must notify us of any acceptable bona fide purchase offer no later than 5 days after receipt, and we have the right to acquire the same assets on the same terms. We have 30 days to exercise our right of first refusal, may substitute cash for any other form of consideration, and may make full payment at closing. If we do not exercise our right of first refusal and the terms of the offer materially change before the transfer or the transfer is not completed within 90 days of the initial notice to us, then we will have a renewed right of first refusal. All transfers to a third party are subject to the transfer provisions and restrictions of the Franchise Agreement.
o. Our option to purchase your business	16.2	On termination or expiration of your Franchise Agreement, we have the option, but not the obligation, to purchase any personal property used in operation of your Center by providing you written notice within 60 calendar days after termination or expiration and paying you the book value for such personal property within 60 calendar days of the notice. We may exclude from the personal property purchased any cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Center's operation or that we have not approved as meeting standards for the Center.
p. Your death or disability	13.1 to 13.5	Your heirs or estate must notify us if you or an owner of 50% or more of your entity dies or becomes incapacitated. We then have the option to terminate the Franchise Agreement or, if your heirs desire to operate the Center, to permit the transfer of the Franchised Agreement to those heirs. We have the option to appoint an interim General Manager at your expense to operate the Center until the Franchise Agreement is terminated or a transfer to your heirs is approved.
q. Non-competition covenants during the term of the franchise	11.1	You may not (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any Competing Business (as defined in the Franchise Agreement), other than any other <b>KIDSTRONG®</b> Center; or (b) divert or attempt to divert any business or customer or prospect of the Center to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	11.2	For 2 years after the expiration and nonrenewal, transfer or termination of your Franchise Agreement, regardless of the cause, you may not: (1) own, operate, maintain, engage in, be employed by, or have any interest in any Competing Business at the Center's location, or within 25 miles from the Center, or within 25 miles of a then-existing <b>KIDSTRONG®</b> Center; or (2) solicit, service, or sell to, directly or indirectly, any Member who was a Member of the Center before the effective date of transfer, termination or expiration of your Franchise Agreement, as applicable; except that this covenant will not restrict you from engaging in general advertising or marketing to the extent not prohibited by your non-competition covenant.
s. Modification of the Franchise Agreement	19.11	The Franchise Agreement may not be modified except by a written document signed by both parties.
t. Integration /merger clause	19.4	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations made outside of the FDD and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17.1-17.4	Except for certain claims, all disputes must be mediated and if not resolved through mediation, arbitrated (subject to state law).
v. Choice of forum	17.5	Mediation and arbitration must be held in Collin County, Texas (subject to state law), or, if our corporate headquarters is no longer in Collin County, Texas, the county in which our corporate headquarters is then-located.
w. Choice of law	17.9	Texas law applies (subject to state law).

### **DEVELOPMENT AGREEMENT**

**This table lists important provisions of the Development Agreement. You should read these provisions in the Development Agreement attached to this FDD.**

Provision	Section in Development Agreement	Summary
a. Term of the franchise term	Section 5.1	Begins when the Development Agreement is signed and ends on the last Development Deadline of the Mandatory Development Schedule.
b. Renewal or extension of the term	Section 5.1	The Development Agreement is not subject to renewal.

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
c. Requirements for you to renew or extend	None	N/A
d. Termination by you	None	N/A
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 5.2	We can terminate the Development Agreement only for cause.
g. "Cause" defined – curable defaults	Section 5.2	If you commit a default under the Development Agreement (other than the type of default disclosed in (h) below, which defaults are non-curable), you have 15 days after you receive notice from us to cure the default identified in the notice.
h. "Cause" defined – non-curable defaults	Section 5.2	We have the right to terminate the Development Agreement effective immediately on notice to you if you commit a Material Default, including: (i) you fail to meet your Minimum Development Obligations; (ii) you engage in any conduct that impairs the goodwill associated with the Marks or otherwise causes harm to us or the reputation of the brand or the System; (iii) termination of any Franchise Agreement entered into by you or any of your affiliates and us and any of our affiliates; (iv) uncured default under any Franchise Agreement; (v) violation of the confidentiality and/or non-competition covenants; and (vi) failure to cure any other default within 15 days after notice.
i. Your obligations on termination/nonrenewal	Section 5.3, Section 7.1.2, 7.3	Comply with covenants and all post-term obligations of the Development Agreement.
j. Assignment of contract by us	Section 6.1	No restriction on our right to assign.
k. "Transfer" by you – definition	Section 6.2	Includes transfer of the Development Agreement or your ownership change.
l. Our approval of transfer by you	Section 6.2	You are not permitted to assign or transfer the Development Agreement.
m. Conditions for our approval of transfer	Not applicable	You have no right to transfer or assign the Development Agreement.
n. Our right of first refusal to acquire your business	None	None

Provision	Section in Development Agreement	Summary
o. Our option to purchase your business	None	None
p. Your death or disability	None	No provision
q. Non-competition covenants during the term of the franchise	Section 7.1.1	You may not (a) own, maintain, engage in, be employed by, lend money to, extend credit to or have any interest in any Competing Business (as defined in the Development Agreement), other than any other <b>KIDSTRONG®</b> Center; or (b) divert or attempt to divert any business or customer or prospect of any <b>KIDSTRONG®</b> Center to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.
r. Non-competition covenants after the franchise is terminated or expires	Section 7.1.2	During the 2 years after expiration or termination of the Development Agreement, you and your owners, officers and agents will not directly or indirectly participate as an owner, director, partner, officer, franchisee, employee, consultant, advisor, salesperson, distributor, or agent or serve in any other capacity in any Competitive Business that is located: (a) anywhere in the Development Area; (b) within a 25 mile radius of the Development Area; or (c) within a 25 mile radius of any Center in operation, under lease, or under construction as of the date of termination or expiration, as applicable. During the 2 years after expiration or termination of the Development Agreement, you and your owners, officers and agents will not directly or indirectly participate as an owner, director, partner, officer, franchisee, employee, consultant, advisor, salesperson, distributor, or agent or serve in any other capacity in any franchise system that is offering or selling the right to develop, open or operate Competitive Businesses anywhere in the United States. The covenants not to compete are in addition to your agreement to not use any trade secrets, confidential information or personal contacts except as we authorize.
s. Modification of the agreement	Section 9.10	No modification except by written agreement signed by both parties.
t. Integration/merger clause	Section 9.10	Only the terms of the Development Agreement are binding (subject to state law). Any representations made outside of the FDD and Development Agreement may not be enforceable.

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
u. Dispute resolution by arbitration or mediation	Section 8	Except for certain claims, all disputes must be mediated and if not resolved through mediation, arbitrated (subject to state law).
v. Choice of forum	Section 9.1	Mediation and arbitration must be held in Collin County, Texas (subject to state law). (or, if our corporate headquarters is no longer in Collin County, Texas, the county in which our corporate headquarters is then-located)
w. Choice of law	Section 9.1	Texas law applies (subject to state law).

#### **ITEM 18. PUBLIC FIGURES**

We do not currently use any public figure to promote our franchise system, but we reserve the right to do so in the future.

*[Remainder of page intentionally left blank]*



## ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following Table provides certain historical information for all KidStrong Centers that were open and operating under the same ownership for at least 24 months as of December 31, 2024. At the beginning of 2023, there were 52 franchised Centers open and operating. Of these 52 Centers, 2 were excluded from the below table because they closed during 2024, 5 were excluded because they did not operate under the same ownership during the 24 months (transfers), and 2 were excluded because they did not report financial data to us accurately. The Gross Sales reported in the below table were for calendar year 2024.

United States Centers - Opened Full year 2023 and 2024					
	Top Quartile Revenue Range	2nd Quartile Revenue Range	Third Quartile Revenue Range	Bottom Quartile Revenue Range	
High	\$1,246,561	\$833,916	\$690,557	\$527,696	
Low	\$835,977	\$692,447	\$534,667	\$341,968	
Average	\$1,019,522	\$763,079	\$625,636	\$448,493	
Median	\$998,651	\$744,352	\$630,815	\$466,016	
No. Above Average	5	5	9	6	
% Above Average	42%	45%	82%	55%	
Total Centers	12	11	11	11	45

Notes to Table:

The count of centers is based on centers open before January 1, 2023

1) "Gross Sales" has the same definition as in Section 3.2(a) of the Franchise Agreement. Specifically, "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.

2) All KidStrong Centers offer substantially the same products and services to the public. The Centers reported in this Item 19 receive the same services that will be offered to new franchisees.

3) The foregoing data relates to Gross Sales only; we are not presenting any information on the expenses of operating a KidStrong Center. Operating a KidStrong Center incurs a wide variety of expenses that will reduce the Center's income from the revenue levels shown. Examples of the types of these expenses include, for example, rent and occupancy expenses; supply costs; salaries, wages and other personnel-related expenses; federal, state and local taxes and fees; utilities; financing costs (including on loans and leases); royalties and other amounts due us.

4) Characteristics of the Centers reported in this Item 19 may differ substantially from your Center depending on your previous business or management experience, competition in your area, length of time that the included Centers have operated compared to your Center, and the services or goods sold at your Center compared to the included Centers.

5) We obtained these historical financial results from information submitted by our franchisees that operate Centers. We have not audited the information presented above, nor have we independently verified this information.

Written substantiation of the data used in preparing these sales figures will be made available to you upon reasonable request.

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

Other than the preceding financial performance representation, we do 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: CEO, Matt Sharp at 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034 or by telephone at 859-806-1035; the Federal Trade Commission; and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1**  
**System-wide Outlet Summary**  
**For fiscal years ending December 31, 2022, 2023, and 2024**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	18	52	+34
	2023	52	89	+37
	2024	89	121	+32
Company Owned or Affiliate Owned	2022	7	9	+2
	2023	9	11	+2
	2024	11	10	-1
Total Outlets	2022	25	61	+36
	2023	61	100	+39
	2024	100	131	+31

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For**  
**fiscal years ending December 31, 2022, 2023, and 2024**

State	Year	Number of Transfers
Alabama	2022	0
	2023	1
	2024	0
Arizona	2022	0
	2023	0
	2024	2
California	2022	0
	2023	0
	2024	1
Florida	2022	0
	2023	0
	2024	4
Illinois	2022	0
	2023	1
	2024	0
Kansas	2022	0
	2023	0
	2024	2
Kentucky	2022	0
	2023	0
	2024	1

State	Year	Number of Transfers
Maryland	2022	0
	2023	2
	2024	0
Michigan	2022	0
	2023	0
	2024	2
Ohio	2022	3
	2023	0
	2024	0
Oregon	2022	0
	2023	0
	2024	1
Pennsylvania	2022	0
	2023	0
	2024	1
Texas	2022	0
	2023	0
	2024	1
Utah	2022	0
	2023	0
	2024	1
Total	2022	3
	2023	4
	2024	16

**Table No. 3**  
**Status of Franchised Outlets**  
**For fiscal years ending December 31, 2022, 2023, and 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Alabama	2022	2	0	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Arizona	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3
California	2022	0	1	0	0	0	0	1
	2023	1	5	0	0	0	0	6
	2024	6	0	0	0	0	0	6

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Colorado	2022	0	3	0	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	1	0	0	0	0	5
Connecticut	2022	1	2	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Delaware	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Florida	2022	2	4	0	0	0	0	6
	2023	6	5	0	0	0	0	11
	2024	11	2	0	0	0	1	12
Georgia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Idaho	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Illinois	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	2	0	0	0	0	4
Indiana	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Kansas	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Kentucky	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Louisiana	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Maryland	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3
Massachusetts	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
	2024	3	0	0	0	0	1	2
Michigan	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Minnesota	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Missouri	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nebraska	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nevada	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	3	0	0	0	0	3
New Hampshire	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New Jersey	2022	1	1	0	0	0	0	2
	2023	2	2	0	0	0	0	4
	2024	4	3	0	0	0	0	7
New Mexico	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
New York	2022	0	1	0	0	0	0	1
	2023	1	3	0	0	0	0	4
	2024	4	2	0	0	0	0	6
North Carolina	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Ohio	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	2	0	0	0	0	5
Oklahoma	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Oregon	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	0	1	0	0	0	0	1
	2023	1	4	0	0	0	0	5
	2024	5	1	0	0	0	0	6
South Carolina	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	0	0	0	0	3



State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Texas	2022	5	3	0	0	0	0	8
	2023	8	1	0	0	0	0	9
	2024	9	2	0	0	0	0	11
Utah	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Virginia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	2	0	0	0	0	3
Washington	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	3	0	0	0	0	4
Wisconsin	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
<b>Total</b>	<b>2022</b>	<b>18</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>
	<b>2023</b>	<b>52</b>	<b>37</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89</b>
	<b>2024</b>	<b>89</b>	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>121</b>

**Table No. 4**  
**Status of Company-Owned and Affiliate-Owned Outlets For fiscal years ending December 31, 2022, 2023, and 2024**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
Kentucky	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Texas	2022	6	2	0	0	0	8
	2023	8	3	0	1	0	10
	2024	10	0	0	1*	0	9
<b>Total</b>	<b>2022</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>
	<b>2023</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>11</b>
	<b>2024</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>10</b>

\* We previously operated a KidStrong Center in our headquarters office. During 2024, we converted this Center into our training Center and therefore it is no longer open to the public.

**Table No. 5**  
**Projected Openings as of December 31, 2024**

<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlets In the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
Arizona	1	0	0
California	6	5	0
Connecticut	3	1	0
Florida	4	2	0
Georgia	1	1	0
Illinois	2	2	0
Indiana	1	1	0
Massachusetts	1	1	0
Maryland	0	1	0
Minnesota	1	0	0
Nebraska	1	0	0
New Jersey	1	2	0
New York	7	2	0
North Carolina	1	1	0
Ohio	1	1	0
Oregon	1	1	0
Tennessee	2	2	0
Texas	4	4	1
Virginia	4	3	0
Washington	1	0	0
<b>Total</b>	<b>43</b>	<b>30</b>	<b>1</b>

There are franchisees who have signed confidentiality provisions within the past 3 years restricting their ability to speak openly about their experience with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the **KIDSTRONG®** franchise system. You may wish to speak with current and former franchisees, but be aware that not all of those franchisees will be able to communicate with you.

A list of current franchisees as of December 31, 2024 is attached to this FDD as Exhibit D. A list of the franchisees that had their franchise terminated, not renewed, or cancelled, as well as franchisees that left the system or otherwise voluntarily or involuntarily ceased to do business under their Franchise Agreement in 2024 or who have not communicated with us within the 10 weeks before the date of this FDD is included in Exhibit E. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

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 balance sheets as of December 31, 2024 and 2023, and the related statements of income and changes in member's equity (deficit) for each of the years in the three-year period ended December 31, 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.

## **EXHIBIT A - FRANCHISE AGREEMENT**

**KIDSTRONG FRANCHISING LLC**

**FRANCHISE AGREEMENT EDITION DATE: 2025**



**KidStrong**

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## EXHIBITS

- Exhibit A - Data Sheet
- Exhibit B - Guaranty Of Performance
- Exhibit C - Lease Rider
- Exhibit D - Conditional Assignment Of Phone Numbers & Domain Names
- Exhibit E - Electronic Funds Transfer Authorization
- Exhibit F - Site Selection Addendum
- Exhibit G - Equipment & Product Revenue Participation Agreement (Voluntary)
- Exhibit H – Digital Marketing Insertion Order and Statement of Work



## KIDSTRONG FRANCHISING LLC FRANCHISE AGREEMENT

This Franchise Agreement (the “Agreement”) is entered into on \_\_\_\_\_ (the “Effective Date”) between: (i) **KidStrong Franchising LLC**, a Delaware limited liability company with an address at 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034 (“we”, “us” or “our”); and (ii) «**Entity\_Name**», a «State\_of\_FormationResidency» «Entity\_Type» with an address at «Entity\_Address» (“you” or “your”). You and we are collectively referred to as the “parties”.

### RECITALS

A. We and our affiliates have developed a valuable and proprietary system (the “System”) for businesses offering and providing a “whole child” development program focused on building stronger kids through innovative training, including in the areas of physical fitness, leadership, and confidence building under the **KIDSTRONG®** mark (each a “Center”).

B. We are engaged in the business of granting franchises to operate **KIDSTRONG®** Centers.

C. We and our owner and affiliates have devoted considerable time and expense to the development and refinement of the System and the goodwill associated with its marks, and we desire to license the non-exclusive use of that System and marks to franchisees.

D. The characteristics of the System include, but are not limited to: Center trade dress, designs, layouts, color schemes, branding and other identification methods; specifications for services, methods of operation, equipment, inventory, accessories, class structure and content; designated computer hardware and software programs, and website and social media specifications; member enrollment marketing methods and procedures, class registration methods and procedures, booking methods and procedures; current and future developed session programs and classes; training procedures, operating procedures and customer service standards, methods and marketing techniques; mandatory and suggested policies, procedures, standards, specifications, rules and requirements; all as we outline in the operations manual(s) (the “Manual”) and all other written materials we issue.

E. We and our franchisees use various trademarks, service marks, logos, trade dress, names, and other commercial symbols that we have created or licensed to designate to the public the goods or services originating from us and our affiliates and franchisees, including, without limitation, the registered service mark “**KIDSTRONG®**”, and all other future developed or designated trade names, trademarks and/or service marks, in connection with the System (collectively, the “Marks”).

F. You have applied to us for a franchise to operate a Center and your application has been approved in reliance on all of your representations made in your application.

G. You agree that adherence to the terms of this Agreement and our standards and specifications are essential to your Center’s operation and to the operations of the System.

**NOW THEREFORE**, in exchange for the commitments in this Agreement, and other valuable consideration, the receipt of which is acknowledged, the parties agree as follows:

## AGREEMENT

### 1. GRANT OF LICENSE

1.1. Grant. We grant to you, and you accept from us, the non-exclusive right and license, for the Term, to establish and operate a business that you hold out as associated with the Marks and that operates according to this Agreement, the System, and the Manual, as amended, at a certain location to be identified in the Data Sheet attached to this Agreement as Exhibit A (the "Location"). Nothing in this Agreement gives you any other right, title or interest in any of the Marks or the System. This grant to you does not include: (i) any right to offer any product or service via e-commerce without our prior written approval; (ii) any right to establish an independent website or to establish a URL incorporating the Marks or any variation thereof; (iii) any right to establish any social media presence; (iv) any right to distribute, market, or implement our products and services in any channel of distribution not specifically authorized under this Agreement; or (v) any right to sell products or services at wholesale prices from the Center.

1.2. Authorized Goods and Services Only. In your operation of the Center, you will offer and sell only those services and goods we specifically authorize and must sell all authorized services and goods we require. We are permitted to add to, modify, or discontinue at any time any of the goods and services that you are authorized to offer and sell. This grant permits and requires you to operate the Center in association with and using the Marks and the System, but not to operate any other business or to undertake any other activities we have not authorized. Without limiting the foregoing, you are prohibited from advising others who operate Competitive Businesses (as defined below). You may engage in advertising, promotional, marketing and related activities only as authorized under this Agreement and you agree that we have the unrestricted right to limit and regulate these activities, including, without limitation, the right to prohibit you from including any price information in promotional activities with circulation outside of the Territory.

1.3. Location. This Agreement grants you the right to operate the Center only at the Location identified in the Data Sheet. If we have not approved a location for you to operate the Center on the date you sign this Agreement, the parties will enter into the Site Selection Addendum attached as Exhibit F to this Agreement, the terms of which will govern the parties' site selection obligations. You are solely responsible for obtaining and building out the Location. We may designate an approved supplier for these services. We must approve the proposed location in our sole discretion. 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 must not sign that agreement. We may condition our approval of any proposed lease on, among other things, your and your landlord's signing of the Lease Rider (attached as Exhibit C to this Agreement) that: (i) grants us or our affiliate the right, but not the obligation, to assume the lease on (a) your default on the lease, or (b) termination, transfer or expiration of this Agreement; and (ii) authorizes and requires your landlord to disclose to us, on our request, sales and other information you have furnished to the landlord. Before signing any purchase or lease agreement, you must ensure that your operation of the Center at the proposed site will not violate any applicable law or regulation, including without limitation any zoning, parking, and use restrictions relating to the site. You must deliver a signed copy of the lease and the Lease Rider to us within 15 days of signing of the lease. You agree that our approval of a proposed site and the agreement for your purchase or lease of the Location does not constitute, and you will not assert that it constitutes, any representation, warranty, or guarantee by us that the Location is adequate or properly zoned or permitted for the purpose of operating the Center,

that the purchase or lease agreement is fair or reasonable, or that your operation of the Center from the Location will be profitable or successful. We strongly encourage you to seek independent counsel from a lawyer or business adviser to assist you in selecting a location and negotiating a lease for the Location.

1.4. Territory. Except as otherwise provided in this Agreement, and subject to the reserved rights stated in Section 1.6 below, for so long as you comply with the terms of this agreement, we will not establish and operate, nor license to any party the right to establish and operate, any KidStrong Center under the System and the Marks during the Term within the Territory identified on the Data Sheet (the “Territory”). We have the right, in our sole discretion, to grant you a smaller territory than: (a) a radius of 3 miles surrounding the Location, if the Location is in a rural area; or (b) a 5 block radius of the Location. We have the right, among others, to use and to license others to use the System and Marks for the operation of other Facilities at any location outside of your Territory. If the Location has not been determined when you sign this Agreement, we will designate the Territory once a Location is secured in accordance with this Agreement. Notwithstanding the foregoing, we have the right to open and operate, and to license other persons and/or entities the right to open and operate Centers located in Non-Public Access Venues, including within the Territory. For purposes of this Agreement, the term Non-Public Access Venues means private businesses, military bases, government institutions, private clubs, and other facilities that are not accessible to the general public.

1.5. Reserved Rights. We reserve all rights not expressly granted to you under this Agreement, including, without limitation, the right to: (i) offer and sell, and authorize others to offer and sell, any goods and services in, at or from any location outside of the Territory; manufacture, distribute, offer and sell, and authorize others to manufacture, distribute, offer and sell, any goods and/or services, including coaching services and fitness instruction services, in, at or from any location, including any location within the Territory either: (a) through alternative channels of distribution, including sales on the Internet, through kiosk locations, through print and online catalogs, through online videos, e-commerce sites, mobile applications, recorded media or broadcast media, and in retail locations; or (b) under any names or trademarks other than the Marks. For the purposes of this provision, alternative channels of distribution include any channels not explicitly authorized for use by you under this Agreement or the Manual; merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including our or your competitor (each an “M&A Transaction”), and continue to conduct in any location any business engaged in by the merging, acquiring, or acquired person or entity, including any business directly competitive with the Center regardless of where the business is located and to permit the business to operate under the Marks or any other name; (iv) use the Marks and System in connection with services and products, promotional and marketing efforts or related items, or in alternative channels of distribution, including the sale of products through retail stores and by the internet, including online videos and recorded media regardless of location; (v) develop, or become associated with, other concepts (either directly or through affiliate entities) and grant franchises under those concepts for locations anywhere, including in the Territory; (vi) use and license to engage in any other activities not prohibited in this Agreement; and (vii) advertise and/or authorize others to advertise, using the Marks, anywhere, including inside and outside the Territory. Without limiting the foregoing, we have the right to develop, administer and operate, whether directly or through an affiliate or licensee, digital platforms and digital products offering **KIDSTRONG** products and services to end users regardless of whether they are located in the Territory. Additionally, we have the right to sell **KIDSTRONG** merchandise through any outlet and from any location without restriction and we have the right to promote, offer, sell and provide **KIDSTRONG** fitness services through mobile applications and other platforms. In the event of an M&A Transaction, we have the right to require you to convert the

Center to a different name and you agree to: (a) participate, at your expense in this conversion; and (b) waive all claims, demands or damages arising from or related to the loss of the Mark, the System or any association or affiliation with the Marks or the System.

1.6 Acknowledgments. You agree as follows:

1.6.1 You independently investigated the KIDSTRONG® franchise opportunity and recognize that (a) the nature of a KIDSTRONG® Center may evolve and change over time; (b) investment in a KIDSTRONG® Center involves business risks that could result in the loss of a significant portion or all of your investment, (c) the business abilities and efforts of your owners and other principals, management and staff are vital to your success; (d) attracting family members for the Center will require you to make consistent marketing and promotional efforts; and (e) attracting and retaining customers will require you to provide quality services, to provide a high level of customer service and to adhere to the System;

1.6.2 You have not received and are not relying on any representations, warranties or guarantees, express or implied, as to the potential volume, sales, income or profits of a KIDSTRONG® Center, that any information you acquired from any System franchisee, including regarding sales, income, membership levels, profit, and/or cash flows was not information provided by or obtained from us and we make no representations about that information or its accuracy.

1.6.3 You have represented to us, to induce us to enter into this Agreement, that all statements and representations you made and all information you provided to us are accurate and complete and you have made no misrepresentation or material omission in obtaining this franchise.

1.6.4 You will have sole authority and control over the day-to-day operations of your Center and your employees and/or independent contractors. You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Center, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Without limiting the foregoing, you are responsible for all decisions relating to hiring, firing, employee selection, promotion, termination, hours worked, rates of pay, benefits, work assigned, supervision, discipline and working conditions. At no time will you or your employees be deemed to be our or our affiliates' employees. You must include an express, conspicuous notation and acknowledgment on your employment applications and employment agreements stating that the prospective employee (in the case of an application) and the employee (in case of any employment agreement) acknowledges and understands that you, an independently owned and operated Center, are the employer, and that KidStrong Franchising LLC is not the employer.

1.6.5 Neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed to state or imply that we are the employer of your employees and/or independent contractor, nor vice versa.

1.6.6 We have the right to enter into one or more agreements with one or more area representatives to provide certain services we must provide to you under this Agreement.

## 2. TERM OF AGREEMENT AND SUCCESSOR AGREEMENT

2.1 Term. The term of this Agreement begins on the Effective Date and expires on the 10-year anniversary of the Effective Date (the “Initial Term”), unless terminated earlier as authorized under this Agreement. For purposes of this Agreement, the term “Term” includes the Initial Term and any term under a Successor Franchise Agreement.

2.2 Offer of Successor Franchise Agreement. You may submit a request to enter into a successor franchise agreement to continue your operation of the Center for one additional 10-year term. We will not unreasonably withhold approval of your request, if you comply with and satisfy the following conditions:

(a) You give us written notice of your desire to sign a new franchise agreement, not less than 90 days and not more than 180 days before the end of the Term.

(b) You sign our then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement and may include, without limitation, increased Royalty Fees, Brand Fund Contributions and Technology Fees.

(c) You are in full compliance with this Agreement, any other agreement between you and us, our affiliates or suppliers, the Manual, and any other System requirements.

(d) You have obtained, maintained, and are in good standing with all necessary and applicable licenses and permits.

(e) You are in compliance with all monetary obligations to us, our affiliates, and to all vendors, suppliers, lessors, and governmental and taxing authorities.

(f) You have made all modifications, repairs, updates, upgrades, and renovations we required for the Location, to the goods and services you offer, to your advertising, marketing and promotional programs, and to your computer, financial, and accounting systems, and are current on all then-required training programs.

(g) You have committed no more than 2 material defaults of this Agreement for which we have issued written notice and a demand for cure during the Term.

(h) You have demonstrated to our satisfaction that you have the right to operate the Center at the Location for the duration of the renewal term.

(i) You and your direct and ultimate personal owners, shareholders, members, and partners (as applicable), if you are an entity (“Owners”), sign a general release, in the form we specify, of all claims accruing before the end of the Term, in favor of us and our members, officers, directors, employees, affiliates, and agents, to the extent that release is permitted by applicable law.

(j) You meet all general requirements then applicable to approval of new franchisees.



(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 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 us an initial franchise fee (the "Initial Fee") of \$45,000 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 twice monthly basis, during the first 24 months after the date that we start pre-sales for your Center. Beginning on the 25<sup>th</sup> month after we start pre-sales for your Center, the Royalty Fee is 8.5% of Gross Sales, payable on a twice monthly basis. We reserve the right to require you to pay the Royalty Fee on a different recurring basis, including a monthly or 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.



(b) Brand Fund Contribution. You must contribute to the Brand Fund the amounts we require from time to time (the “Brand Fund Contribution”), not to exceed 1.65% of your Gross Sales. The Brand Fund Contribution is payable monthly based on your Gross Sales during the previous month, or as we otherwise require in writing. We may require you to pay less than the full 1.65% Brand Fund Contribution, in our sole discretion, and may require you to pay the full 1.65% Brand Fund Contribution at any time during the Term, effective on written notice to you. You must begin paying the Brand Fund Contribution on the date that pre-sales begin for your Center. You agree that not all System franchisees are required to contribute to the Brand Fund, and that some System franchisees may be required to contribute at different rates.

(c) Technology Fee. You must pay to us a recurring technology fee (the “Technology Fee”) in the amount we designate, for certain technology related services, products, licenses and/or sublicenses we designate, which may include, without limitation, hardware, software, network connections, and other equipment, hardware and software necessary to operate the Computer System, point of sale system, member management system, and/or scheduling system. We have the right to increase or decrease the Technology Fee at any time on notice to you. You also must pay to us or our designee all fees assessed by suppliers for the technology used in the operation of the Center, which may include the development and maintenance of the website, and the development, installation and maintenance of current and future developed software programs. Your obligation to pay the Technology Fee to us begins on the date you begin pre-sales for your Center, as required under Section 8.6. We reserve the right to require you to pay third-party suppliers directly for any technology we require you to use in the operation of the Center at any time effective on notice to you.

(d) Direct Software Fee. You must pay to us a recurring “Direct Software Fee” in the amount we designate. You must begin paying the Direct Software Fee when we first set up your system, unless we designate a different date. You agree to pay all fees we or our designated or approved suppliers (if applicable) assess in connection with the software, including, without limitation, the development, administration and/or maintenance of software and the development, installation and maintenance of current and future developed software programs and platforms.

(e) Music Licensing Fee. You must comply with our music licensing requirements. You agree to pay to us, our affiliate or our designee (as we designate), a recurring monthly “Music Licensing Fee” in an amount we designate.

3.3 Form and Manner of Payments. You must pay us all one-time or non-periodic fees, including the Initial Fee, in the form of cashier’s check or other form of payment acceptable to us in our sole discretion. You must pay us the Royalty Fee, Brand Fund Contribution, Technology Fee, Direct Software Fee, Music Licensing Fee and any other regularly recurring fees (the “Recurring Fees”) by an electronic funds transfer (“EFT”) (unless we designate a different method) under which we automatically deduct all payments owed to us from your bank account. Before opening your Center, you must provide us with your bank name, address and account number, a voided check from your bank account, and must sign and give to us and your bank, all documents, including Exhibit F to this Agreement, necessary to effectuate the EFT Program and our ability to withdraw funds from your bank account via EFT. You must immediately notify us of any change in your banking relationship, including changes in account numbers. We reserve the right to require you to pay any fees due under this Agreement by any other means we specify from time to time. Without limiting the foregoing, we reserve the right to (a) require you to pay all Recurring Fees on a different recurring basis, including weekly, twice monthly, or monthly basis, and (b) designate a different method through which you must pay one or more of the Recurring Fees, effective on notice to you.

3.4 Overdue and Declined Payments. You will pay us simple interest on any overdue amount at the rate of 18% per annum or the highest rate permitted by applicable state law, whichever is less. If the payment of any fee is denied or declined by your bank or financial institution, or if any other method of payment you provided fails to allow us to receive when due any payment, then you will reimburse us for all costs incurred in connection with that denial or decline. At our option, you also will pay us a late fee of 3% of the principal amount due for each instance in which you fail to make a payment when originally due.

3.5 Payments for Products and Services. We have the right, at any time during the Term, to require you to purchase equipment, goods and/or services from us, our affiliates or our designee and to pay us, our affiliate or designee (as we designate) an "Equipment Package Fee" in the amount we designate. We also have the right, at any time during the Term, to require you to purchase equipment installation services from us, our affiliate or designee (as we designate) and to pay us, our affiliate or designee (as we designate) an "Equipment Installation Fee" in the amount we designate. You must purchase any such equipment, goods and/or services from us, our affiliates or our designees, as we designate, in a form and manner acceptable to us.

3.6 Equipment Installation Fee. You must purchase equipment installation services from us. You must pay this fee before we will ship the Equipment Package to you. The Equipment Installation Fee is fully earned and non-refundable when paid.

3.7 Startup Marketing Fee; Ongoing Marketing Services Fee. You must pay to us or our affiliate, as we designate, a startup marketing fee of \$1,500 (the "Startup Marketing Fee"), which fee is due and payable when you sign this Agreement and before you begin pre-sales marketing. The Startup Marketing Fee is fully earned and non-refundable when paid. In addition to the Startup Marketing Fee, you must pay us, unless we otherwise designate, a recurring Ongoing Marketing Services Fee in the amount we designate for administration of online marketing spend and lead generation expenditures and you must reimburse us for the placement costs for the ads. You must pay these fees in accordance with the EFT Program described in Section 3.3 or, by another form of payment we require in our sole discretion.

3.8 Payment of State or Local Taxes Imposed on Us. You must pay to us all sales taxes, use taxes, personal property taxes and similar taxes that any taxing authority within your state(s) seeks to collect from us on account of your Gross Sales or on account of fees we collected from you, but excluding our ordinary income taxes or our receipts taxes arising out of fees due or paid from you or us. We are permitted to collect from you any imposed taxes in the same manner as Royalty Fees or require you to make those payments directly to the applicable taxing authority or authorities.

3.9 Application of Payments. We are permitted to apply payments from you in any manner we choose against outstanding balances, regardless of how you designate your payments. We may setoff from any amounts we owe to you any amount that you owe to us or to our affiliates. You have no right to, and will not, offset any payment owed to us for any amount owed or purportedly owed to you.

#### 4. PROPRIETARY MARKS

##### 4.1 Your Use of the Marks.

(a) You must use only the Marks that we designate, and only in the manner we authorize and permit.

(b) You must use the Marks only in connection with the Center and only at the Location and in advertising for the Center.

(c) You must use all Marks without prefix or suffix and in conjunction with the symbols “TM”, “SM”, “S” or “®”, as applicable. You may not use the Marks in connection with the offer or sale of any products or services that we have not authorized for use in connection with the System. **You may not use the Marks, or any component thereof, including the words “Kid” or “Strong” as part of your entity or other legal name.** Your entity name and all fictitious names under which you propose to do business must be approved by us in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials “D/B/A” and the business name “KidStrong.” You must promptly register at the office of the county in which your Center is located, or any other public office as provided for by the laws of the state in which your Center is located, as doing business under that assumed business name.

(d) You must identify yourself as the owner of the Center (in the manner we require) in conjunction with any use of the Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at conspicuous locations at the Center as we designate in writing.

(e) You must prominently display the Marks on or in connection with any media advertising, promotional materials, posters, displays, receipts, stationery and forms that we designate and only in the manner that we prescribe.

(f) Your right to use the Marks is limited to the uses as are authorized under this Agreement, and any unauthorized use thereof is an infringement of our rights. If you use the Marks in any way contrary to the terms of this Section, then on our request and at our option, and without limitation to our other remedies, you must cease that use and cancel all registrations, domain names, and email addresses, or must transfer to us the rights to those registrations, domain names, and email addresses and must sign all further agreements necessary to carry out that transfer.

(g) You must not use the Marks to incur any obligation or indebtedness on our behalf.

(h) You must sign all documents we deem necessary to obtain protection for the Marks or to maintain their continued validity and enforceability.

(i) You must promptly notify us of any suspected unauthorized use of the Marks, any challenge to the validity of the Marks, or any challenge to our ownership of, our right to use and to license others to use, or your right to use, the Marks. You agree that we have the sole right, though not the obligation, to direct and control any administrative proceeding or litigation involving the Marks, including any settlement thereof. We also have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Marks.

We have the right, though not the obligation, to defend you against any third-party claim, suit, or demand arising out of your use of the Marks. In these circumstances, if we determine that you have used the Marks in accordance with this Agreement, we will bear the cost of the defense, including the cost of any judgment or settlement. If we determine that you have not used the Marks in accordance with this Agreement, you must bear the cost of the defense, including the cost of any judgment or settlement. In any litigation relating to your use of the Marks, you must sign all documents and do all acts as necessary to carry out the defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that litigation is the result of your use of the Marks in a manner not in accordance with this Agreement, we will reimburse you for your out-of-pocket costs in performing these acts.

(j) You will not use the Marks or any derivation thereof or confusingly similar mark in any domain name you own or control, or in any email address you or your agents use, except with our written consent.

(k) You agree that:

1. We own all right, title, and interest in and to the Marks and the goodwill associated with and symbolized by them, and we have the right to use, and license others to use, the Marks;

2. The Marks are valid and serve to identify the System and those who are authorized to operate under the System;

3. During the Term and after its expiration or termination, you must not directly or indirectly contest the validity of, or our ownership of, or right to use and to license others to use, the Marks;

4. Your use of the Marks does not give you any ownership interest or other interest in or to the Marks;

5. Your use of the System and Marks and any goodwill established by that use inures solely to the benefit of us or our affiliate, and, on the expiration or the earlier lawful termination of this Agreement for any reason, you will not receive or be assigned any monetary amount in compensation for your loss of use of the Marks;

6. The license of the Marks granted to you under this Agreement is nonexclusive and we retain the right, among others, (i) to use the Marks ourself in connection with selling products and services; (ii) to grant other licenses for the Marks; and (iii) to develop and establish other systems using the Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing you any rights therein; and

7. We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under the System. If we notify you in writing that the Marks have been modified or discontinued, you must discontinue use of the relevant Marks and begin using the new or modified Marks within 10 days, at your expense.

## 5. CONFIDENTIAL INFORMATION

**5.1 Definition.** For purposes of this Agreement, the term “Confidential Information” means: information that we consider our trade secrets and other information, processes, methods, procedures, know-how, and techniques related directly or indirectly to the development, opening and/or operation of a Center, including but not limited to methods of instruction; information regarding the build-out of a Center; information about proprietary equipment; information about proprietary merchandise; any proprietary software we now or in the future create; the Manual; price marketing mixes related to the sale of goods or services offered or authorized for sale by System franchisees; standards and specifications for equipment, floor design, equipment layout, lighting, supplemental exercise equipment configuration, systems and training manuals, instructor training systems, compensation systems, online social marketing systems, merchandise sales systems, location identification and acquisition systems, ongoing instructor training, the operating results and financial performance of KidStrong Centers, and general operations; our copyrighted materials; our and/or our affiliates’ patents; and methods and other techniques and know-how concerning the operation of the Center that may be communicated to you or of which you may be apprised by virtue of your operation of a Center (collectively, the “Confidential Information”). “Confidential Information” includes all information, knowledge, know-how, techniques, and other data that we designate as confidential. You agree that certain information, including (i) current customer and prospective customer names and addresses, (ii) information about credit extensions to customers, (iii) customer service purchasing histories, (iv) rates charged to customers, and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute our trade secrets and Confidential Information. You must not sell, transfer or use any member or customer information for any purpose other than marketing the Center in accordance with the terms of this Agreement. We and our affiliates have the right to use Center member and customer information in any manner and for any purpose. You must secure express consents and authorizations permitting our disclosure and use in accordance with all applicable laws, rules and regulations.

**5.2 Non-Disclosure.** You agree that we and our affiliates own all right, title and interest in and to the Confidential Information. You agree that you must not, during the Term or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information. You may divulge Confidential Information only to such of your employees as must have access to it to operate the Center. You will not use the Confidential Information in any other business or capacity and will maintain absolute secrecy and confidentiality of the Confidential Information. You must adopt, implement and maintain all necessary and reasonable procedures to prevent unauthorized use or disclosure of, or access to, Confidential Information, including, without limitation, requiring employees to sign confidentiality and non-disclosure agreements in a form acceptable to us. You agree that we have expended considerable time, effort, and money to develop the System, that the enumerated Confidential Information is not well known outside of the System, that the Confidential Information is of great value to us and our affiliates and is considered a proprietary and valuable asset, and that we are implementing this non-disclosure policy in an effort to protect the trade secrets and Confidential Information. You agree that on the actual or threatened breach of this Section 5, our harm will be irreparable and that we have no adequate remedy at law to prevent this harm.

**5.3 Employees.** At our request, you must require your key employees, including the Lead Coach, General Manager and Assistant General Manager as defined in Section 7.13, and any other personnel having access to any of our Confidential Information, to enter into a Confidential Information Protection Agreement in the form we approve.



5.4 New Concepts. If you, your employees, or your principals develop any new concept, process or improvement related to the operation or promotion of the Center, including website content, mobile apps, and/or social media pages, you must promptly notify us and provide us with all necessary related information, without compensation. Any concept, process, intellectual property and/or improvement becomes our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related thereto. You and your principals assign to us any rights you have or acquire therein, including the right to modify the concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any concept, process or improvement in all countries, and further agree to sign and provide us with all necessary documentations for obtaining and enforcing these rights. You and your principals irrevocably designate and appoint us as your agent and attorney-in-fact to sign and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process or improvement. If the foregoing provisions of this Section are found to be invalid or otherwise unenforceable, you and your principals grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent the use or sublicense would, absent this Agreement, directly or indirectly infringe your rights therein.

## 6. LOCATION

6.1 Operation from Location. You will operate the Center exclusively at and from the Location. If known as of the Effective Date of this Agreement, the Location is the Location identified in the Data Sheet. If we have not approved a location for you to operate the Center as of the date you sign this Agreement, the parties will enter into the Site Selection Addendum attached as Exhibit F to this Agreement, the terms of which will govern the parties' site selection obligations.

(a) No Warranty. You agree that our approval or acceptance of any site for the Center will not, under any circumstances, constitute a warranty or representation, whether express or implied, as to the potential success or profitability of the Center at the site. You understand that the Center site selection, while subject to our approval, is your responsibility and you are encouraged to work with professional advisors in determining suitability for a proposed site before entering into any binding lease or purchase agreement for the site. You agree that we have no responsibility to you if the site you secure for the Center fails and agree not to allege anything to the contrary.

### 6.2 Design, Construction, Remodeling.

(a) Qualified Personnel. You will employ qualified personnel to perform all design, construction, and remodeling work at the Location in accordance with plans and specifications we approve. At our request, you will provide us with any requested information concerning the personnel you employed for design, construction, or remodeling. We may require you to use our approved or designated architects and/or contractors in connection with any design, construction, build-out or remodeling and pay these contractors all required fees, costs and expenses. We will review and approve your architectural plans at 45% completion, and 95% completion before permit submittal. You must use one of our approved architects for your construction plans.



(b) Design and Plans. You agree that it is your sole responsibility to prepare all required construction and build-out plans and specifications for the Center and to ensure that all plans and specifications comply with all applicable laws, rules and regulations, including those rules governing public accommodations for persons with disabilities (including, for example, the Americans with Disabilities Act), and all other applicable ordinances, building codes, zoning regulations, permit requirements and lease restrictions. We will provide you our sample, prototypical specifications for construction, remodeling and/or decorating the location and general floor plans and general interior layout and design. You will submit to us for approval all construction and design plans for adapting our specifications to your location. You must use one of our approved architects for your construction plans. We will review those plans and will approve or disapprove them in writing no later than 30 days after receipt. You agree that our review is limited to ensuring compliance with our required design and other requirements and will not include any assessment of whether or not the plans and specifications meet the requirements of all applicable laws, rules, ordinances and regulations, which will at all times remain your sole responsibility.

(c) Permits and Licenses. You will obtain and maintain in good standing all licenses, permits and certifications required for lawful construction, build-out and remodeling of the Location.

(d) Funding. At our request, you will provide to us written evidence of your funding or funding commitments in a form acceptable to us, and you authorize us to contact any funding sources directly to discuss all financial aspects of the construction or remodeling of the Location.

(e) Quality of Work. You will ensure that all design, construction, and remodeling work is performed in a competent and professional manner, and that the finished Location meet all specifications we identify.

(f) Progress Reports and Site Visits. You will provide us with any progress reports we request during the course of any design, construction, and remodeling work. We are permitted to visit and inspect the Location at any time during the design, construction, and remodeling process.

(g) Completion. Your completion of the construction or remodeling process will include the complete construction of the Center at the Location, the installation of all equipment, fixtures, furnishings, and signage required by our specifications, the completion of all carpentry, electrical, painting, and finishing work, and any other preparations necessary to render the Location fit for use for the Center, all at your expense. You must purchase your signage only from a supplier that we have approved and to whom we have granted a license to reproduce the Marks on the signage.

6.3 Opening. You must, on or before the Opening Deadline, (a) secure our approval to open the Center, which approval will not be unreasonably withheld, and (b) open the Center for business. We may condition our approval on your satisfaction of the following pre-opening conditions:

(a) You must not be in default under any franchise agreements between us and you and/or your affiliates;

(b) On completion of all construction and remodeling work, and at our option, we will inspect the Location and identify any additional actions that you must take to comply with our specifications. You will promptly take all required actions;

(c) You must have conducted the Pre-Opening Marketing Campaign (as defined below) as required under Section 8.6 of this Agreement before opening the Center for business. As stated in Section 8.6, you will not be permitted to open the Center until you have at least 325 members enrolled at the Center. This requirement is subject to change effective on notice to you;

(d) You must have completed the initial training program as required under this Agreement before the Opening Deadline;

(e) You must have secured all licenses, permits, approvals, bonds and other permissions required under all applicable laws, rules, regulations and procedures for the lawful operation of the Center at the Location;

(f) You must have adopted for use a form of membership agreement that (i) we have approved and (ii) that you have independently verified, after consultation with your legal counsel, is in compliance with all applicable laws, rules and regulations. You must send us copies of all membership agreements you intend to use at least 30 days before you begin using any agreement;

(g) You have paid all amounts due to us and our affiliates;

(h) You have provided us with certificates of insurance evidencing your compliance with the insurance coverage requirements stated in this Agreement and in the Manual;

(i) You must have met our designated pre-opening criteria (as stated in the Manual or other written specifications), which may include, without limitation, the requirement that you have on staff a designated number of coaches, within the time period we designate; and

(j) You must have purchased an initial inventory of KIDSTRONG® branded merchandise, and all other merchandise as we specify, including, but not limited to, clothing and other consumer products we determine to be appropriate for retail sale at the Center or for use in conjunction with approved promotional activities, from us, our affiliates or approved or designated suppliers. You agree that we may specify the type and quantity of items you must purchase for pre-opening inventory.

On your final compliance with all specifications and pre-opening requirements, we will grant approval for you to open for business. You will not open for business until we have issued that approval, but you will promptly open for business once we have issued our approval. If you believe we have failed to adequately provide any services required to be provided to you before opening, including training, support or any other pre-opening obligation, you must notify us in writing within 90 days following the opening of the Center (the "Pre-Opening Notification"). If you do not provide the Pre-Opening Notification, you are deemed to conclusively agree that all pre-opening obligations we are required to perform were sufficient, in compliance with this Agreement, and satisfactory.

6.4 Opening Deadline. Under the process defined above, you will: (a) purchase or lease the Location no later than 9 months days after the Effective Date; and (b) open for business no later than 12 months after the Effective Date (the “Opening Deadline”). Notwithstanding, if you entered into this Agreement under an area development agreement entered into between you (or your affiliate) and us (the “ADA”), then the “Opening Deadline” stated in the development schedule attached to the ADA will govern and supersede the deadline stated in the preceding sentence.

6.5 Maintenance and Appearance. You will maintain the Location in a clean, orderly, and attractive manner at all times when open for business and will promptly conduct any repairs and replacements necessary to maintain the Location in compliance with the standards and specifications stated in the Manual.

6.6 Upgrades and Alterations. You will make any additions, alterations, upgrades, repairs and replacements we require in connection with your operation of the Center at your sole expense, including without limitation periodic redecorating, refurbishment, remodeling, replacement of signs, fixtures or materials, and upgrading and/or replacement of equipment. Without limiting the foregoing, you must ensure that, at all times during the Term, you take the following actions at your expense (i) regular and thorough cleaning; (ii) repainting and redecorating of the interior and exterior of the Center premises as we direct; and (iii) repair and/or replace, as we designate, damaged, worn-out and/or obsolete equipment, fixtures and/or furnishings. You agree that we have the right to change the trade dress and you agree to comply with and implement all modifications necessary to comply with these changes at your sole expense.

6.7 Use of Location. You will use the Location only for the purpose of operating the Center in strict compliance with this Agreement. In particular but without limitation, you will offer and sell only goods and services we permit at the Location, and you will allow at the Location only those progress charts, displays, advertisements, and promotional materials we authorize.

6.8 Inspections. You will permit us or our agents or representatives to enter the Location at any time during normal business hours and with or without prior notice for the purposes of conducting inspections, taking photographs, sampling goods and services (including by using “secret shoppers”), and speaking with employees, customers and members. You will cooperate fully with our agents or representatives by providing any assistance that those agents or representatives reasonably request, and by allowing those agents or representatives access to every part of the Location and to remove reasonable quantities of products or other goods for purposes of testing or examining samples. On notice from us or our agents or representatives, and without limiting our other rights under this Agreement, you will promptly remedy any deficiencies detected during any inspection.

6.9 No Relocation. You will not relocate the Center or operate from any site other than the Location without our written consent. If, for any reason, the lease term is shorter than the Term and the lease cannot be renewed or extended, or you cannot continue for any other reason to occupy the Location, you must relocate your Center to a mutually acceptable site within your Territory to complete the unexpired portion of the Term. You must notify us of your intention to relocate, procure a site acceptable to us within 90 days before closing your existing Center, and open the new Center for business within 60 days of closing your existing Center.

## 7. GENERAL OPERATIONAL REQUIREMENTS

7.1 Manual. We will provide you with access to the Manual online through electronic access in the form we designate. You must operate the Center in strict compliance with the Manual, which you agree we have the right to modify from time to time. The Manual will remain confidential and our exclusive property. You must not disclose, duplicate or make any unauthorized use of any portion of the Manual and you must protect the confidentiality of any usernames and passwords used to access the Manual. The provisions of the Manual constitute provisions of this Agreement as if fully stated herein. You must ensure that your copy of the Manual is current and up to date. If there is a dispute relating to the contents of the Manual, the master copy that we maintain at our corporate headquarters will control.

7.2 Compliance with Manual. Without limiting other provisions in this Agreement, you will operate the Center in compliance with this Agreement and the Manual, including by operating the Center strictly in accordance with the standards of customer service, safety, cleanliness, environmental care, consistency, training, brand image, advertising, and promotion we prescribe. You agree that, to ensure that the System remains competitive and responds to changes in technology, member preference, and other factors, we may, by written notice to you, add to, delete from, modify, or otherwise change the System and the Manual, including without limitation by adding new or enhanced services and products, new operational requirements, and new techniques and methods of operation. We will provide any revisions to you in a written form of our choosing. You will immediately adopt all revisions that do not require any material expenditure by you and will adopt all other revisions within a reasonable time not to exceed 30 days after your receipt of the revision. You agree that you may be required to incur an increased cost to comply with any changes at your expense.

7.3 Authorized Products and Services. You agree that you will offer and sell only the authorized goods and services, and that your control over those goods and services and the methods of their delivery is essential to maintaining and improving the reputation and goodwill associated with the Marks. You will not offer any additional or alternative goods or services without our written consent, and your submission to us of any proposal to offer or sell additional goods or services will constitute an assignment of any rights in those goods or services for us to offer or sell them ourself, to make them available to other franchisees, and to make them and any revisions, alterations, or derivations available to you and any other franchisee. You will provide all services and goods we approve. You must at all times maintain sufficient levels of inventory and other products, of the type, quantity and quality as specified in the Manual or otherwise in writing, to adequately satisfy consumer demand. You must offer and sell all private label or branded products that we designate for sale by System franchisees. You must reorder and stock in sufficient supply all proprietary and/or branded products as necessary to meet reasonably expected consumer demand at the Center throughout the Term. If we discover that you are selling unauthorized or unapproved products from your Center, you must pay us a non-compliance fee of \$250 ("Non-Compliance Fee"). Additionally, if you fail to remedy this non-compliance within 14 days notification thereof, we will assess the Non-Compliance Fee again and will continue to assess the fee every 14 days until the non-compliance is cured. We are permitted to add to, modify, or eliminate elements of the authorized goods or services at any time in our sole discretion.

7.4 Equipment and Assets used in Center Operations. You must purchase and use in connection with the operation of the Center, all equipment (including fitness and exercise equipment, as well as audio and visual entertainment equipment), equipment installation services, fixtures, furnishings, signs and supplies we designate (the "Equipment and Furnishings") from

suppliers we designate or approve. You must only play the music we approve or designate, and you must only display visual entertainment (including audio and/or videos) we approve or designate. We have the right to require you to pay to us or a third party all licensing fees for the right to play or display the music or content in the Center's operation. You are responsible for ensuring that any music played and/or visual entertainment displayed in the operation of the Center is in compliance with all applicable laws, rules and regulations.

7.5 Designated Sources of Goods, Services, Supplies, Materials, and Equipment. You will use all vendors and suppliers, which may include us and/or our affiliates, as we designate, as a required source for any goods, services, supplies, materials, and equipment. We and our affiliates are permitted to receive any payment or benefit from any vendors or suppliers resulting from any franchisee purchase or lease, and we and our affiliates are permitted to impose markups on products and services we and/or our affiliates supply, and to derive revenue and other material consideration on account of your purchase or lease of any goods, services, supplies, materials, or equipment. We and our affiliates have the right to use these payments, benefits and consideration in any manner, without restriction, for any purposes we and/or our affiliate(s) deem appropriate. We will, to the extent we deem necessary, provide you with specifications for products, services, inventory and equipment you must purchase, and regarding any designated suppliers from which you must purchase any products, services, inventory, goods, and supplies necessary for the start-up and ongoing operation of the Center.

7.6 Supplier Approval. If you wish to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At our request, you must provide us, for testing purposes, a sample of the item you wish to purchase. You must provide, at our request, all information we reasonably request related to the proposed supplier, including, without limitation, information related to insurance coverage, fulfillment capabilities, dealings with competitive systems, quality control standards, among other information. If we incur any costs in connection with testing a particular product or evaluating an unapproved supplier at your request, you must reimburse us for our reasonable testing costs, regardless of whether we approve the item or supplier. Nothing in the foregoing will be construed to require us to approve any particular supplier. We may base our approval of any proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation we deem necessary or desirable in our System as a whole. We are not required to approve an unreasonable number of suppliers for a given item, which approval might, in our reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers. We may revoke our approval of particular products or suppliers when we determine, in our sole discretion, that the products or suppliers no longer meet our standards. On receipt of written notice of our revocation, you must cease purchasing products from that supplier. You must use products purchased from approved suppliers solely in connection with the operation of your Center and not for any competitive business purpose.

7.7 System Suppliers. We may establish business relationships, from time to time, with suppliers who may provide services or produce, among other things, certain furnishings, supplies, fixtures, equipment and inventory according to our proprietary standards and specifications, private label equipment, or private label goods that we have authorized and prescribed for sale by System franchisees ("System Suppliers"). You agree that these products and services are essential to the operation of the Center and to the System generally. You further agree that your failure to pay System Suppliers may interfere with the suppliers' willingness to supply the System, which may result in other System franchisees' inability to obtain product or ability to obtain product



only on less favorable credit terms. Accordingly, you agree to pay System Suppliers as and when due. We have the right to change the System Suppliers at any time during the Term. We and our affiliates have the right to become a System Supplier for any product, service, equipment and/or item, and to require you to pay us and/or our affiliates for these products, services, equipment and/or items, at any time on notice to you.

7.8 Compliance with Laws. You must operate the Center in full compliance with all applicable laws and regulations, including those relating to the construction, design and operation of the Center (including, without limitation, all regulations relating to childcare requirements, laws regulating sexual harassment and discrimination, health club membership agreements and fitness centers generally (if applicable), environmental safety, occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, ERISA, withholding and payment of federal and state income taxes, social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA")). You must obtain and maintain all licenses, permits, and approvals (for yourself and your employees and agents) required by the jurisdictions in which you operate. You agree that we have not researched the specific laws and regulations applicable to your Center, and that you are solely responsible for compliance with these laws and regulations.

7.9 Agreements with Members. You agree that it is your responsibility to ensure that all waivers, notices, membership agreements, contracts and other legal documents used in the operation of your Center comply with all applicable laws, rules and regulations and with our standards and specifications (to the extent permissible under applicable law). We have the right to provide a suggested form of any waiver, notice, membership agreement and/or contract for you to review with your local counsel to ensure compliance with all applicable laws, rules and regulations. If your counsel advises modifications to any forms on account of applicable regulations, you must provide us with advance written notification of the proposed modifications. We have the right to disapprove of any proposed membership agreement, contract, and waiver or notice if we determine that it does not comply with our standards and specifications. You agree that our approval or disapproval of any proposed form will not constitute an evaluation of whether or not the form is in compliance with applicable laws, rules and/or regulations. You must prominently display in the Center and in all membership agreements, waivers, contracts, legal documents, stationery and advertising materials that you are the independent owner of the Center and a licensed System franchisee.

7.10 Center Classes. You must conduct all classes in accordance with the System. You agree that we have the right to require you to offer mandatory classes and programs. We have the right to disapprove of any class or program at any time during the Term, in which event, you must cease offering the class or program, as we designate.

7.11 Pricing. To the fullest extent permissible under applicable law, we have the right to designate pricing for services and goods offered and sold at the Center. We may communicate mandates in the Manual or otherwise in writing. If we designate pricing restrictions, you must comply with these requirements and will only charge prices as we establish in the Manual or otherwise in writing. Otherwise, you are responsible for determining the prices you charge Members and customers, and you will provide information regarding your prices to us on request.

7.12 Forms of Member Payment; Member Information. You will maintain agreements or arrangements with any financial institution, payment provider or credit/debit card issuer or sponsor we designate, so that the Center may accept members' credit cards, debit cards, checks, and other methods of payment we designate. You agree that we have the right to unrestricted access

to all of your customer and member information, including member names, addresses, telephone numbers, email addresses and other collected information (the "Center Member Info"). To the fullest extent permissible under applicable law, we and/or our affiliates will have the right to access and use the Center Member Info for business activities, and you must provide this information to us on our request. You must obtain from all your Center's members all consents and authorizations, including as required under applicable law, and provide these members with all disclosures required under applicable law, enabling you to transmit Center Member Info to us and our affiliates, and permitting us and our affiliates the right to use this information for any legally permissible purposes. If this Agreement is terminated or expires and you do not enter into a Successor Franchise Agreement, we and/or our designee have the unrestricted right to use the Center Member Info in any manner we deem necessary or appropriate, including, without limitation for the purpose of communicating the closure of the Center and the transfer of members to one or more other Centers in the System. We may periodically coordinate or conduct market research studies and/or similar programs and you agree to assist us in collecting and disclosing to us or our designee, information from your customers or members, including surveys and other questionnaires or similar information gathering methods.

**7.13 General Manager and Assistant General Manager.** You must appoint a manager and an assistant manager qualified to perform and manage the core operations required for the Center ("General Manager" and "Assistant General Manager"). The General Manager and Assistant General Manager must attend and successfully complete our designated initial training program to our satisfaction. You must ensure that the Center's operation is at all times under the General Manager's and Assistant General Manager's direct control. You may not serve as the General Manager or Assistant General Manager. Your appointment of the General Manager and Assistant General Manager constitutes your consent for the General Manager and Assistant General Manager to engage in any communications on your behalf with us, and to bind you to us with respect to any agreements, commitments, or consents.

**7.14 Equipment Use.** We will provide, to the extent we deem necessary, you with our written specifications for certain equipment, signs and fixtures for the Location. You will obtain and use all equipment we require and will refrain from using any equipment prohibited or that we have not approved. You must purchase equipment, signs and fixtures from suppliers we designate, or as we otherwise approve in writing.

**7.15 Member Programs; Promotional Programs.** You agree that we have the right to require you to offer and participate in member programs, including charitable promotions, loyalty programs, reciprocity and transfer programs, discounts and other promotions at your sole expense. You are responsible for ensuring compliance with all applicable laws, rules and regulations in connection with offering and participating in these programs and promotions. Without limiting the foregoing, we have the right to establish programs in which some and /or all of the System Centers will provide products and/or services to certain groups of members and/or prospective Center members, including through fitness and/or wellness programs. You must participate in all these programs, to the fullest extent permissible under applicable law. We and our affiliates have the right to receive payments from third parties in connection with any programs and/or promotions, without restriction.

**7.16 You are Solely Responsible for Your Employees.**

**7.16.1** You agree to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Center, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation,



promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. To the extent any System standards, resources in the Manual or other written materials address any employment related matters, those are not mandatory but are merely suggestions.

7.17 Agreements with Other Parties. You will advise all third parties that you are an independent contractor and that all debts, liabilities and obligations you incur are for your account only and not us and will identify you as an “Independently owned and operated franchisee of “KidStrong Franchising LLC” on all invoices, agreements, and correspondence.

7.18 Ensuring Your Compliance. Without limiting any right or remedy in this Agreement, we are permitted to take any reasonable measures to ascertain and ensure your compliance with all requirements of this Agreement and the Manual.

7.19 Personal Conduct. You agree to refrain from committing any act or pursuing any course of conduct that tends to bring our Marks or System into disrepute.

7.20 Best Efforts. You must use best efforts to promote and increase the demand for the Center’s services and goods. All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. You agree to refrain from any business or advertising practice that may be injurious to the Center or the goodwill associated with the Marks, the System and us.

7.21 Trade Secrets and Confidential Information. You must maintain the confidentiality of all Confidential Information as stated in Section 5 of this Agreement.

7.22 Image. You agree that we have developed the System to offer services and sell products that will distinguish the Center from other businesses and chains that offer different child development programs, products and services or similar products and services at different prices and with less attention paid to the quality of fitness instructor training and knowledge, personal training, fitness education, and customer service. You agree to offer products and services and to conduct the Center in such a manner that will serve to emulate and enhance the image we intend for the System. You further agree that each aspect of the System is important not only to you but also to us and to other System franchisees to maintain the highest operating standards, achieve system wide uniformity and increase the demand for the products sold and services rendered by System franchisees. You agree to comply with the standards, specifications and requirements we provide to uniformly convey the distinctive image of a KidStrong Center. You must, in the Center’s operation, use only displays, forms and other specified materials imprinted with the Marks and colors as we prescribed from time to time.

7.23 Payment of Debts. You are solely responsible for selecting, retaining and paying your employees, purchasing goods and equipment for use in the operation of the Center, and determining whether, and on what terms, to obtain any financing or credit that you deem advisable or necessary for the conduct of the Center. You agree to pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. You agree to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, and personal property and real estate taxes, arising from your operation of the Center. You agree to indemnify us if we are held responsible for these taxes.

7.24 Pending Actions. You must notify us of legal proceedings, in writing, within 5 days of the commencement of any action, suit or proceeding or the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of you or the Center.

7.25 Payments to Third Parties. You will pay all vendors, suppliers, landlords, lessors, government agencies, and other third parties all amounts when due without liability to us. On our request, you will provide us with proof of payment to third parties. You agree that any failure to pay suppliers timely will damage our reputation and the reputation of other franchisees, and in the event of your failure, we have the right, but not the obligation, to pay all or any portion of the sum due, together with accrued interest and penalties, and to collect reimbursement from you. You consent to our directly contacting and obtaining any information from any current or former supplier, vendor, or lessor of yours at any time.

7.26 Computer Software, Hardware, and Computerized Point-of-Sale System. You must purchase, install, use and maintain the computer software, hardware, point of sale system and other electronics and technology systems we designate. You must purchase, install, use and maintain all hardware and software necessary to ensure continuous access to any proprietary intranet system or other electronic platform we designate for communications between us and you and to any web-based software we designate that we have developed or may develop and/or designate for use for the System. You must purchase all computer hardware as necessary for the efficient operation of the Software, including without limitation, a computerized point-of-sale system we designate for the Center's operation, including any accompanying computers, modems, credit/debit card readers, cash drawers, receipt printers, and other associated equipment, and credit card machine and a scanner. We have the right to require you to update or upgrade computer hardware components and/or Software as we deem necessary from time to time. In addition, we have the right to require you to enter into a separate maintenance agreement for the computer hardware and/or Software. Notwithstanding the fact that you must buy, use and maintain the computer hardware and Software meeting our standards and specifications, you have the sole and complete responsibility for: (i) the acquisition, operation, maintenance and upgrading of the computer hardware and Software; and (ii) all consequences that may arise if the computer hardware and Software is not properly operated, maintained and upgraded. You will allow us to access your computerized and electronically stored data. We reserve the right to require you to install a "systems backup solution" that backs up critical data in your computer system using an off-Location storage scheme. You will not allow any unauthorized person to access any proprietary intranet or other computerized systems.

7.27 Intranet. You must participate in any System-wide area computer network, intranet system or extranet system, including any confidential intranet website that we implement and require to use the area computer network, intranet system or extranet system to, among other things: (i) submit your reports due under this Agreement to us online; (ii) view and print portions of the Manual; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) participate in online training. You agree to use the facilities of any area computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that we include in the Manual, including those related to the encryption of Confidential Information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

7.28 Information Technology System. You will purchase and use in the operation of the Center the Information Systems specified in our Manual, including, without limitation, all hardware, software, equipment, network connections and other items and services we specify. We may, in our sole discretion, collect from you the license fees due to the unaffiliated licensors of certain computer software programs required to be used by our franchisees, including you, and may otherwise administer the relationship with the licensors. We do not currently receive any compensation for these services but may in the future. We or our affiliate may obtain a master license to one or more software programs you must use and sublicense them to our franchisees, including you and/or develop in the future proprietary software programs that will replace or supplement third party programs. If we or our affiliate obtains a master license or develops any proprietary software programs, we reserve the right to require our franchisees, including you, to sublicense or license them from us or our affiliate on terms that we establish. You will perform all of your obligations under all/any software sublicenses or licenses for all information systems, including for any proprietary software we or our affiliate later sublicense or license, including the payment of the fees required thereunder, and any uncured or incurable default under any license or sublicense will be an Event of Default under this Agreement and will adversely affect your access to the Intranet. We have the right to modify the Information Technology System at any time, and you must comply with all modifications. You must use the Information Technology System in the manner we designate, including to: (a) track member information, purchase orders, receipts, attendance information; (b) generate sales reports and other forms and reports related to the Center's operation; and (c) track inventory.

7.29 Data Access. You grant us unlimited independent access to the data generated by your computerized point of sale system, computer system and technology system, without restriction, and will permit us to poll via electronic connection your computer, point of sale and technology systems for any purpose, including to compile sales data, consumer trends, labor costs, and any other financial and marketing information we deem appropriate.

7.30 Email. You must at all times have email/high speed internet access capabilities at the Location.

7.31 Camera System. You must, at your sole expense, purchase, install, maintain and use the camera system we specify, which may include, without limitation, 4 cameras. This system must be turned on and operational at all times during the Term and must be accessible to us for monitoring on the Internet or otherwise. You agree that you are solely responsible for complying with all applicable laws, rules and regulations in connection with the use of the camera system, including all applicable privacy and customer notification requirements.

7.32 Telephone. You must obtain a new telephone number and telephone listing at your expense, to be listed under the "KidStrong" name and not under your corporate, partnership, or individual name, and to be used exclusively in your operation of the Center. You also must purchase, use and maintain (unless we otherwise designate, a "soft phone" (software-based equivalent to your business desk phone or personal smartphone) from an approved or designated supplier for the operation of the Center. You agree to sign the Conditional Assignment of Your Telephone Numbers and Domain Names attached as Exhibit D, which provides that, on the expiration, transfer or termination of this Agreement for any reason, you must terminate your use of the telephone number and listing, as well as any other listings and domain names and Internet listings and assign same to us or our designee. You must answer the telephone in the manner we specify in the Manual.

## 8. ADVERTISING, MARKETING, PROMOTIONS, AND DISPLAYS

8.1 Brand Fund. We have the right to establish, maintain and administer, directly or through our designee, one or more regional and/or national advertising, marketing, and promotional funds for advertising, marketing, public relations programs, brand development, and/or promotions we select in our sole discretion. You must pay the Brand Fund Contribution to us. Franchisees who joined the System before the Effective Date of this Franchise Agreement may not be required to contribute to the Brand Fund or may be required to contribute at different rates. We will contribute the Brand Fund Contribution we collect from you to the Brand Fund. We have the right to use and/or to designate the use of the Brand Fund to pay all expenses related to media placement, commissions, market research, creative and production costs, website development and optimization, development and implementation of mobile applications, social media activities including for example, social media influencers, preparing and producing advertising and/or marketing videos, ad-word purchasing programs, public relations, artwork, printing, administration of regional and/or multi-regional advertising programs, purchasing direct-mail and other media advertising, developing and administering marketing and advertising training programs and materials, conducting market research, creating, developing and/or optimizing System websites and/or mobile applications, and all other expenses, or compensation reasonably related to advertising, marketing, public relations and/or promotions, including, without limitation, salaries and compensation of marketing personnel. We are permitted to perform any Brand Fund functions ourself through our employees, representatives, agents, or affiliates, in which case we may compensate ourself or our affiliate from Brand Fund Contribution payments for the reasonable cost of performing those functions, including reasonable allocations of overhead and administrative expenses.

8.2 No Specific Brand Fund Allocation Required. You agree that the purpose of the Brand Fund is to maximize general public recognition and patronage of the services and goods offered by franchisees and to build the value of the Marks, us and the System. We have no obligation to ensure that you benefit directly or on a pro rata basis from the expenditure of any Brand Fund Contributions or from the placement or conduct of advertising, marketing, or 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 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 \$45,000 on this campaign depending on how your presales progress during the 120 to 90 days before you open. To the extent that we make the expenditures for your grand opening marketing campaign, we will invoice you monthly for the expenses incurred and you must reimburse us the amount of this expenditure. These expenses vary slightly based on each franchisee's expenditure and all reimbursements to us are non-refundable. 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. Your Pre-Opening Marketing Expenditure does not decrease or affect your obligations with respect to local advertising, any Ad Co-op (as defined below), or any payments of the Brand Fund Contribution. You are not permitted to open the Center until you have at least 325 members enrolled at the Center. This requirement is subject to change effective on notice to you. If your presales are not on track to achieve the minimum enrollment required to open the Center, we may require you to use our call center support services.

8.7 Local Advertising Expenditures. You must spend an average of 5% of Gross Sales per month (as we determine) (as we determine but expected to be about \$3,700, but not less than \$2,500) on member acquisition that we require; 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 use our call center support services if your sales are lacking. If you fail to spend the local marketing and advertising amount required in this Section, we reserve the right to require you to pay us any unspent amount.

8.8 Local Advertising and Initial Marketing Content and Restrictions. You are permitted to conduct your own advertising and promotions in your reasonable discretion, in addition to those we require, except that:

(a) You will ensure that your local advertising and promotions reflect favorably on and do not disparage the Marks, us, and any other franchisee.



(b) Before use, you must submit to us all print and other materials intended for media placement or public display (either in print or electronically), and a description of all proposed public or marketing events. You will use only materials we approved or provided and will 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, but not limited to, 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 are permitted to adopt those materials or proposals for general use in advertising or promotions, in which case you will 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 in consideration of the continued use of the Marks and System.

(c) Your local advertising efforts will include advertisement of the Center in any print or online directory listings we require, which advertisements you must submit to us for approval before placement.

8.9 Advertising Cooperative. We are permitted to establish or to authorize any number of cooperative advertising programs (an “Ad Co-op”) to coordinate advertising, marketing, and promotions among franchisees within a certain region, among certain common types of franchisees, or for other designated purposes. You will participate fully and in good faith in any Ad Co-ops we require. We are permitted, though not required, to delegate to any Ad Co-op the full or limited right to direct its own operations, and you will follow all rules and procedures the Ad Co-op prescribes; except that no Ad Co-op we create or manage will be permitted, without our consent: (i) to impose any fee or mandatory contribution to the members on an unequal basis; or (ii) to allocate votes among members on any basis other than one vote per Center. We are permitted, but not obligated, to resolve any disputes between you and any other franchisee concerning any Ad Co-op matter, and you will honor and adhere to any decision or direction we issue concerning that dispute. For the sake of clarity, any contributions or fees you paid for an Ad Co-op constitute fees to meet the local advertising requirement described in Section 8.7. If we administer the Ad Co-op, we will make available to you an unaudited annual statement of operations. Further, we will make available the books and records of the Ad Co-op to you for review on your reasonable written notice.

8.10 On-Site Displays. At your Center, you will use and display only the signs, displays, advertising and other materials we approve.

8.11 Websites & Digital Marketing. We have the right to maintain an interactive website for the benefit of us and our franchisees (the “KidStrong Home Page”).

(a) We will determine, in our sole discretion, all features of the KidStrong Home Page, including the domain name, content, format, and links to other websites. We also have the right to modify, suspend or temporarily or permanently discontinue the KidStrong Home Page at any time, in our sole discretion. We and our affiliates have the right to sell merchandise directly to retail and/or wholesale customers via the Internet under the “KidStrong” name and the Marks, to create a website or home page containing the “KidStrong” name and the Marks, and the exclusive right to reserve or to use “KidStrong” or any derivative or related or similar domain name or e-mail address (without regard to domain name suffix).

(b) You are not permitted to access the **KIDSTRONG®** website in any manner, such as linking, framing, or using the Marks as “keywords” or “adword” purchasing in conducting SEO marketing. In addition, you are not permitted to establish your own web page without securing our prior written consent, which may be granted or withheld in our sole discretion. Except as we approve in advance in writing, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other social media platform or other public computer network in connection with the Center, including any profile on Facebook, Instagram, TikTok Twitter, LinkedIn, YouTube or any other currently existing or future developed social media and/or networking site or mobile application (“Social Media Site”). We have the right to, directly or through our affiliates or designee, establish, develop, administer and maintain one or more websites, mobile applications and/or future developed technology (each a “KidStrong App”) for franchisees, Center members and/or prospective members. You must, if we require, use and promote the use of the KidStrong Apps.

1. You may not advertise any goods or services on any website or on any Social Media Site without securing our prior written consent, which we may withhold in our sole discretion.

2. You may not use any of the Marks in any Internet website, home page or Social Media Site, including your KidStrong Site, without our prior written consent.

3. You will not create, affiliate yourself with, or advertise on any website without our written consent. If we grant our consent for your website, then you will adhere to any guidelines or restrictions on the content or design of that website, and will remove or alter any content as we direct at any time.

(c) NO WARRANTY. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE DISCLAIM ALL WARRANTIES (WHETHER EXPRESS, IMPLIED OR STATUTORY) RELATED TO THE AVAILABILITY AND/OR PERFORMANCE OF THE WEBSITE, ANY KIDSTRONG APP, SOFTWARE, AND/OR ANY SOCIAL MEDIA SITE OR PAGE, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. TO THE MAXIMUM EXTENT PERMITTED BY LAW, WE WILL NOT BE LIABLE FOR ANY DIRECT OR INDIRECT DAMAGES, INCLUDING, WITHOUT LIMITATION, ANY CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES OR DAMAGES FOR LOST PROFITS OR LOSS OF BUSINESS) RELATED TO THE USE, OPERATION, AVAILABILITY OR FAILURE OF ANY WEBSITE, SOCIAL MEDIA SITE, MOBILE APPLICATION OR SOCIAL MEDIA PAGE.

8.12 Your Participation. Without limiting other provisions in this Agreement, you will fully participate in all advertising, marketing, and promotions activities we require, including the introduction or test marketing of new goods or services, grand openings, joint marketing efforts with other franchisees, trade shows, industry events, and other programs we direct or approve at your sole expense.

8.13 Advisory Council. We have the right to require that a franchisee advisory council be formed, changed, dissolved or merged at any time, in our sole discretion. The council will serve in an advisory capacity only and will be governed by the bylaws and rules we designate or approve.



## 9. TRAINING, ASSISTANCE AND ANNUAL CONVENTION

9.1. Initial Training. Our initial training program (“Initial Training”) consists of initial developer training (“Initial Developer Training”) and our General Manager Certification Program (“General Manager Certification Program”).

(a) Initial Developer Training. You must attend (if you are a partnership, corporation or limited liability company, your general partner, principal shareholder, member/manager, or Operating Partner, as appropriate, must attend) and complete to our satisfaction, our Initial Developer Training at the next available training date after you sign this Agreement. You must successfully complete Initial Developer Training before attending our General Manager Certification Program.

(b) General Manager Certification Program. You must attend (if you are a partnership, corporation or limited liability company, your general partner, principal shareholder, or member/manager, as appropriate, and your Operating Partner and Regional Operations Manager, if applicable, must attend) and complete to our satisfaction, our General Manager Certification Program no later than 30 days before the projected opening of your Center. If you are an individual, the participants in General Manager Certification Program will be you and two members of your leadership team (collectively the “Initial Trainees”). The Initial Trainees must attend and complete all designated components of the General Manager Certification Program, after completing the pre-opening requirements, as we designate, to our reasonable satisfaction before opening for business. It is important that the Initial Trainees complete the pre-opening requirements before the scheduled General Manager Certification Program date. Initial Trainees will not be permitted to attend the General Manager Certification Program until completing the pre-opening requirements, as stated in the Manual or other written specifications. Should the Initial Trainees fail to complete the General Manager Certification Program to our satisfaction, the respective person may repeat the course, or in the case of an employee, you may send a replacement (the “Replacement Personnel”) to the next available General Manager Certification Program. We may charge you for the Replacement Personnel attending a General Manager Certification Program and you must pay all charges in advance of the Replacement Personnel attending the General Manager Certification Program. You must pay for all travel, accommodations, wages, and other costs for the Initial Trainees. You may not open the Center until your Initial Trainees have successfully completed the General Manager Certification Program.

9.2. Third-Party Training. Before opening for business, you will participate in and complete to our satisfaction any training with third-party providers of software, hardware, cameras and other operational aspects of the Center.

9.3. Subsequent Training. You must at all times have a properly trained and certified Lead Coach, or General Manager or Assistant General Manager and/or Regional Operations Manager as applicable, on staff. You will ensure that your Lead Coach, or General Manager or Assistant General Manager, and/or Regional Operations Manager as applicable, and any other employees participate in and complete to our satisfaction, any additional training, remediation training, refresher courses and/or education programs we require. Throughout the Term, you must ensure that your designated Lead Coach, or General Manager or Assistant General Manager, and/or Regional Operations Manager as applicable, associated with your Center completes the General Manager Certification Program before this person begins coaching classes, but not more than 30 days after that person's hiring. We reserve the right to provide the Lead Coach, or General Manager or Assistant General Manager and/or Regional Operations Manager as applicable,

training online through our designated technology, and/or at our designated corporate Center. We reserve the right to change any portion of the General Manager Certification Program in our sole discretion and require your compliance with the changes. We reserve the right to charge you our then-current training fee (which may be an hourly rate, a flat rate and/or a rate assessed per day of training) for your required attendance at any subsequent training or training of new General Managers or Assistant General Managers and/or Lead Coaches and/or and/or Regional Operations Manager, and you will pay for any travel, accommodations, wages, and other costs for your representative attending any subsequent training programs.

9.4. Assistance; Online Training. We will provide initial and continuing advisory assistance in the operation of the Center as we deem necessary or advisable. We will provide assistance, in our discretion, by telephone, intranet communication and on-site visits. If you require and request additional on-site assistance from us, subject to the availability of our personnel, we will provide you with assistance at our then-current rate for providing ongoing assistance, plus expenses, including our travel and lodging expenses. You agree that, for any training program that we require, we may provide, supplement or replace any and all portions of the training program by online or remote access training modules ("Remote Access Training"). You must participate in and complete all Remote Access Training as we designate.

9.5. Annual Convention. We are permitted to establish an annual convention or meeting of franchisees (the "Annual Convention"), which you, your General Manager or Assistant General Manager and, if we require, your Lead Coach and/or your Regional Operations Manager, must attend. We reserve the right to charge a registration fee per person for attendance at the Annual Convention and you must pay the travel, accommodations, wages, and all other expenses for your representatives attending the Annual Convention. You must pay this registration fee even if you fail to attend the Annual Convention.

9.6. Delegation. You agree that we have the unrestricted right to delegate the performance of any portion of our obligations under this Agreement, including training obligations, to designees, area representatives, affiliates, or any other third party.

## **10. RECORDS AND REPORTING**

10.1. Reports. You must use the Information Technology System and the Computer System to collect and provide us with all data we specify or require. You must provide and permit us unrestricted access to your Information Technology System and Computer System. In addition to the reports automatically available to and accessible by us electronically, you must, no later than the 15<sup>th</sup> day of each calendar month (or any other date we designate), you will provide to us in a form and format we prescribe: (a) a report of all Gross Sales during the preceding month (the "Monthly Report"), (b) a report relating to Member information containing the detail we prescribe, and (c) all other monthly reports we require. Your submission of the Monthly Report to us will constitute your representation that the contents of the Monthly Report are accurate to the best of your knowledge.

10.2. Records. You must establish and maintain, at your sole expense, a bookkeeping, accounting and recordkeeping system that complies with our requirements and specifications at all times during the Term. You will keep accurate records and books of account in relation to the Center, including records of all goods and services provided to Members, all prices charged, all member information, and all Gross Sales received or credited, in a form and detail we prescribe or approve in the Manual. You will acquire at your own expense and use (in accordance with our specifications and requirements) all accounting or other record-keeping software (including any

web-based software or system) we require. We have the unrestricted right to electronically access all your accounting and record keeping software, as well as any other data related to the operation of the Center in the form and manner we designate. You will preserve for at least 7 years after the end of each fiscal year all books and records related to that year.

10.3. Annual Reporting. At our option, in addition to the Monthly Reports, you must submit to us, no later than 90 days after the end of each fiscal year, the following information concerning the fiscal year, which you must certify as correct:

(a) A statement of Gross Sales for the year as finally adjusted and reconciled after the close and review of your books and records for the year. If that statement discloses any underpayment of Royalty Fees, Brand Fund Contributions, Technology Fees or any other payments due to us, then you must pay to us, at the time of submitting the annual statement, the amount of that underpayment. We will credit to your account any overpayment disclosed by this statement; however, we are not precluded from disputing whether an overpayment has occurred.

(b) Complete financial statements, including a balance sheet, income statement, monthly profit and loss statement, and statement of cash flow, all prepared in accordance with U.S. generally accepted accounting principles and prepared by a certified public accountant or other state licensed public accountant.

(c) Annual state and local sales tax returns or reports, and federal, state, and local income tax returns.

(d) Metrics and other financial information we reasonably request regarding the Center's operation.

(e) Any other reports and financial information (including up-to-date personal financial information on your guarantors) as we reasonably require.

10.4. Corporate Records. If you are an entity, then you must provide to us on request copies of any corporate records, including certificates of incorporation, organization or other documentation establishing your entity status, your articles of incorporation or organization and bylaws, operating agreement, any shareholder, member or partnership agreement, and documents reflecting entity ownership.

10.5. Inspection and Audit Rights. We and any designee are permitted, with or without prior notice, during the regular business hours of the Center but without undue disturbance to it, to inspect and audit the Center, including without limitation to enter into the Location or any other Location at which you maintain records, and to inspect and take copies of any paper or electronic records relating in any way to the Center. We are permitted to direct an independent auditor to audit the Center for any time period for which you must maintain records, and you must comply with all reasonable requests for records and financial data relating to that audit. If any audit reveals an understatement of Gross Sales of 2% or more, then you must immediately reimburse us for the reasonable expenses of the audit and must tender to us any resulting underpayments of fees, together with late fees and interest. Our collection of those payments is not an exclusive remedy and does not preclude our enforcement of any rights under this Agreement related to your non-performance or insufficient performance of obligations. In addition, if any audit reveals an understatement of Gross Sales of 5% or more, then at our option, you must promptly prepare at your sole expense and submit to us audited financial statements for the prior and current fiscal years, as we direct.

10.6. Use of your Data. We are permitted to use and disclose any information or data received from, and any other information concerning, you for any valid business purpose, including without limitation disclosure to current or prospective franchisees, disclosure to current or prospective investors, and disclosure to or as required by any governmental or regulatory authority.

## 11. YOUR COVENANTS

11.1. Restrictive Covenants During the Term. During the Term, neither you, your officers, directors, principals, or Director, nor any member of your immediate family or your officers, directors, principals, or General Manager or Assistant General Manager may, directly or indirectly:

(a) own, manage, be employed by, lend money to, extend credit to or participate or serve in any capacity for any (i) children's gym, fitness center, health club, personal training center, or (ii) any other business involved in providing fitness, wellness, health, character development, or brain development services to or for the benefit of children, or (iii) any other business offering products and services offered or authorized for sale by System franchisees (each a "Competing Business"), or (iv) any business offering or granting licenses or franchises for the right to operate a Competing Business; provided, however, that this Section does not apply to your operation of any other KidStrong Center under a license or franchise agreement with us;

(b) divert or attempt to divert any business or customer or prospect of the Center to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2. Restrictive Covenants After the Term. For 2 years after the transfer, termination, or expiration of this Agreement, neither you, your officers, directors, principals, or General Manager or Assistant General Manager, nor any member of your immediate family or your officers, directors, principals, or General Manager or Assistant General Manager may, directly or indirectly enter into any business that is competing in whole or in part with us by granting franchises or licenses to operate a Competing Business.

(a) For 2 years following the transfer, termination, or expiration of this Agreement, you will not:

1. own, manage, be employed by, lend money to, extend credit to or participate or serve in any capacity for a Competing Business that is located: (i) at the Location; (ii) within a radius of 25 miles from the Location; (iii) within a radius of 25 miles from any Center of a then-existing franchisee of us, (iv) or within a radius of 25 miles from a then-existing Center we or our affiliate operate using the Marks; or

2. solicit, service, or sell to, directly or indirectly, any Member who was a Member of the Center before the effective date of transfer, termination or expiration of this Agreement, as applicable; except that this covenant will not restrict you from engaging in general advertising or marketing to the extent not prohibited by your non-competition covenant.

11.3. Restrictive Covenants of Your Owners. You must ensure that your Owners, General Manager or Assistant General Manager and any other individual who will have access to Confidential Information or who will participate in our initial training program, sign a confidential information protection agreement in the form we approve. You agree that you are responsible to ensure each such agreement is in compliance with, and enforceable under, applicable law. Our entry into and continuing obligations under this Agreement are conditioned on your timely delivery of those fully signed agreements to us, including from individuals who become Owners after the signing of this Agreement.

11.4. Consideration for Covenants; Severability. You and your Owners give these covenants in part as specific consideration for use of the Marks, for access to the Manual, trade secrets, and other proprietary materials and information related to the System, and for our training programs. The unenforceability of all or part of any covenant in any jurisdiction will not affect the enforceability of that covenant in other jurisdictions or the enforceability of the remainder of the covenants or this Agreement. If any covenant is held by a court of competent jurisdiction to be broader in time, scope, or subject matter than legally permitted, then we and you state our intent that the court impose that covenant to the maximum lawful extent. We are permitted at any time to reduce the time, scope, or subject matter of any your or your Owner's covenant to render it enforceable under applicable law. You agree that the restricted periods in this Section 11 (inclusive of all subparts) will be tolled during any time in which you are in violation of its obligations.

11.5. No Defense. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 11. You agree to pay all expenses (including reasonable attorneys' fees) that we incur in the enforcement of this Section 11. You agree that money alone cannot adequately compensate us if there is a violation of any of your non-competition covenants and that injunctive relief is essential for our protection and the protection of the System. You therefore agree that in any case of any alleged breach or violation of this Section, we may seek injunctive relief without posting any bond or security, in addition to other remedies that are available to us at equity or law.

11.6. Owner Guaranty. All Owners personally and unconditionally guarantee without notice, demand, or presentment, the payment of all of your monetary obligations under this Agreement, and any other agreement between you and us and/or our affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All personal guarantors further agree to be bound by the restrictions of your activities on transfer, termination, or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All personal guarantors must sign a continuing personal guarantee in the form attached as Exhibit B.

## **12. TRANSFER**

12.1 Assignment, Transfer, or Encumbrance. Your rights under this Agreement are personal to you and/or your current owners. We have granted this franchise in reliance on your and your owners' business skill, financial capacity and personal character. Accordingly, neither you, nor any immediate or remote successor to any part of your interest in this franchise, nor any individual, partnership, corporation, limited liability company or other legal entity that directly or indirectly owns any interest in this franchise or in your shares, membership interests or partnership interests (if you are a corporation, limited liability company or partnership) will sell, assign, transfer, convey or give away, any direct or indirect interest in (a) this franchise, (b) the



Franchise Agreement, (c) the Center, and/or (d) in any legal entity that owns this franchise (each a "Transfer") without first obtaining our prior written consent, which may be granted or withheld in our sole discretion. Any purported Transfer by operation of law or otherwise, not having our prior written consent, will be null and void and will be a material breach of this Agreement for which we may then terminate without the opportunity to cure. Without limiting the foregoing, you agree that a transfer requiring our prior written consent will be deemed to occur on any sale, resale, pledge, encumbrance, transfer or assignment of: (a) any fractional partnership ownership interest if you are a partnership; (b) any membership interest, if you are a limited liability company; (c) any fractional portion of your voting stock or any increase in the number of outstanding shares of your voting stock that results in a change of ownership, if you are a corporation. Any new partner, shareholder, member or manager (as applicable) must personally guarantee your obligations under this Agreement. You are not permitted to and will not offer, sell, or grant any subfranchise in the Center. We may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.

12.2 Minimum Conditions of Transfer. You agree that our consent to any assignment or transfer will be subject, at a minimum, to the prior performance or satisfaction of the conditions stated below. These conditions are non-exclusive, and we are permitted to impose any other conditions we deem reasonable in our sole discretion, and are permitted to waive, defer, or modify any of these conditions in our sole discretion.

(a) You are in full compliance with: (i) this Agreement, (ii) any other agreement between you and us, our affiliates, and/or our designated/approved suppliers and vendors, (iii) the Manual, and any other System requirements, including all accrued monetary obligations;

(b) Your owners and affiliates are in compliance with any other agreement between any owner or affiliate, on the one hand, and us, and/or any of our affiliates, on the other hand;

(c) Before the transfer's effective date, you have performed all modifications, repairs, updates, upgrades, and renovations we require to the Center, to the goods and services you offer, to your advertising, marketing and promotional programs, and to your computer, financial, and accounting systems, as we designate.

(d) Before the effective date of transfer, you or the transferee must pay us a transfer fee of the greater of: (i) \$7,500.00; or (ii) 25% of our then-current initial franchise fee. If you are a legal entity and you request our consent to add a new minority owner who will own less than a 20% interest in the legal entity after the Effective Date, you must pay to us the "Minority Owner Transfer Fee" of \$750, which fee is due to us when you submit your request for consent to us.

(e) You provide to us in writing the terms of the proposed transfer and we determine, in our sole discretion, that the terms of the proposed transfer are reasonable and will not unduly hinder the transferee's ability to operate the Center successfully.

(f) The transferee submits any information or documents then required of new franchisees, and the transferee meets all of our subjective and objective standards, including without limitation experience, financial capacity, talent, skills, and qualities of character, applicable to new franchisees and is not in the same business as us as a licensor, franchisor, independent contractor, or franchisee.



(g) At our option, either (i) the transferee agrees in writing to assume this Agreement; or (ii) the transferee (and each of its owners) signs our standard form of franchise agreement then being offered to new System franchisees for a term ending on the expiration date of this Agreement, as well as personal guaranty agreements, and all other ancillary agreements as we require or specify for the Center, in which event, these agreements will supersede this Agreement in all respects. You agree that our then-current form of franchise agreement may vary materially from this Agreement.

(h) You obtain and submit satisfactory evidence of consent of lenders, lessors, governmental authorities, and any other third parties we deem necessary, for any transfer to the transferee of leases, agreements, permits, approvals, and licenses for the Center.

(i) You and your Owners, and the transferee and the transferee (if it has had any previous relationship with us or our affiliates) sign a general release, on our form, of all claims accruing before the effective date of transfer, in favor of us and our members, officers, directors, employees, affiliates, and agents, to the extent that release is permitted by applicable law.

(j) The transferee must satisfactorily complete our training program at the transferee's expense within the time frame us require.

(k) You or transferee must provide us a copy of the signed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of, and agreement to, faithfully perform all of your obligations under this Agreement.

(l) You (and your principals if you are a partnership, corporation or limited liability company), and the members of their respective families must agree to comply with the post-termination provisions of this Agreement.

(m) The transferee must obtain, within the time limits we set, and maintain thereafter, all permits and licenses required for the Center's operation.

(n) Our approval of the transfer will not constitute a waiver of any claims we have against the transferring party.

**12.3 Resale Assistance Program.** In some circumstances we may assist you in transferring your Center to a new franchisee. In this situation, and in our discretion, we may offer some or all of the following services: we may list your Center in our internal resources as a Center that is available for transfer; we may provide marketing materials and marketing support to publicize your Center as being for sale; and/or we may provide additional assistance with the administrative aspects of the transfer process such as receiving inquiries from potential buyers, pre-qualifying potential buyers, coordinating transfer documents, etc. If you participate in our resale assistance program, you must pay us a resale assistance program fee, in addition to the transfer fee provided in Section 12.2(d). The resale assistance program fee is non-refundable and is the greater of 3% of the sales price for your Center or \$20,000 and is payable on the closing of the sale of your Center.

12.4 Transfer to a Corporation or Limited Liability Company. If you are an individual and desire to assign your rights in this Agreement to a corporation or limited liability company, and if all of the following conditions are met, we will consent to the transfer without assessing the transfer fee stated in Section 12.2(d), and the assignment will not be subject to our right of first refusal in Section 12.7:

(a) The corporation or limited liability company is newly organized and its activities are confined to operating the Center;

(b) You are, and at all times remain, the owner of 100% of the outstanding shares of the corporation or a controlling interest in the limited liability company;

(c) The corporation or limited liability company agrees in writing to assume all of your obligations under this Agreement; and

(d) All stockholders of the corporation, or members and managers of the limited liability company, as applicable, sign our form of personal guaranty, which will include, without limitation, (i) a guaranty of the corporation's or limited liability company's prompt payment and performance of all its obligations to us and our affiliates under this Agreement and (ii) a guaranty of any other agreement between you and us and/or our affiliates and sign a non-compete agreement as stated in Section 11.3.

12.5 Non-Exclusive Additional Bases for Denial. For sake of clarity and without limitation, in addition to the bases identified above, we also are permitted to deny approval of transfer if we have elected to discontinue, permanently or temporarily, to sell franchises, either generally or in the geographic area in which the Center operates or is located; or if we would not sell a franchise directly to the transferee under normal circumstances.

12.6 No Security Interest in Agreement or Center. No agreement between you and a transferee will include any provision that grants you any security interest in this Agreement, the Location, or the Center without our written consent. You agree that we have no obligation to enforce, and will not be bound by, either directly or indirectly, any terms of any agreement between you and a transferee.

12.7 Right of First Refusal. No later than 5 days after your receipt of a bona fide offer from a third party acceptable to you or any offer you originate or extend and a prospective purchaser accepts, to purchase or acquire all or part of you or the Center (the "Assets"), you will deliver to us a signed copy of the complete offer. We or our assignee is then permitted to purchase and acquire the Assets and your rights under this Agreement at the same price and on the same terms as offered to you. We are permitted to substitute cash for any other form of consideration in the offer and to pay the entire purchase price at closing. If we elect to exercise this right to purchase, we will do so in writing within 30 days after receiving your notice. If we do not exercise this right to purchase, then subject to the other transfer provisions in this Agreement, you are permitted to transfer the Assets to the offeror, but only on the terms disclosed to us in writing. If the terms of the offer materially change at any time before transfer, then you will notify us of the change, and we have a renewed right of first refusal as provided in this Section. If you do not transfer the Assets to the offeror within 90 days from the date on which you delivered a signed copy of the complete offer to us, then you will again extend this first right of refusal to us before making any transfer or assignment.

12.8 Sales of Securities. In addition to your other obligations, if you sell or offer to sell securities or other ownership interests in you such that that sale is regulated by any applicable law, then you will: (i) fully comply with all applicable laws; (ii) disclose to offerees and purchasers that neither we nor our employees, affiliates or agents are an issuer or underwriter, or are in any way liable or responsible for the offering; (iii) ensure that we have a reasonable time to the review any reference to us or our franchisees in any prospectus or offering documents before you use or distribute them; (iv) pay our actual legal costs incurred for our review; (v) defend and indemnify us, our officers, directors, employees, affiliates, and agents from all liability, cost, damage, claim, and expense and from ongoing obligations to shareholders and to governmental agencies arising out of or relating to the offer, sale, or continuing investment; and (vi) sign any further indemnities and provide any further assurances us reasonably require.

12.9 Transfer or Assignment by Us. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests. We are permitted to sell or assign this Agreement and/or our rights in this Agreement in whole or in part, and to sell or issue stock, other ownership interests, or our assets, wholly or in part, whether privately or publicly. Without limiting the foregoing, we have the right to purchase, merge, acquire and/or affiliate with existing franchise systems, networks and/or chains, whether or not competitive, and to operate, franchise and/or license these businesses under the Marks. We also are permitted to assign performance of our rights and obligations under this Agreement to any affiliate or third party, or to retain any affiliate or third party to perform those obligations and to receive the benefit of those rights. You agree that sale, assignment, purchase, merger or other transfer transaction may require you to discontinue use of the existing Marks and begin using alternate trademarks, service marks, and trade dress, to adopt new elements and discontinue existing elements of the System, and to adhere to new policies and procedures under the Manual, and you will comply with these requirements.

### **13. YOUR DEATH OR INCAPACITY**

13.1. Death or Incapacity Defined. For the purposes of this Agreement, your death or incapacity is deemed to have occurred on any of the following:

(a) If you are an entity, an Owner of 50% or more of you dies or, according to reasonable medical opinion, becomes mentally or physically incapacitated for a substantial period of time.

(b) If you are an individual, you die or, according to reasonable medical opinion, become mentally or physically incapacitated for a substantial period of time.

13.2. Notification by Heirs or Estate. You or your heirs or estate must notify us in writing within 30 days after your death or incapacity (the "Incapacity Notice"). If your heirs or estate desire to continue operating the Center, then the Incapacity Notice will include the following:

(a) The identity of the heir(s) or attorney(s)-in-fact expected to inherit or control your or the deceased or incapacitated Owner's interest in the Center (each an "Heir" or collectively the "Heirs") and the basis for that expectation.

(b) A summary of the plan for the transition of the Center to new ownership or control.

(c) The identity of a qualified individual who is immediately available to perform, on an interim basis, any functions you or the deceased or incapacitated Owner previously performed for the Center.

(d) Written confirmation of the Heirs' intent to assume any personal liability required by any vendor or supplier and to sign any guaranty and other ancillary agreements we require of you or the deceased or incapacitated Owner.

13.3. Heirs' Responsibilities on Acceptance. If we allow the Heir to continue operation of the Center, the Heir must sign our then-current franchise agreement for the unexpired term of the franchise, or furnish a personal guaranty of any partnership, corporate or limited liability company obligations to us and our affiliates, and successfully complete our training program (which we will provide at our then-current tuition rate).

13.4. Our Option. Subject to Section 13.2, on your death or incapacity, we have the option, which we will exercise within 30 days of our receipt of the Incapacity Notice:

(a) To terminate this Agreement, with an effective date of termination 90 days after our written notice of our election. You agree that this termination is for good cause; or

(b) If the Heirs have stated in the Incapacity Notice that they desire to continue operating the Center, to permit the transfer of your interest in the Agreement to one or more Heirs under the transfer provisions in this Agreement, except that we will not exercise any right of first refusal with respect to that transfer.

13.5. No Liability to Contesting Heirs. You will defend, indemnify, and hold harmless us from any claim relating to the identity of the rightful Heirs or the legitimacy of any appointment of an attorney-in-fact or other representative of an incapacitated franchisee or Owner. We are entitled to rely on any representation by any individual reasonably purporting to be a rightful Heir or duly appointed attorney-in-fact or representative and any other reasonable indicia of entitlement to ownership or control of you or the Center. If a dispute among any claimants clouds the ownership or control of you or the Center, then we may terminate this Agreement for good cause on 30 days written notice. We are under no obligation to operate the Center or incur any obligation on behalf of any incapacitated franchisee.

13.6. Our Appointment of Interim Manager. At any time after the death or incapacity and before the appointment (if any) of an approved General Manager or Assistant General Manager, we may appoint an interim General Manager or Assistant General Manager to operate the Center. You will compensate that interim manager directly at a rate we reasonably determine, and the interim manager will be considered your agent. During any period in which the Center is operated by the interim manager, you will remain obligated to all creditors and other third parties for all debts, obligations, and contracts relating to the Center, and you will remain solely responsible for any loss or damage the Center incurs.

## 14. INDEMNIFICATION AND INSURANCE

14.1. Your Indemnification. You will protect, defend, indemnify and hold harmless us, our members, officers, directors, employees, affiliates, and agents against all claims, demands, actions, causes of action, losses, damages, costs, suits, judgments, debts, losses, fines, assessments, taxes, liens, attorneys' fees, disbursements, penalties, expenses, and liabilities of any kind or nature arising directly or indirectly from: (i) the operation of your Center, including the use, condition, or construction, equipping, decorating, maintenance or day-to-day operation of the Center, the sale of any service or merchandise sold from the Center, and your advertising; (ii) your use of the Marks; (iii) the transfer of any interest in this Agreement or your Center in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by you or any of your principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; (v) libel, slander or any other form of defamation of us, the System or any franchisee or developer operating under the System, by you or by any of your principals; (vi) any violation or alleged violation of any applicable law, rule or regulation; and (vii) any allegation that we or any of our affiliates is a joint employer or otherwise responsible for your acts or omissions related to your employees. Your duties to defend, indemnify, and hold harmless will not be affected by the fact that a claim is asserted directly against us for our alleged acts or omissions, so long as this Section otherwise would apply. Notwithstanding the foregoing, you have no obligation to indemnify or hold an indemnified party under this Section harmless for any losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the indemnified party's gross negligence, willful misconduct, or willful wrongful omissions. Nothing in this Section limits your obligation to defend us and any other indemnified party under this Section.

14.2. Notice and Defense of Claims Against Us. You will promptly notify us in writing of any notices received or claims made (whether orally or in writing) indicating any person's intent to assert any claim or initiate any action against you or us, and you will use your best efforts to prevent the claim or action. If any suit or other legal action within the scope of your above duty to defend, indemnify, and hold harmless is initiated against us and known to you, then you will immediately notify us in writing, and, at our request, will appoint counsel on our behalf and at your expense, to defend the suit or action. We and you will cooperate in good faith in the defense of the suit or action and in resolving where possible any conflicts of interest to allow a single attorney or law firm to represent all defendants or respondents, but you will bear all associated costs and fees, and will reimburse us if we incur any material administrative expenses or incur any fees for our own legal counsel's involvement or oversight. You have no obligation to indemnify us or hold us harmless for any losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by our gross negligence, willful misconduct or willful wrongful omissions.

14.3. Our Indemnification. We will indemnify you against any losses or damages you incur as a result of any successful claim of trademark infringement brought by a third party that is related solely to your authorized use of the Marks in accordance with the terms of this Agreement.

14.4. Insurance. You must obtain and maintain, for the duration of the Term, all insurance policies as we designate in the Manual or through other written communications. You also are responsible for complying with insurance requirements imposed under your lease and applicable law. If coverage under the lease or applicable law differs from our requirements, the higher limits will apply. The insurance policies must be written by a responsible carrier or carriers acceptable to us and must include coverage that meets our minimum specifications. We reserve



the right to require you to secure insurance coverage from a designated vendor. We have preferred vendors for insurance and if you decide to use a different vendor for insurance, we may charge you our costs of obtaining verification that your insurance complies with our requirements. You must provide us with a Certificate of Insurance on an annual basis evidencing your compliance with all insurance requirements. Without limiting our broad rights under this paragraph, to the extent available, we may require you to obtain insurance for contractual liability, errors and omissions, and employer's liability (workers' compensation), with policy limits in amounts we specify in the Manual. You will ensure that all insurance policies name us and our parents and affiliates (including KidStrong, Inc., KidStrong Equipment, Inc. and KidStrong Franchising, LLC) as additional insureds (on a primary and non-contributory basis). We are permitted to establish reasonable minimum standards for coverage that underwriters must meet for insurance, which we may state in the Manual. Before opening for business, you will provide us with certificates of insurance for all policies and will obtain any other insurance required by law. You will maintain in good standing all required insurance during the Term, and will immediately notify us of any lapse, alteration, or cancellation or any policy or coverage. All insurance policies must provide for 30 days prior written notice (10 days for non-payment of premiums) to us of any material modification, cancellation or expiration of the policy. We are permitted (but not required) to acquire any insurance coverage or pay any insurance premium on your behalf, in which case you must pay us, on demand, the premium cost and administrative costs of 18% of the cost of the insurance for our obtaining the insurance. We may make revisions to any insurance requirements on reasonable notice to you. All insurance policies must be written by an insurance company with an A.M. Best's Key Rating Guide minimum rating of A or better. In addition to the information listed above, you must carry all insurance as your lease, your lender and equipment lessors require, and worker's compensation insurance as required by applicable law. Your obligations under this Section 14, including your indemnification obligations, continue in full force and effect after and notwithstanding the expiration of termination of this Agreement.

14.5. Minimum Coverage. At a minimum and subject to additional requirements that we designate in our sole discretion, including through the Manual or otherwise in writing, your insurance will cover all claims for injury, damage (including property damage), and death that arise directly or indirectly out of the Center. We make no representation or warranty that compliance with these insurance requirements will insure or protect you against all insurable risks or losses. As of the Effective Date of this Agreement, our minimum coverage amounts for each required coverage are:

(a) General Liability coverage, including: (i) Personal and Advertising injury of \$1,000,000 per occurrence; (ii) \$2,000,000 General Aggregate, including Products/Completed Operations; (iii) damage to premises rented to you and/or fire damage legal liability must be included; (iv) medical expense cannot be excluded; (v) additional insured, grantor of franchise, endorsement in the name of KidStrong Franchising, LLC, and (vi) a waiver subrogation in favor of KidStrong Franchising, LLC;

(b) Sexual Abuse & Molestation (Sexual Misconduct) coverage of \$1,000,000 per occurrence;

(c) Auto Liability Insurance, including (i) hired and non-owned auto liability coverage of \$1,000,000 CSL; (ii) owned auto coverage included (as applicable); (iii) additional insured endorsement in the name of KidStrong Franchising, LLC; (iv) a waiver of subrogation in favor of KidStrong Franchising, LLC;



(d) Umbrella Liability Insurance, including (i) umbrella liability limit of \$1,000,000 per occurrence/\$1,000,000 aggregate for 1-2 locations (3-5 owned locations requires \$3,000,000 per occurrence/\$3,000,000 aggregate, 6-8 owned locations requires \$5,000,000 per occurrence/\$5,000,000 aggregate). The Umbrella policy must go over General Liability, Auto Liability, and Employers Liability; Additional Insured Grantor of Franchise (in the name of KidStrong Franchising, LLC); and a waiver of subrogation in favor of KidStrong Franchising, LLC;

(e) Property Insurance including (i) business income and extra expense coverage of at least 12 months' income replacement; (ii) business personal property and tenant improvements and betterments at full replacement cost; and (iii) special causes of loss form required;

(f) Professional Liability Coverage, to include: (i) workers compensation per state statutes; (ii) employers liability of at least \$500,000 each accident, \$500,000 each employee, \$500,000 policy limit; and (iii) a waiver of subrogation in favor of KidStrong Franchising LLC; and

(g) Workers Compensation and Employers Liability Insurance (price will vary depending on, among other factors, the state in which the Center is located): employers liability of at least \$500,000 each accident, \$500,000 each employee, \$500,000 policy limit; with a waiver of subrogation in favor of KidStrong Franchising, LLC and its parents and affiliates, including KidStrong, Inc. and KidStrong Equipment, Inc.

14.6. Claims Cancellation. You must provide us with copies of any insurance claims or insurance cancellations within 24 hours. You have a 24-hour opportunity to cure any lapses in insurance coverage. You must submit a certification of insurance that demonstrates compliance with this Section.

14.7. Notice of Insurance-Related Claims. You must notify us in writing of any act, omission, or event that could materially affect you or the Center and must provide that notice simultaneously with your notice to your insurance carrier.

14.8. Modification of Requirements. We have the right to increase or otherwise modify the minimum insurance requirements on 30 days prior written notice to you, and you will comply with any modification within the time period stated in the notice.

14.9. Insurance and Indemnification Are Separate Obligations. Your compliance with the insurance requirements in this Agreement, and the availability of insurance coverage to defend and indemnify us, will not relieve you of your obligations under the indemnification provisions of this Agreement, which are separate and independent. If your insurer denies or limits coverage to us for any claim falling within the scope of the applicable policy or your obligations in this Agreement, then you will provide that defense and indemnity directly.

## 15. TERMINATION

15.1. Automatic Termination. We may terminate this Agreement immediately if you:

(a) make an assignment for the benefit of creditors, file a voluntary petition in bankruptcy, are adjudicated bankrupt or insolvent, file or acquiesce in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consent to or acquiesce in the appointment of a trustee or receiver for you or the Center;

(b) have proceedings begun against you to have you adjudicated bankrupt or to seek your reorganization under any state or federal bankruptcy or insolvency law, and the proceedings are not dismissed within 60 days, or a trustee or receiver is appointed for you or the Center without your consent, and the appointment is not vacated within 60 days;

(c) attempt to assign, transfer, or make unauthorized use of the Marks, or disclose or make unauthorized use of the Manual or other confidential materials or information; or

(d) purport to sell, transfer or otherwise dispose of you or any interest in the Center in violation of Section 13.

15.2. With Notice and Without Opportunity to Cure. We have the right to terminate this Agreement on notice, without providing you an opportunity to cure for any of the following breaches or defaults:

(a) If you or your principals have misrepresented or omitted material facts in your application or other materials provided to us before the parties' entering into this Agreement;

(b) If you abandon or cease operation of the Center or stop communicating with us;

(c) If you, yourself or through any Owner, are held liable for, are convicted of, or plead guilty or no contest to a felony or any other law relevant to the Center;

(d) If you fail to meet the required schedule to obtain the Location, complete construction, and open for business within the time required under this Agreement.

(e) If you or your principals commit any fraud or misrepresentation in the operation of your Center.

(f) If you fail to successfully complete initial training as required in this Agreement.

(g) If we send you 3 or more written notices to cure under Sections 15.3 or 15.4 in any 12 month period.

(h) If you or the Owners materially breach any other agreement with us or any of our affiliates, or the lease for the Location, or threaten any material breach of any agreement or Lease, and fail to cure the breach within any permitted period for cure.

(i) If you violate any health, safety or sanitation law, ordinance or regulation, including those regulating health and fitness centers (if applicable), or operate the Center in a manner that presents a health or safety hazard to customers, or the general public.

(j) If you violate the in-term restrictive covenant in this Agreement, including as stated in Section 11.1.

(k) If a levy of writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets that is not released or bonded against within 30 days.

(l) If you or any of your principals become insolvent.

(m) If you offer any unauthorized and unapproved products or services at or from the Center.

(n) If you order or purchase supplies, signs, services, furnishings, fixtures, equipment or inventory from any currently unapproved supplier.

(o) If you misuse or make unauthorized use of our proprietary software program, if any.

(p) If you fail to maintain insurance or to repay us for insurance we paid for, or otherwise fail to adhere to the insurance requirements in this Agreement.

(q) If you fail, within 15 calendar days after notification of non-compliance by federal, state or local government authorities, to comply with any law or regulation applicable to the Center.

(r) If any government action is taken against you that results in any obligation on us that in our sole judgment is uneconomical, not in our best interests, or would result in us having an unintended relationship or obligation.

(s) If you fail to comply with the anti-terrorism provisions of Section 19.17.

(t) If you take for your own personal use any assets or property of the Center, including employee taxes, FICA, insurance or benefits.

(u) If there are insufficient funds in your bank account to cover a check or EFT payment to us 3 or more times within any 12-month period.

15.3. On 15 Days' Notice to Cure. We have the right to terminate this Agreement if any of the following defaults remain uncured after providing notice and expiration of the 15-day cure period:

(a) If you fail to pay when due any sums owed to us, any of our affiliates, or any of our designated suppliers.

(b) If any audit reveals that you understated your Gross Sales, or your local advertising expenditures, by more than 2%, or if you failed to submit timely reports and/or payments for any 2 reporting periods within any 12-month period, as described in Section 11.

(c) If you fail to immediately endorse and deliver to us any payments due to us from any third party that is erroneously remitted to you.

(d) If you fail to maintain the minimum sufficient levels of inventory to adequately meet consumer demand.

(e) If you fail to maintain the prescribed days or hours of operation at the Center.

(f) If you fail to maintain the strict quality controls reasonably required by this Agreement and/or the Manual.

(g) If you conduct yourself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the services or products offered through the System.

(h) If you fail to procure or maintain any licenses, certifications, or permits necessary for the operation of your Center.

15.4. Termination by Us After 30-Day Opportunity to Cure. If you violate any other provision of this Agreement, then we may terminate this Agreement if you do not fully cure that violation within 30 days after our written notice of default. If your violation is not reasonably susceptible to cure, then we have the option to: (i) terminate this Agreement immediately on written notice; or (ii) require you to take any remedial measures we prescribe in our sole discretion, and if you fail to implement those remedial measures in the time and manner we require, then we may terminate this Agreement immediately on subsequent notice.

15.5. Cross-Default. If any act or omission would give rise to our right to terminate another franchise agreement or other agreement between, on the one hand, us or our affiliate, and on the other hand, you, your Owners, or any entity that is majority-owned by one or more of your Owners, then we may terminate this Agreement in the same manner and on the same notice (if any) required by the other franchise agreement or other agreement.

15.6. Remedies Other Than Termination. If you commit any act or omission that would give rise to our right to terminate, then we may, instead of or in addition to terminating, withhold, postpone, or forgo any services, payments, access to any electronic systems or other materials, or any other obligations imposed on us by this Agreement or the Manual, until you have cured your violation or have otherwise remedied the default to our satisfaction.

15.7. Nonwaiver. Our delay in exercising or failing to exercise any right or remedy under this Agreement or our acceptance of any late or partial payment due will not constitute a waiver of any of our rights or remedies against you.

15.8. Final Charges. On termination for your default, you must promptly pay to us all damages, costs and expenses, including reasonable attorneys' fees, we incur as a result of the default, which obligation will give rise to and remain, until paid in full, a lien in our favor against all of your personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Center.

15.9. Liquidated Damages. The parties agree that, if this Agreement is terminated as a result of your default before the expiration of the Term, it would be impossible to calculate with reasonable precision the losses that we would incur because of the unpredictability of future business conditions, inflationary prices, the impact on our reputation from having a closed location, our ability to replace the Center in the same market, and other factors. Accordingly, if this Agreement is terminated as a result of your default, we are entitled to recover as liquidated damages, and not as a penalty, an amount equal to the aggregate Royalty Fees due to us during

the 36 full calendar months during which the Center was continuously open and operating immediately before the termination date. If the Center has not been continuously open and operating for 36 months before the termination date, liquidated damages will be equal to the average monthly Royalty Fees due to us for all months during which the Center was completely open and operating multiplied by 36.

## **16. RIGHTS AND DUTIES ON TERMINATION OR EXPIRATION**

16.1. Your Obligations. On expiration, termination, or transfer of this Agreement, all covenants, guarantees, and other post-termination obligations remain in effect. In addition:

(a) you must pay all Royalty Fees, Brand Fund Contributions, and any other fees based on Gross Sales for all Gross Sales received through the effective date of expiration, termination, or transfer, on the date those fees would have been due but for the expiration, termination, or transfer, and must pay all other amounts then due.

(b) you must promptly return to us at your expense the Manual, any item bearing the Marks, along with all other manuals and Confidential Information we loaned to you, as well as any other copyrighted or proprietary materials or software relating to the System in your possession, custody, or control.

(c) you must immediately cease doing any business under or associated with the Marks and immediately and permanently cease use of any Confidential Information.

(d) you must cancel any trade name registrations that use any Mark or derivative of any Mark and furnish us evidence satisfactory to us of compliance with this obligation within 30 days after the termination, expiration or transfer of this Agreement; and must refrain from identifying yourself as our franchisee or licensee.

(e) you must remove from the Location and any other property in your possession, custody, or control all Marks and signs displaying any Marks, including any trade dress associated with us or the System;

(f) you must immediately cease using all email addresses, telephone numbers and listings, and Internet listings used in the operation of the Center and direct the applicable company to transfer all numbers and listings to us or our designee under the Conditional Assignment of Telephone Numbers and Domain Names attached as Exhibit D or, if we direct, to disconnect the numbers and delete the listings;

(g) you must immediately cease operating all social media pages within your control associated with, or previously associated at any time with, the Center or KidStrong, including but not limited to, Facebook, Instagram, YouTube, TikTok and X (Twitter). You must also immediately cease operating all online business directory listings within your control associated with, or previously associated with, the Franchised Business or KidStrong, including but not limited to, Yelp, Nextdoor, LinkedIn, Google, YP (Yellow Pages), and Angi. You must promptly provide us with all login credentials or other information necessary for us to assume exclusive control over each social media and business directory account, page, or listing. To the extent that you are aware of or become aware of any social media or business directory account, page, or listing associated with the Franchised Business that is not within your control, you must promptly notify us thereof in writing;

1. Notwithstanding the foregoing, we may in our exclusive discretion demand that you delete, deactivate, or otherwise modify each social media or business directory account or listing at any time. You must comply with our demand immediately on receipt.

2. You agree that all consumer or other published reviews of the Center and/or any goods or services provided by the Center, are the exclusive property of KidStrong Franchising, LLC. Your right to use these reviews in any manner terminates with the expiration or termination of this Agreement. You are prohibited from advertising, promoting, quoting, or otherwise referring to the reviews in connection with any business or offer to conduct business on expiration or termination of this Agreement.

3. You agree that any violation of this Section 16.1(g) constitutes trademark infringement, service mark infringement, unfair competition, false advertising, and/or deceptive trade practices under federal, state, and common law, that this violation encroaches on the goodwill associated with our brand, and that violation is likely to cause confusion among reasonably prudent consumers.

(h) you must comply with all applicable laws relating to notification of Center members and customers of the Center's closure. Additionally, you must comply with our designated procedures for providing notification to members and customers in a format we approve of the Center's closure and/or termination or expiration of your license to operate the Center. You are solely liable for paying all refunds to members and customers. We have the unrestricted right to contact all members and customers for any purpose;

(i) you must allow us or our designee to verify your compliance with all post-termination obligations, and must allow us to make a final inspection and audit of your books, records, and accounts;

(j) you must immediately vacate the Location if we or our affiliate exercises our rights under the Lease Rider attached as Exhibit C;

(k) you must cease to use in advertising or in any other manner, any methods, procedures or techniques associated with us or the System;

(l) you must sign from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16; and

(m) We may exercise all other remedies available under this Agreement or by law.

#### 16.2. Option to Purchase Personal Property.

(a) On the termination or expiration of this Agreement, we or our designee also will have the option, but not the obligation, to purchase any personal property used in the operation of your Center by providing you written notice of our election within 60 days after termination or expiration and paying you the book value for the personal property within 60 days of our notice. For purposes of this paragraph, "book value" means the amount you actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a 5-year depreciation schedule, irrespective of the depreciation method or schedule you use for accounting purposes). Notwithstanding the foregoing, to the extent that we exercise



our right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of the personal property will be the amount of your remaining obligations under the lease or finance agreement, as applicable. We are entitled to offset the purchase price by the amount of money you owe to us for any payments necessary to acquire clear title to property or for any other debt. If we exercise our option to purchase, pending the closing of the purchase, we may appoint a manager to maintain the Center's operation, or we may require that you close the Center during this period without removing any assets. You must maintain in force all insurance policies required under this Agreement until the date of the closing of our purchase. We have the unrestricted right to assign this option to purchase personal property. We are entitled to all customary warranties and representations in our purchase of your property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

(b) Exclusions. We may exclude from the personal property purchased cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Center's operation or that we have not approved as meeting standards for the Center.

## **17. DISPUTE RESOLUTION**

17.1. Internal Dispute Resolution. You must first bring any claim or dispute between you and us to our President and/or Chief Executive Officer, after providing notice as stated in Section 17.2. You must exhaust this internal dispute resolution procedure before you may bring your dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

17.2. Mediation. The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Other than an action we bring under Section 17.4 of this Agreement, and with the exception of injunctive relief or specific performance actions, before the filing of any arbitration, you and us agree to mediate any dispute, controversy or claim between us and/or any of our affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees or agents (each a "Franchisor Related Party"), on the one hand, and you and/or any of your affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees or agents (each a "Franchisee Related Party"), including without limitation, in any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; or (c) the events occurring before the entry into this Agreement. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement. This agreement to mediate survives any termination or expiration of this Agreement.

(a) Mediation will be conducted Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located). Persons authorized to settle the dispute must attend each mediation session in person. The party seeking mediation (the "Initiating Party") must begin mediation by sending the other party/parties a written notice of its request for mediation (the "Mediation Notice"). The Mediation Notice must specify, to the fullest extent possible, the nature of the dispute, the Initiating

Party's version of the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other relief the party claims, and must identify one or more persons with authority to settle the dispute for the Initiating Party.

(b) On receipt of the Mediation Notice, the parties will endeavor, in good faith, to resolve the dispute outlined in the Dispute Notice. If the parties are unable to resolve the dispute within 20 days after the date the Mediation Notice is provided by the Initiating Party to the other party, either party may initiate a mediation procedure in accordance with this provision. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the notice from the party seeking to initiate the mediation procedures. The parties agree to participate in the mediation procedure to its conclusion, as stated in this section.

(c) The mediator will advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator will give both himself or herself and the authorized person designated by each party an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator will assist the authorized persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party.

(d) The parties commit to participate in the proceedings in good faith with the intention of resolving the dispute if at all possible. The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of 5 days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or to request an injunction from a Court of competent jurisdiction to prevent irreparable harm.

(e) The mediator's fees and expenses will be shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made during the mediation by the parties, their agents or employees, or the mediator is confidential and will be treated as privileged. No conduct, statement, promise, offer, view or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible will not be excluded from discovery or made inadmissible simply because of its use in the mediation.

17.3 Arbitration. Except as qualified below and in Section 17.4, and if not resolved by the negotiation and mediation procedures in this Section 17, any dispute, controversy or claim between you and/or a Franchisee Related Party, on the one hand, and us and/or any Franchisor Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement, the parties' relationship, (c) the events leading up to the entry into this Agreement, (d) the Territory, (e) the scope or validity of the arbitration obligation under Section 17.3 (which you and we agree is to be determined by an arbitrator and not a court), (f) any System standard; (g) any claim based in tort or any theory of negligence; and/or (h) any lease or sublease for the Center, will be submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association under its then-current commercial arbitration rules and procedures.

(a) Any arbitration must be on an individual basis and the parties and the arbitrator have no authority or power to proceed with any claim as a class action, associational claim, or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate will become null and void and the parties will submit all claims to the jurisdiction of the courts. The arbitration must take place in Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located). The arbitration will be heard before one arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. Any issue as to whether a matter is subject to arbitration will be determined by the arbitrator. A judgment may be entered on the arbitration award by any state or federal court in Collin County, Texas.

(b) In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim that is not submitted or filed in the proceeding will be forever barred. In any arbitration, each party in the arbitration is bound by the provisions of any limitation on the period in which claims must be brought under this Agreement or applicable law, whichever first expires.

(c) The arbitrator's decision is final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; (3) certify a class or a consolidated action; or (3) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator has the right to make a determination as to any procedural matters that court of competent jurisdiction would be permitted to make in the state in which our main office is located. Further, the arbitrator will decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Section 17.3 is applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute; any available remedies; and the existence of unconscionability and/or fraud in the inducement.

(d) The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of these orders, injunctions, etc., by any court having jurisdiction.

(e) The arbitrator has subpoena powers limited only by the laws of the State of Texas. The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness to minimize the time and expense of arbitration. The parties to the dispute will otherwise have the same discovery rights as are available in civil actions under the laws of the State of Texas. All other procedural matters will be determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of Texas.

(f) Other than as required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), will remain confidential and will not be disclosed to anyone other than the parties to this Agreement.

(g) The judgment of the arbitrator on any preliminary or final arbitration award will be final and binding and may be entered in any court having jurisdiction.

(h) We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for the arbitration proceeding to take place and by doing so are not deemed to have waived or relinquished our right to seek recovery of those costs against you.

17.4 Exceptions to Arbitration. Notwithstanding anything in Section 17.2 or to the contrary, the parties agree that the following claims are not subject to mediation or arbitration: Any controversy, dispute, or claim that concerns an allegation that you have violated (or threaten to violate, or poses an imminent risk of violating):

(a) Any provision relating to use of the Marks, the System or any Confidential Information;

(b) Any federally or state protected intellectual property rights in the Marks, the System, or in any Confidential Information;

(c) Any of the restrictive covenants in this Agreement, including the confidentiality and non-competition covenants; or any claims to collect past due amounts owed to us and/or our affiliates.

We may seek immediate injunctive relief in the state or federal courts in any court with personal jurisdiction over you if you are violating or threatening to violate any restrictive covenant in this Agreement or if you are infringing on our rights in the Marks. In such an action, we may, but are not obligated to, assert any other existing claims against you.

17.5. Selection of Venue. If the arbitration clause in Section 17.3 is inapplicable or unenforceable, and subject to our right to obtain injunctive relief in any court of competent jurisdiction, the following provision will govern: The parties agree that the United States District Court for Northern District of Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the applicable District Court where our corporate headquarters is then-located), or if this

court lacks subject matter jurisdiction, the State Superior Court in Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located), will be the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in this litigation they will not contest or challenge the jurisdiction or venue of these courts. You agree that this Agreement has been entered into in the State of Texas and that you are to receive valuable and continuing services emanating from our headquarters. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision. You agree that this location for venue is reasonable and the most beneficial to the needs of, and best meets the interest of, all the members of the System. Nothing in this Agreement will prevent us from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect our interests.

17.6. Third-Party Beneficiaries. Our officers, directors, shareholders, agents and/or employees are third party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provisions in Section 17, each having authority to specifically enforce the right to mediate claims you assert against that person(s).

17.7. Prior Notice of Claims. As a condition precedent to you beginning an action for damages or for violation or breach of this Agreement, you must notify us within 30 days after the occurrence of the violation or breach, and failure to timely give notice will preclude your claim for damages.

17.8. No Right to Offset. You must not withhold all or any part of any payment to us or any of our affiliates on the grounds of our alleged nonperformance or as an offset against any amount us or any of our affiliates allegedly may owe you under this Agreement or any related agreements.

17.9. Governing Law. All matters relating to mediation or 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 or other federal law, this Agreement, the franchise and all claims arising from or in any way related to the relationship between us, and/or any of our affiliates, on the one hand, and you, and any of your owners, guarantors and/or affiliates, on the other hand, will be interpreted and construed under the laws of the state of Texas, which laws will prevail on any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a franchisor and our franchisee will not apply unless jurisdictional requirements are met independently without reference to this Section.

17.10. Attorneys' Fees. If you are in breach or default of any monetary or nonmonetary material obligation under this Agreement or any related agreement between you and us and/or our affiliates, and we engage an attorney to enforce our rights (whether or not formal judicial proceedings are initiated), you must pay all reasonable attorneys' fees, court costs and litigation expenses we incur, which obligation will give rise to and remain, until paid in full, a lien in favor of us against all of your personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Center. If you institute any legal action to interpret or enforce the terms of this Agreement, and your claim in the action is denied or the action is dismissed, we are entitled to recover our reasonable attorneys' fees, and all other reasonable expenses incurred in defending against same, and to have this amount awarded as part of the judgment in the proceeding.



17.11. Limitation of Action. You agree that no cause of action arising out of or under this Agreement may be maintained by you against us unless brought before the expiration of one year after the act, transaction or occurrence on which the action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and any action not brought within this period will be barred as a claim, counterclaim, defense, or set-off.

17.12. You waive the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by us, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising under this Agreement, except on a ground expressly provided in this Agreement, or under any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

17.13. Waiver of Damages. You waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us arising out of any cause whatsoever (whether the cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that on a dispute, your recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

17.14. WAIVER OF JURY TRIAL. THE PARTIES AGREE TO WAIVE THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN THE ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in Section 17 is unenforceable. Each party agrees that it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

17.15. No Class or Collective Actions. You agree that any arbitration, or, if applicable, litigation between you and/or any you Related Party, on the one hand, and us and/or any us Related Party, on the other hand, will be on such party's individual claim and that the claim or claims subject to arbitration and/or litigation will not be arbitrated or litigated on a class-wide, associational or collective basis.



## 18. YOUR REPRESENTATIONS AND WARRANTIES

18.1. Your Independent Investigation. You agree that your operation of your Center may be governed by federal, state, and local laws, regulations, ordinances, and licensing and permitting requirements. You agree that, before entering into this Agreement, you have performed your own investigation and analysis of applicable law and the local market for this industry and have determined, to your full satisfaction, that you will be able to offer the authorized goods and services to members at the Location sufficiently to allow you to operate a successful business. You agree that you are entering into this Agreement as a result of your own independent investigation to the Center and not as a result of any representations about us or the System made by our shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms in this Agreement, or in any franchise disclosure document, prospectus, or similar document required or permitted to be given to you under applicable law. You agree that you have read and understand the Franchise Agreement, the attachments to the Franchise Agreement, and all agreements related thereto. You agree that we have accorded you ample time and opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement. You agree that we have advised you to seek franchise counsel to review and evaluate this Agreement.

18.2. No Reliance on Us to Investigate. You agree that you have not relied and are not relying on us to perform any investigation or analysis of any laws, regulations, or market conditions that might affect your operation at the Location, and further agree that we have made no representation about your ability to lawfully operate the Center.

18.3. Risk of Operations. You recognize the uncertainties of the Center, and therefore acknowledge that, except as stated in this Agreement, no representations or agreements have been made to or with you regarding the success or profitability of the Center or the suitability of the Location. Without limiting the foregoing, you acknowledge that this franchise opportunity is a newer franchise opportunity with a limited track record or operating history, other than as disclosed in our FDD. You accept all risks, including the risk of loss of your entire investment. You further agree that any information you obtain from any franchisee does not constitute information obtained from us, nor do we make any representations as to the accuracy of this information.

18.4. Legal Authority to Operate. You represent and warrant that you have the full legal authority to operate the Center, and if an entity, you have been duly formed and authorized in whatever manner required by and among your Owners. You will ensure that you remain fully licensed and authorized to operate the Center for the Term.

18.5. Receipt of Documents. You agree that this Agreement and our Franchise Disclosure Document, or "FDD", have been in your possession for at least 14 days before you signed this Agreement and before your payment of any monies to us, refundable or otherwise, and that any material changes to this Agreement were memorialized in writing in this Agreement for at 7 days before you signed this Agreement. You represent and warrant that before signing this Agreement, you were given ample opportunity to review and examine our FDD and this Agreement. NO ORAL, WRITTEN OR VISUAL CLAIM OR STATEMENT THAT CONTRADICTS THE FDD WAS MADE, AND YOU ENTER INTO THIS AGREEMENT WITHOUT RELIANCE ON ANY STATEMENT OR REPRESENTATION MADE BY ANY PERSON EXCEPT AS INCLUDED IN THIS AGREEMENT OR THE FDD.

18.6. No Personal Liability. You agree that fulfillment of all of our obligations in this Agreement or based on any oral communications that may be ruled to be binding in a court of law will be our sole responsibility and none of our agents, representatives, nor any individuals associated with our franchise company will be personally liable to you for any reason. You agree that nothing that you believe you have been told by us or our representatives will be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

18.7. Signing of Agreement. EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN THIS AGREEMENT. IF YOU ARE A PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY, THE PERSON SIGNING THIS AGREEMENT ON BEHALF OF THE PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY WARRANTS TO US, BOTH INDIVIDUALLY AND IN HIS OR HER CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP, ALL OF THE SHAREHOLDERS OF THE CORPORATION OR ALL OF THE MEMBERS/MANAGERS OF THE LIMITED LIABILITY COMPANY, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS THAT THIS AGREEMENT PLACES ON RIGHTS TO TRANSFER INTERESTS IN THE PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY. THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY US.

## 19. GENERAL PROVISIONS

19.1. Relationship of the Parties. You are an independent contractor responsible for full control over the internal management and daily operation of your Center, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. You may not act or represent yourself, directly or by implication, as our agent, partner, employee or joint venture partner, and you may not incur any obligation on our behalf or in our name. All stationery, business cards and contractual agreements you enter into must contain your legal name and a conspicuously displayed notice, in the place we designate, that you operate your Center as an independently owned and operated KidStrong franchise and that you independently own and operate the Center as a System franchisee. At our request, you must prominently display a "Franchises Available" sign in the form we prescribe and in the place that we designate. Nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and we will not assume liability for, or be deemed liable as a result of, any such action; nor will we be liable by reason of your acts or omissions in the Center's operation or for any claim or judgment arising therefrom against you or us.

19.2. Compliance with Law and Tax Regulations. You will comply with all applicable laws, regulations and legal requirements in the Center's operation and to the extent this Agreement is inconsistent with applicable law, applicable law will prevail. Without limiting the foregoing, you are solely responsible for compliance with all laws and payment card provider standards relating to the security of customer and member information, including information generated through the Information Technology System or any computer system, including the Payment Card Industry Data Security Standards. You are solely responsible for all consequences that may arise if your system is not properly operated, maintained or upgraded or if the Technology System fails to operate as expected or anticipated. You will promptly pay when due all the Center's taxes, fees, debts, expenses, and assessments, including payroll taxes. You will take all reasonable actions not to permit a tax sale or seizure by levy of execution or similar writ or warrant to occur.

19.3. Warranties and Guarantees. We are not liable for any guarantee or warranty you make or offer to any Member or other person.

19.4. Entire Agreement. This Agreement, inclusive of all exhibits, constitutes the entire, full and complete agreement and understanding between the parties and supersedes all prior agreements. No other representations, promises, warranties or agreements have induced you to sign this Agreement with us. Both parties agree that there are no oral or written representations, promises, assurances, warranties, covenants, “side-deals”, rights of first refusal, options or understandings other than those in this Agreement. This Agreement supersedes all prior agreements, no other representations, promises, warranties, assurances, covenants, “side deals”, rights of first refusal, options or understandings having induced you to sign this Agreement. The Parties agree that, in entering into this Agreement, they are each relying on their own judgment, belief and knowledge as to any claims and further agree that no promise, inducement or agreement or any representations and warranties not expressed in this Agreement have been made to procure their entering into this Agreement. The parties agree that they have read, fully understand and fully agreed to the terms of this Agreement. Except for those permitted to be made unilaterally by us under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and signed by their authorized officers or agents in writing. Notwithstanding the foregoing, nothing in this Agreement is intended to disclaim the representations we made in the FDD we furnished to you before entering into this Agreement.

19.5. Business Judgment. We and you agree that this Agreement grants us the discretion to make certain decisions, to vary the terms of other franchisees’ agreements or our enforcement of rights under those agreements, and to take or forgo business-related actions in a manner that may favorably or adversely affect your interests. We will use our business judgment in exercising our discretion based in part on our assessment of our own interests and the interests of all franchisees, which may outweigh your interests. You agree that we have no liability to you for the exercise of our discretion in this manner, and that even if we have multiple motives for a particular action or decision, so long as at least one motive is a reasonable business justification, that single motive will eliminate any liability by us to you related to that action or decision.

19.6. Other Franchisees. You agree that, to the extent we enter into other franchise agreements with other franchisees, we are not obligated to enforce our rights under those agreements for your benefit. In particular, but without limitation, you agree that we are not obligated to enforce any right to restrict the area or territory in which any other franchisee operates its Center, so long as we do not explicitly grant any rights to other franchisees that would violate any territorial limitations in this Agreement.

19.7. Consent. Unless otherwise stated, any provision that refers to our “consent” will mean our prior written consent, which consent we are permitted to withhold or deny for any reason in our sole discretion.

19.8. Cumulative Remedies. The rights and remedies in this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

19.9. Further Documentation. The parties will acknowledge, sign and deliver all further documents, instruments or assurances and will perform all further acts or deeds as reasonably required to carry out the terms of this Agreement.

19.10. Surviving Provisions. Without limitation, the terms of this Agreement that by their nature require performance or forbearance after transfer, expiration or termination, that impose any obligation to defend or indemnify, or that relate to the resolution of disputes arising out of this Agreement, remain enforceable notwithstanding the transfer, termination, or expiration of this Agreement. This Agreement inures to the benefit of and is binding on the respective heirs, legal representatives, successors, and permitted assigns of the parties, subject to the restrictions on transfer in this Agreement.

19.11. Signing, Amendment, and Modification. The submission of this Agreement to you does not constitute an offer by us. This Agreement will only become effective when it has been signed by duly authorized representatives of both us and you. No modification or amendment of this Agreement will be effective unless it is in a writing signed by authorized representatives of us and you, except that we are permitted to modify unilaterally the Manual and other System specifications and directives as provided in this Agreement, and you must comply with those modified specifications and directives.

19.12. Notice. Either party delivering to the other any written notice required under this Agreement will provide that notice by traceable means to the contact information identified below. The party serving the notice will have the burden of establishing that notice was received by the other party, but receipt will be deemed proven by any third-party carrier's or process server's written verification (including a standard form receipt in paper or electronic form) of its delivery of the notice to the other party or to the contact information identified below. Each party is permitted to change its contact information by delivering written notice to the other identifying the new information. Unless a party notifies the other of alternative contact information, all notices will be sent: If to us KidStrong Franchising LLC 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034. If to you, at the address stated on Exhibit A.

19.13. Non-Waiver of Rights. Our failure to insist on strict compliance with any provision of the Franchise Agreement or any related agreements will not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Our delay or omission respecting any breach or default will not affect our rights respecting any later breaches or defaults. Our election to exercise any remedy available by law or contract is not a waiver or preclude exercise of any other remedy.

19.14. Severability. If any part of this Agreement, for any reason, is declared invalid by a court of competent jurisdiction, then that declaration will not affect the validity or enforceability of any remaining portion. The remaining portion will remain in force and effect as if this Agreement were signed with the invalid portion eliminated or curtailed.

19.15. Currency. All monetary figures in this Agreement are described in United States Dollars, and the parties will make all payments in that currency.

19.16. Force Majeure. If, as a result of hurricane, tornado, typhoon, flooding, lightning, blizzard and other unusually severe weather, earthquake, avalanche, volcanic eruption, fire, riot, insurrection, war, terrorist attack, explosion, a pandemic resulting in government mandated closure of the Center, or act of God (a "Force Majeure"), compliance by either party with the terms of this Agreement is rendered impossible or would otherwise create an undue and commercially unreasonable hardship on that party, then both parties will be excused from their respective obligations under this Agreement for the duration of the Force Majeure and for a reasonable recovery period thereafter, but otherwise this Agreement will continue in full force and effect. Notwithstanding the foregoing, a Force Majeure will not relive a party of any (i) payment obligations for monies owed; (ii) obligations that existed before the start of the period of the Force Majeure; (iii) obligations that start after the period of the Force Majeure, or (iv) other obligations that are not necessarily prevented or materially hindered or delayed during the period of Force Majeure.

19.17. Anti-Terrorist Activities. You certify that neither you, nor your owners, principals, employees nor anyone associated with you are listed in the Annex to Executive Order 13224 (the "Annex"). You agree not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, your owners, principals, employees, or anyone associated with you being listed in the Annex. You agree to comply with and/or fully assist us in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with our compliance, you certify, represent, and warrant that none of your property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that you and your owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions you must take to comply with all Anti-Terrorism Laws, and you agree that your indemnification responsibilities as provided in Section 14.1 of this Agreement pertain to your obligations under this Section. Any misrepresentation by you under this Section or any violation of the Anti-Terrorism Laws by you, your owners, principals or employees are grounds for immediate termination of this Agreement and any other agreement you have entered into with us or one of our affiliates in accordance with the terms of Section 15.5 of this Agreement. "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts or acts of war.

***[The next page is the signature page.]***

SIGNED on the date below and effective as of the Effective Date between:

**KidStrong Franchising LLC**

**«Entity\_Name»**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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



## EXHIBIT A

## KIDSTRONG® FRANCHISE AGREEMENT DATA SHEET

1. Effective Date: \_\_\_\_\_

2. Your Information: (Check the appropriate box)

- ☐ Individual  
☐ Limited Liability Company  
☐ Corporation  
☐ General Partnership / Limited Partnership  
☐ Other \_\_\_\_\_

Your Name: «Entity\_Name»

State of Formation/Incorporation (if applicable): «State\_of\_FormationResidency»

Your Address: «Entity\_Address»

Your Telephone: «Phone\_Number»

Your Email: \_\_\_\_\_

List the Full Name of Each Owner	Owner Address	Ownership Interest in Franchisee (if applicable) (List Number of Units, Shares, Percentage Interest, as applicable)

3. Approved Center Location: The Center will be located at (check (a) or (b), as applicable):

☐ a. \_\_\_\_\_  
 (Street Address, City, State and Zip Code)

☐ b. Site Selection Area: The Center Location has not been determined as of the Effective Date of this Agreement. You must secure the approved Center Location in accordance with the terms of the Franchise Agreement and Site Selection Addendum within the general area described below:

\_\_\_\_\_  
 Indicate city, county or area within which you are to secure an approved Center location. Note: This area is **not** the "Territory" for the Center.

4. Territory. The Territory will be comprised of the area identified on the below map:

[INSERT TERRITORY MAP]

*We may determine the Territory using the mapping service and/or software of our choice.*

5. Guarantor Information:

Guarantor Name	Guarantor Address

6. Operating Partner: \_\_\_\_\_  
 Operating Partner Address: \_\_\_\_\_

7. General Manager: \_\_\_\_\_  
 General Manager Address: \_\_\_\_\_

Assistant General Manager: \_\_\_\_\_  
 Assistant General Manager Address: \_\_\_\_\_

**KidStrong Franchising LLC**

**«Entity\_Name»**

By: \_\_\_\_\_  
 Name: Matt Sharp  
 Title: CEO

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

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

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

## EXHIBIT B TO THE FRANCHISE AGREEMENT

### GUARANTY OF PERFORMANCE

This Guaranty and Assumption of Obligations is given as of \_\_\_\_\_, by \_\_\_\_\_ (whether one or multiple persons or entities, the “Guarantor”).

1. In consideration of, and as an inducement to, the signing of the Franchise Agreement (the “Franchise Agreement”) by KidStrong Franchising LLC (“Franchisor”), and «Entity\_Name» (“Franchisee”), Guarantor personally and unconditionally: (i) guarantees to Franchisor and Franchisor’s successor and assigns, for the term of the Franchise Agreement and as provided in the Franchise Agreement, that Franchisee will punctually pay and perform each and every undertaking, agreement and covenant stated in the Franchise Agreement; and (ii) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Guarantor waives the right to assert as a defense to Franchisor claims under this Guaranty that Franchisor had the right to procure any insurance on Franchisee’s account.

2. Guarantor waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (iv) any right Guarantor may have to require that an action be brought against Franchisee or any other person as a condition of liability.

3. Guarantor consents and agrees that: (i) Guarantor’s direct and immediate liability under this Guaranty is joint and several; (ii) Guarantor will render any payment or performance required under the Agreement on demand if Franchisee fails or refuses punctually to do so; (iii) liability is not contingent or conditioned on Franchisor’s pursuit of any remedies against Franchisee or any other person; and (iv) liability is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which is continuing and irrevocable during the term of the Franchise Agreement.

4. Guarantor represents and warrants that, by signing the Guaranty: (i) any financial statements and other financial information that Guarantor has submitted to Franchisor are limited to the separate property of Guarantor and any marital property (community property) against which Franchisor is entitled to enforce its rights under this Guaranty and do not include any separate property of Guarantor’s spouse against which Franchisor may not enforce this Guaranty; and (ii) if no signature appears below for Guarantor’s spouse, Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate (i.e., community property).

5. Guarantor consents and agrees that:

(a) Guarantor’s liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, Franchisee and the other parties who may be held liable for Franchisee’s performance of the Franchise Agreement;

(b) Guarantor will render any payment or performance required under the Franchise Agreement on demand if Franchisee fails or refuses punctually to do so;

(c) We are Franchisor is entitled to proceed against Guarantor and Franchisee jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action or having obtained any judgment against Franchisee; and

(d) Guarantor agrees to pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to collect amounts due under this undertaking (including any amounts spent in pursuing payment from Franchisee) or any negotiations relative to the obligations guaranteed or in enforcing this undertaking against Guarantor.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was signed.

**GUARANTOR(S)**

**Percentage Ownership in  
Franchisee**

Signature: \_\_\_\_\_ %

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

Signature: \_\_\_\_\_ %

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

Signature: \_\_\_\_\_ %

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

## EXHIBIT C TO THE FRANCHISE AGREEMENT

### Lease Rider

THIS AGREEMENT dated as of \_\_\_\_\_ among: (i) KidStrong RE Holdings, LLC (“KidStrong”); (ii) \_\_\_\_\_ (“Landlord”); and (iii) «Entity\_Name» (“Tenant/Franchisee”).

### Introduction

A. On \_\_\_\_\_, Tenant/Franchisee and KidStrong Franchising, LLC (“Franchisor”) entered into a KidStrong Franchising, LLC Franchise Agreement (the “Franchise Agreement”). Under the Franchise Agreement, Franchisor granted Tenant/Franchisee the right, and Tenant/Franchisee undertook the duty, to operate a KidStrong Center (the “Center” or the “Center”) at the Premises (defined below).

B. Simultaneously with entering this Agreement, Landlord and Tenant/Franchisee are entering a lease agreement (the “Lease”). Under the Lease, Tenant/Franchisee leases the following premises: \_\_\_\_\_ (the “Premises”).

C. To protect KidStrong’s rights and interests under the Franchise Agreement, Landlord grants certain rights to KidStrong under the Lease as stated below.

### Agreement

The parties agree as follows:

1. Notices. At the same time notices are sent to Tenant/Franchisee, Landlord must provide KidStrong with copies of all written notices of default that it sends to Tenant/Franchisee. Landlord agrees to send copies by first-class mail, postage prepaid, to KidStrong at its address stated below or any other address as KidStrong may notify Landlord in writing.

Kidstrong  
3801 Parkwood Blvd #300  
Frisco, TX 75035  
Attention: CEO

with a copy to:  
PO Box 1510  
Frisco, TX 75034

2. Right to Cure. If Tenant/Franchisee defaults under the Lease, KidStrong has the right (but not the duty) to cure the default within 15 days following the expiration of any applicable cure period. Furthermore, in this event, KidStrong may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining Landlord’s or Tenant/Franchisee’s consent. KidStrong may thereafter assign the Lease to another KidStrong® franchisee or to an entity KidStrong owns and/or controls. If it does, KidStrong must first obtain Landlord’s written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge this assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

3. Right to Assign. At any time (including, without limitation, on the expiration or sooner termination of the Franchise Agreement) without Landlord's prior consent, Tenant/Franchisee may assign the Lease to KidStrong. KidStrong may thereafter assign the Lease to another KidStrong® franchisee or to an entity KidStrong owns and/or controls. If it does, KidStrong must first obtain Landlord's written approval of the assignee. Landlord, however, must neither unreasonably withhold nor delay its approval thereof. Landlord will acknowledge this assignment in writing. No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration.

4. Right of First Refusal. Landlord agrees that on the expiration or termination of the Lease, KidStrong has the first right of refusal to lease the Premises as the new tenant.

5. Expiration or Termination of Franchise Agreement. Landlord agrees that the expiration or termination of the Franchise Agreement will constitute a default under the Lease, giving KidStrong the right, but not the obligation, to cure default by succeeding to Tenant/Franchisees interests under the Lease in accordance with Section 2 above.

6. Acknowledgement of Rights. Landlord acknowledges KidStrong's rights under the Franchise Agreement to enter the Premises to: (i) make any modifications or alterations necessary in KidStrong's sole discretion to protect its franchise system and its trademarks without being guilty of trespass or any other tort or crime; and (ii) remove any trade fixtures, interior or exterior signs and other items bearing the KidStrong® trademarks or service marks on the expiration or termination of the Franchise Agreement.

7. Modification of Lease. Without KidStrong's prior written consent, Landlord and Tenant/Franchisee may not amend, modify, supplement, terminate, renew or extend the Lease.

8. Miscellaneous.

a. On any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control.

b. All of the terms of this Agreement, whether so expressed or not, are binding on, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns.

c. The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement.

d. This Agreement may be signed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument. Confirmation of signing by email signature page is binding on any party so confirming.



**IN WITNESS WHEREOF**, the parties have duly signed and delivered this Lease Rider as of the date noted above.

**KidStrong RE Holdings, LLC**

**«Entity\_Name»**

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO

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

Date Signed: \_\_\_\_\_  
3801 Parkwood Boulevard, Suite 301  
Frisco, Texas 75034

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

**LANDLORD**

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

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

**EXHIBIT D TO THE FRANCHISE AGREEMENT****CONDITIONAL ASSIGNMENT OF YOUR TELEPHONE NUMBERS AND DOMAIN NAMES**

1. «Entity\_Name» ("Assignor"), in exchange for valuable consideration provided by KidStrong Franchising LLC ("Assignee"), receipt of which is acknowledged, conditionally assigns to Assignee all telephone numbers and domain names, as well as any listings associated therewith, that Assignor uses in the operation of its KidStrong® Center at Assignor's above-referenced address (the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): «Center\_Phone»

2. This assignment becomes effective automatically on termination or expiration of Assignor's franchise. In that event, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if Assignee had been originally issued the Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

**ASSIGNEE**

**KidStrong Franchising LLC**

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

Name: Matt Sharp

Title: CEO

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

**ASSIGNOR**

**«Entity\_Name»**

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

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

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

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

**EXHIBIT E TO THE FRANCHISE AGREEMENT****ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

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

ABA# : \_\_\_\_\_

Acct. No.: \_\_\_\_\_

Acct. Name: «Entity\_Name»

Effective as of the date of the signature below, «**Entity\_Name**» authorizes KidStrong Franchising LLC ("Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to make the following payments to Company under the Franchise Agreement for the franchise located at \_\_\_\_\_: (1) all Royalty Fees; (2) Brand Fund Contributions; (3) Direct Software Fees; (4) Technology Fees; (5) Music Licensing Fees; and (6) any fees that Company imposes under the terms of our Franchise Agreement from time to time. Withdrawals will occur on a monthly basis, or on any other schedule as Company specifies in writing. Company also is authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization remains in full force and effect until terminated in writing by Company. «**Entity\_Name**» will provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

**ATTEST:**«**Entity\_Name**»

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

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

\_\_\_\_\_

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

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

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

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

## EXHIBIT F TO THE FRANCHISE AGREEMENT

### SITE SELECTION ADDENDUM

**KidStrong Franchising LLC** (“we”, “us” or “our”) and «**Entity\_Name**» (“you” or “your”), have as of \_\_\_\_\_, entered into a Franchise Agreement for the operation of a KidStrong® Center using our Marks and System (the “Center”) and desire to supplement its terms, as stated below. The parties agree as follows:

1. Within 90 days after the effective date of the Franchise Agreement, you will, at your sole expense find a location within the Site Selection Area (defined below), which location is subject to our prior approval, which we may grant or withhold in our sole discretion. The site must be within the following territory:

\_\_\_\_\_ (the “Site Selection Area”).

2. Your failure to obtain a site for the Center in the Site Selection Area within the time required in Section 1 is a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. You agree that our acceptance of a site does not constitute an assurance, representation or warranty or any kind, express or implied, as to the suitability of the site for the Center or for any other purpose. Our acceptance of the site indicates only that we believe the site complies with acceptable minimum criteria we established solely for our purposes as of the time of the evaluation. Both parties to this Agreement agree the application of criteria with respect to other sites and premises may not be predictive of potential for all sites and that, after our acceptance of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from our criteria could change thereby altering the potential of a site. These factors are unpredictable and are beyond our control. We will not be responsible for the failure of a site under any circumstances, including your failure to achieve revenue or operational expectations. You agree that your acceptance of a franchise for the operation of the Center at the site is based on your independent investigation of the site’s suitability.

4. When you secure a Location that we accept within the Site Selection Area, we will designate the Territory for the Center, as outlined in the Franchise Agreement. You must develop, open and operate the Center at the Location in accordance with the Franchise Agreement. Both the Location of the Center and your designated Territory will be stated in Exhibit A to the Franchise Agreement once determined.

5. This Site Selection Addendum is an integral part of the Franchise Agreement between the parties, and the terms of this Site Selection Addendum are controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are ratified and confirmed, including those terms related to governing law, venue and dispute resolution that also will apply to any disputes arising out of or related to this Site Selection Addendum.

IN WITNESS WHEREOF, the parties have duly signed this Addendum on the day and year first above written.

**KidStrong Franchising LLC**

**«Entity\_Name»**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

## EXHIBIT G TO THE FRANCHISE AGREEMENT

### **KIDSTRONG EQUIPMENT & PRODUCT REVENUE SHARE PARTICIPATION ADDENDUM**

This KidStrong Equipment & Product Revenue Share Participation Addendum (this “Addendum”) is entered into on \_\_\_\_\_ (the “Addendum Effective Date”), between: (i) **KidStrong Franchising, LLC** (“we”, “us” or “our”); (ii) **KidStrong Equipment, Inc.** (“KidStrong Equipment”); and (iii) «**Entity\_Name**», a «**State\_of\_Formation**» «**Residency**» «**Entity\_Type**» with an address at «**Entity\_Address**» (“you” or “your”).

#### **BACKGROUND**

A. We and you entered into a KidStrong Franchising, LLC franchise agreement (the “Franchise Agreement”), under which you obtained the right, and undertook the obligation to open and operate a KidStrong® Franchised Business (the “Franchised Business”) at the location designated in the Data Sheet attached as Exhibit A to the Franchise Agreement the (“Location”).

B. Under the terms of the Franchise Agreement, in addition to other reserved rights, we and our affiliates reserve the right to manufacture, distribute, offer and sell, and to authorize others to manufacture, distribute, offer and sell, any goods, products and/or services through alternative channels of distribution, including, without limitation, through e-commerce sites and mobile applications.

C. Our affiliate, KidStrong Equipment, intends to manufacture, market, promote, sell and/or distribute certain equipment, apparel, gear and other products as we designate or approve (the “Equipment & Products”) through the Shop.Kidstrong.com e-commerce site (the “E-Commerce Site”) and also through other sales channels.

D. We and KidStrong Equipment wish to provide you with an opportunity to participate in a revenue share program in connection with sales of Equipment & Products made through the Shop.KidStrong.com E-Commerce Site to certain of your members, subject to and conditioned on your compliance with the terms of this Addendum (the “Program”).

#### **AGREEMENT**

The parties agree as follows:

1. **Definitions.** Any capitalized terms in this Addendum that are not defined in this Addendum have the same definitions as stated in the Franchise Agreement.

2. **KidStrong Equipment and Products.** You agree that we, KidStrong Equipment and our affiliates will be marketing the Equipment & Products, and other products and items for sale to customers in your Territory through the E-Commerce Site and through other sales channels, including to your members.

3. **Revenue Share.** During Revenue Share Term, provided that you meet the Eligibility Requirements stated below at all times during the Revenue Share Term, KidStrong Equipment agrees to pay to you 5% of Net Revenue (as defined below) derived by KidStrong Equipment from Equipment & Product sales sold by KidStrong Equipment to Qualifying Customers (as defined below) through the E-Commerce Site only (the “Revenue Share”). For purposes of this Agreement: (a) the term “Net Revenue” means all revenue derived by KidStrong



Equipment from the sale of Equipment & Products sold by KidStrong Equipment to Qualifying Customers through the E-Commerce Site, less all shipping & handling costs, taxes, customs, administration charges and all surcharges; and (b) the term “Qualifying Customers” means current and former members of your Franchised Business, and prospective members of your Franchised Business who are identified in the HubSpot database; provided, however, if the customer is a current, former or prospective member of more than one franchised location, the customer will not be considered a Qualifying Customer unless we determine otherwise, in our sole discretion. You agree that you will only be eligible to receive the Revenue Share so long as the following qualifications are met (the “Eligibility Requirements”): (i) You are in compliance with the terms of all agreements entered into with us, including, but not limited to, the Franchise Agreement and this Addendum; (ii) You have submitted to us all required documents, which include, but are not limited to, proof of insurance, a W-9 form, EIN Notice, and other documentation we request; (iii) You have enrolled in our payment processing application, and (iii) You have satisfied any additional training requirements we designate as a condition of participation in the Program. We have the right to determine the method and timing of payment of the Revenue Share in our sole discretion.

4. **Revenue Share Term.** The “Revenue Share Term” begins on the Addendum Effective Date and, unless terminated sooner in accordance with the terms of this Addendum, will continue until the earlier of: (i) the one year anniversary of the Addendum Effective Date; and (ii) the expiration or termination of the Franchise Agreement. On the expiration of the Revenue Share Term, this Addendum will automatically renew on a month-to-month basis unless we and/or KidStrong Equipment notify you of the non-renewal not later than 15 days before the expiration of the then-current term. Notwithstanding, we reserve the right to terminate the Program and/or this Addendum at any time for any reason or no reason on 30 days’ notice to you. On termination or expiration of this Addendum, you will not be permitted to display, market or promote the Equipment & Products and will not be entitled to receive the Revenue Share or any other payment or consideration on account of any sales of Equipment & Products through the E-Commerce Site, including sales made to customers in your Territory. If this Addendum is terminated or expires, provided that you continued to meet the Eligibility Requirements through the effective date of termination or expiration of this addendum, as applicable, KidStrong Equipment will pay to you the Revenue Share derived through the date of termination or expiration. On termination or expiration of the Program or this Addendum, you must return all Equipment and Product Marketing and Promotional Materials in your possession, if any, to KidStrong Equipment or our designee.

5. **Opt-Out.** If you do not sign this Addendum and return the signed copy to us within 30 days of the date we send the Addendum to you for signature, you are deemed to have opted-out of the Program and will not be entitled to receive any Revenue Share.

6. **No Assignment.** You may not sell, transfer, assign or encumber this Addendum or your interest in this Addendum without our prior written consent. We may assign this Agreement to any Affiliate or other third party without the consent of, or notice to, you. The rights and benefits of this Agreement inure to the benefit of, and are enforceable by, each party and its permitted successors and assigns.

7. **Dispute Resolution.** The parties agree that any dispute arising out of or relating to this Addendum will be resolved under the dispute resolution procedures stated in the Franchise Agreement.

8. **Release by You.** (a) As an inducement to us and KidStrong Equipment to enter into this Agreement, you, for yourself and all persons and entities claiming by, through, or under you, release, acquit and forever discharge us, KidStrong Equipment, and our and its present and former officers, employees, shareholders, directors, agents, servants, representatives, affiliates, successors, and assigns (the "Franchisor Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorneys' fees, actions or causes of action whatsoever, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons or entity have, had or claim to have against the Franchisor Releasees, from the beginning of the world through the Addendum Effective Date. Notwithstanding the foregoing, this release will not apply to our obligations under the Franchise Agreement that arise after the effective date of this Addendum. You warrant and represent that you have not assigned or otherwise transferred any claim or cause of action released by this Addendum.

(b) **California Release. Waiver Under Section 1542.** You waive all rights you may have under section 1542 of the California Civil Code. Section 1542 provides as follows:

*A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.*

Being fully informed of this provision of the Civil Code, you waive any rights under that section, and agree that this Agreement extends to all Claims you have or might have against the Franchisor Releasees, whether known or unknown.

9. **Signatory Authority.** Each person signing this Agreement states that they are a duly authorized signatory and have the legal capacity to sign and deliver this Agreement for and on behalf of their respective party.

11. **Amendments.** This Addendum may not be amended, changed, waived or discharged, except by a written amendment signed by both parties.

12. **Entire Agreement.** The Franchise Agreement, including all amendments and attachments, as applicable, and this Addendum constitute the entire agreement between the parties concerning the subject matter hereof, and supersede all prior understandings and writings, with respect thereto.

By signing below, you agree to participate in the Equipment & Product Revenue Share Program and the parties agree to the terms stated within this Addendum.

**FRANCHISEE:**

**«Entity\_Name»**

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

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

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

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

**FRANCHISOR:**  
**KidStrong Franchising, LLC**

**KIDSTRONG EQUIPMENT**  
**KidStrong Equipment, Inc.**

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO  
Date Signed: \_\_\_\_\_

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO  
Date Signed: \_\_\_\_\_

## EXHIBIT H TO THE FRANCHISE AGREEMENT

**KIDSTRONG DIGITAL MARKETING INSERTION ORDER AND STATEMENT OF WORK****KidStrong**

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

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

City, State: \_\_\_\_\_

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

Client Phone: \_\_\_\_\_

**KidStrong Inc. Digital Marketing Insertion Order and Statement of Work**

Digital ads and boosted posts.  
Weekly lead review and stats  
update.  
Consulting calls as requested

Monthly Facebook Spend: \$300/day or as changed  
by client.  
Monthly Service Fee: \$825  
Billed on the first of each month

Set-up/Effective Date: Presale Launch Date

Term: Monthly renew, 6 months minimum, 30 days' notice

Initial Set up Fee: \$1,500, due at time of signing Franchise Agreement

Monthly Service Fee: \$825 due at beginning of the month

Starting on Presale Launch Date, the \$825 per month will be drawn and prorated if needed for  
the first month via ACH by KidStrong

Acknowledgement to terms above by parties signing below:

\_\_\_\_\_  
*Client Name***KidStrong Inc.**\_\_\_\_\_  
*Company Name*\_\_\_\_\_  
*Client Representative***Matt Sharp**\_\_\_\_\_  
*Authorized Representative*\_\_\_\_\_  
**Signature**\_\_\_\_\_  
**Signature**\_\_\_\_\_  
**Date**\_\_\_\_\_  
**Date**

## **EXHIBIT B - AREA DEVELOPMENT AGREEMENT**



**KidStrong**

**KIDSTRONG FRANCHISING LLC  
AREA DEVELOPMENT AGREEMENT**

\_\_\_\_\_  
**DEVELOPER**

\_\_\_\_\_  
**DATE**



## AREA DEVELOPMENT AGREEMENT

**This Area Development Agreement** (the "Agreement") is entered into on \_\_\_\_\_ (the "Effective Date") between **KidStrong Franchising LLC**, a Delaware limited liability company with an address at 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034 ("we", "us" or "our") and \_\_\_\_\_, a \_\_\_\_\_ with an address at \_\_\_\_\_ ("you" or "your"). You and we are collectively referred to as the "parties".

### BACKGROUND

A. We and our affiliates, as the result of the expenditure of time, skill, effort and money, own and continue to develop a franchise system (the "System") involving the establishment and operation of franchised centers (each, a "Center"), that offer "whole child" development programs focused on building stronger kids through innovative training, including in the areas of physical fitness, leadership, and confidence building.

B. The characteristics of the System may include, without limitation, sales and operating methods; interior and exterior Center design; décor; layout; fixtures and furnishings; equipment; class structure and instruction; customer service and development techniques; uniform standards and procedures for efficient business operations; training and assistance; Brand Funds; pricing specifications; all of which we may, at times, change, improve and further develop from time to time.

C. We identify the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark KIDSTRONG® and the KidStrong® logo, and/or any other different and/or additional trade names, trademarks, and service marks as we now designate and later designate in writing for use in the System (the "Marks").

D. We have the right to establish "Specifications" for various aspects of the System, including, without limitation, specifications on location selection, the Center's physical characteristics, operating procedures, products and services offered, supplier qualifications, training, marketing and other aspects that affect and/or relate to the experience of System customers. You must comply with our Specifications, which we have the right to (and expect to) change and modify over time.

E. You have had an adequate opportunity to be thoroughly advised of the terms of this Agreement and have had sufficient time and opportunity to evaluate and investigate the business concept and the procedures and financial requirements associated with the business and the competitive market in which it operates.

F. You want to obtain the right to open multiple Centers within a specific geographic area, and we are willing to grant this right on the terms stated in this Agreement.

## AGREEMENT

The parties agree as follows:

### 1. APPOINTMENT, DEVELOPMENT TERRITORY AND MINIMUM DEVELOPMENT OBLIGATION

**1.1 Development Area.** Subject to your strict compliance with the terms of this Agreement, we grant to you, and you accept, the right during the term of this Agreement to open and operate the number of Centers designated in Exhibit A within the “Development Area” described in Exhibit A. All of your Centers must be located within the Development Area. Except as otherwise stated in this Agreement, including, without limitation, as stated in Section 1.4 below, while you are in compliance with your obligations under this Agreement, we will not open or operate, and will not license any other person or entity the right to open or operate, one or more Centers physically located within the Development Area.

You agree that our initial service under this Agreement is solely to identify the Development Area, and that we have no ongoing obligations such as training or operational assistance to you under this Agreement. All ongoing and further obligations to you in opening the Centers is provided under the applicable Franchise Agreement between you and us for each Center you must open under this Agreement.

### 1.2 Minimum Development Obligations.

1.2.1 You must comply with the terms of this Agreement and with the following “Minimum Development Obligations”: (i) secure a site and enter into a Franchise Agreement and a lease agreement for each Center you must develop under this Agreement on or before the lease and Franchise Agreement signing deadline stated in Exhibit A (the “Signing Deadlines”), (ii) develop and open each Center you must develop under this Agreement on or before the opening deadline stated in Exhibit A (the “Opening Deadlines”), and (iii) have open and in operation within the Development Area, not less than the cumulative number of Centers identified in Exhibit A; (collectively, “the Minimum Development Obligations”). **YOU AGREE THAT TIME IS OF THE ESSENCE UNDER THIS AGREEMENT AND THAT YOUR RIGHTS UNDER THIS AGREEMENT ARE SUBJECT TO TERMINATION IF YOU DO NOT STRICTLY COMPLY WITH THE MINIMUM DEVELOPMENT OBLIGATIONS.**

1.2.2 For each Center you must develop under this Agreement, you must enter into our then-current form of Franchise Agreement on or before the Signing Deadline. Additionally, for your second and each additional Center you must develop under this Agreement, you must pay the difference between our then-current initial franchise fee and \$45,000, which fee is due when you sign the Franchise Agreement for the applicable Center. You may form newly established, separate affiliate entities that share the identical ownership structure as you or are directly owned by you, to enter into the lease agreements and Franchise Agreements for each Center you must open under this Agreement (each a “Developer Affiliate”). You, each of your owners, and each owner of each Developer Affiliate, as applicable, must enter into a personal guaranty agreement in the form attached to the applicable Franchise Agreement, which form may be materially different from the form attached to the FDD you received before entering into this Agreement. You also agree that the estimated initial investment figures presented in the FDD you received before entering into this Agreement are estimates only and are subject to modification, including increases related to modifications to specifications and requirements to develop Centers. You must identify one individual who is designated in Exhibit A, who has the authority

to, and does in fact, actively direct your business affairs related to your obligations under this Agreement and has the authority to sign on your behalf all contracts and commercial documents (your "Responsible Owner"). Your Responsible Owner must exert his or her best efforts to the development of the Centers under this Agreement and, absent our prior approval, may not engage in any other business or activity that requires substantial management responsibility or time commitments. If you are a legal entity, each of your direct and indirect owners (including all owners of any entity that owns an interest in you) must enter into the form of personal guaranty attached to this Agreement as Exhibit B.

1.2.3 You have no right to sublicense or subfranchise your rights under this Agreement.

1.2.4 If, despite using your best efforts, you fail to meet an Opening Deadline, you may apply for a 6-month extension to only that one Opening Deadline by submitting a written extension request detailing the efforts you have undertaken to meet the Opening Deadline and the reason for the delayed opening. If we grant the 6-month extension, you must pay an extension fee of \$2,500 per month for the duration of the 6-month extension period. We may condition our grant of any extension on your signing of a general release in the form we designate. If we grant an extension request, it applies only to that specific Opening Deadline and does not extend any other Opening Deadlines.

**1.3 Force Majeure.** If you are unable to meet the Minimum Development Obligation requirement solely as the result of a force majeure event, including, but not limited to, war, riot, strikes, floods, earthquakes, and other acts of God, or by governmental action or force of law, that results in your inability to construct or operate Centers in the Development Area, and that you could not, by the exercise of due diligence, have avoided, the Development Periods will be extended by the amount of time the force majeure exists, provided that if any force majeure continues for more than 6 months, we may terminate this Agreement on written notice to you.

**1.4 Reservation of Rights.** You agree that we have the right to open and operate, and to grant others the right to open and operate Centers anywhere outside of the Development Area as we deem appropriate in our sole discretion. This Agreement is not a franchise agreement and you do not have any right to use the Marks in any manner by virtue of this Agreement. Without limiting the foregoing, we reserve all rights to do anything within the Development Area, including, without limitation, the following:

1.4.1 offer and sell, and authorize others to offer and sell, any goods and services (including, without limitation, use-at-home equipment and remote services) in, at or from any location outside of the Development Area;

1.4.2 manufacture, distribute, offer and sell, and authorize others to manufacture, distribute, offer and sell, any goods and/or services (including, without limitation, use-at-home equipment and remote services) in, at or from any location, including any location within the Development Area either: (i) through alternative channels of distribution without restriction (including under the Marks and/or other marks we adopt or designate), including sales on the Internet, through kiosk locations, through print and online catalogs, and in retail locations; or (ii) under any names or trademarks other than the Marks. For the purposes of this provision, alternative channels of distribution include any channels not explicitly authorized for your use under any Franchise Agreement signed under this Agreement;

1.4.3 merge with, acquire, or be acquired by, including through purchase or sale of substantially all assets, any other person or entity, including any of our or your competitors (each an “M&A Transaction”), and continue to conduct in any location any business engaged in by the merging, acquiring, or acquired person or entity, including any business directly competitive with your Centers regardless of where the business is located and to permit the business to operate under any name other than the Marks. After an M&A Transaction, we have the right to require you to convert your Centers to a different name and you agree to: (i) participate, at your expense in any such conversion; and (ii) waive all claims, demands or damages arising from or related to the loss of the Mark, the System or any association or affiliation with the Marks or the System;

1.4.4 develop, or become associated with, other concepts (either directly or through affiliate entities) and grant franchises under those concepts for locations anywhere, including in the Development Area; and

1.4.5 use and license to engage in any other activities not expressly prohibited in this Agreement.

Without limiting the above rights, we have the right to develop, administer and operate, whether directly or through an affiliate or licensee, digital platforms and digital products offering KIDSTRONG® products (including equipment and merchandise) and services to customers and end users regardless of whether they are located in your Development Area. Additionally, we (including through our affiliates and designees) have the right to sell KIDSTRONG® merchandise and equipment through any outlet and from any location without restriction and we have the right to promote, offer, sell and provide KIDSTRONG® fitness services through mobile applications and other platforms; without restriction, including in the Development Area.

**1.5 Non-Public Access Venues.** We also have the right to develop, open and operate, and to license others the right to develop, open and operate, Centers located in Non-Public Access Venues, including within the Development Area. For purposes of this Agreement, the term Non-Public Access Venues means private businesses, military bases, government institutions, private clubs, and other Centers that are not accessible to the general public.

**2. DEVELOPMENT FEE.** You must pay us a “Development Fee” in the amount stated in Exhibit A when you sign this Agreement. The Development Fee is paid to us in consideration of the rights we grant you under this Agreement. The Development Fee is fully earned by us on signing of this Agreement and is non-refundable, even if you fail to develop one or more of the Centers.

### **3. CENTER SITE SELECTION; FRANCHISE AGREEMENT SIGNING PROCEDURES.**

**3.1 Center Site Selection.** You must, on your own initiative and at your sole expense, locate and secure an acceptable site for each Center you must develop under this Agreement, and enter into a valid, binding lease agreement on or before the applicable Signing Deadline. You must advise us in writing of your proposed site for each Center and you must submit to us a complete site report and application (containing demographic, commercial and other information that we or our designee requires). We are relying on your knowledge of the real estate market in your Development Area. Our prior acceptance is required in writing for each Center location. Each site must meet our confidential site evaluation criteria. In accepting or rejecting a proposed site, we will consider such matters as we deem material, including demographic characteristics, traffic

patterns, parking, the predominant character of the neighborhood, competition from other businesses providing similar services within the area, the proximity to other businesses (including other System Centers), the nature of other businesses in proximity to the site and other commercial characteristics and the size of the premises, appearance, and other physical characteristics of the premises. We will accept or reject your proposed site within 30 days after we receive all of the materials you must provide to us. We will notify you of our acceptance of a site by written notice to you. If you do not receive a written notice of acceptance within 30 days after receipt of the required materials to accept or reject a proposed site, your proposed site is considered rejected. We will not unreasonably withhold acceptance of any proposed site if it meets our then-current site criteria. ***You agree that our acceptance of a proposed site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a Center or any other purpose. Our acceptance of a site only indicates that we believe that the site meets our then minimum acceptable criteria. You agree that we are not responsible if the site fails to meet your or our expectations or if the Center you develop at the site fails.*** We have the right to require you to use our designated suppliers for site selection and real estate development services. We will notify you in writing of any such requirement, and you must immediately comply with all these requirements at your sole expense.

### **3.2 Lease Approval/Signing Procedures.**

3.2.1 You must present to us for our approval the lease for each premises from which you will operate each Center you must develop under this Agreement **before you sign the lease for that Center**. You must cause your landlord to include the provisions we require in your lease agreement for each Center. In addition, for each Center you must develop, both you and the landlord for the applicable leased premises must enter into our then-current form of Lease Rider, which includes important provisions that protect our interests. If your landlord refuses to sign the Lease Rider in the form we require, we have the right to reject your proposed site for the applicable Center.

3.2.2 Each lease for each Center must provide that we (or our designee) may at our sole option, on the termination, expiration or proposed transfer of the Franchise Agreement for that location, take an assignment of your interest in the lease, without the payment of additional consideration, and without liability for obligations you accrued as of the date of the assignment of the lease. Our review of any lease before its signing will not be for the purpose of approving the legal aspects, economics, or rental terms of the lease. Accordingly, we will have no responsibility to you with regard to the economics, legality or enforceability of any lease. At all times during the term of this Agreement, you will promptly pay all rents and charges required by the lease for the Center and must not be in default under the terms of the lease. You must provide us with a copy of your fully signed lease for each Center immediately when you receive it, and any amendments or renewals to the lease, to ensure that at all times we have a complete copy of the then-current lease for each Center.



**3.3 Franchise Agreement Signing Requirements.** For each Center you must develop under this Agreement, you (or a Developer Affiliate we approve) must sign our then-current form of Franchise Agreement, which agreement may contain materially different terms from the form of Franchise Agreement attached to the FDD provided to you before you signed this Agreement, and pay the then-current initial franchise fee and other initial fees due under that Franchise Agreement on or before the Signing Deadline for that Center, even if you have not yet obtained an accepted site or an approved lease. The terms of each Franchise Agreement will control the establishment and operation of the Center that is the subject of that Franchise Agreement; provided, however the opening deadlines stated in this ADA will govern.

#### **4. RELATIONSHIP OF PARTIES**

**4.1** You will function as an independent party and not as our agent or representative, but rather as a franchisee under our Franchise Agreements. You and we are not and will never be considered joint ventures, partners, employees, employer or agents one for the other. Neither will have the power to bind or obligate the other except as outlined in this Agreement and/or the Franchise Agreements. Neither party may make any representation to anyone that would create any apparent agency, employment or partnership except as outlined in this Agreement.

**4.2** In all public and private records, documents, relationships, and dealings, you must indicate that you are an independent contractor operating under this Agreement.

**4.3** You must maintain your records and accounts to clearly indicate that you and your employees are not our employees. You are solely responsible for hiring your own employees, including determinations about a prospective person's background, experience, character and immigration status. You must provide written notification to each person you intend to hire as an employee advising that person that we are not his or her employer.

**4.4** You must pay all of your development, travel, tax, operating, sales, and other expenses directly or indirectly incurred in fulfilling your obligations under this Agreement. You hold us harmless for all expenses.

#### **5. TERM AND TERMINATION**

**5.1 Term.** Unless sooner terminated, the term of this Agreement ("the Term") will begin on the Effective Date and will end on the earlier of: (a) the date the final Center you must develop under this Agreement opens; or (b) the Opening Deadline for the last Center you must open under this Agreement. You do not have any right to renew this Agreement.

**5.2 Material Defaults.** Each of the following events is a "Material Default" under this Agreement:

5.2.1 Your failure to meet any of your Minimum Development Obligations.

5.2.2 Any conduct on your part that impairs the goodwill associated with the Marks or otherwise causes harm to us or the brand's or System's reputation.

5.2.3 The termination of any Franchise Agreement, Area Development Agreement or other agreement between us, our successors or assigns, and you and/or any Developer Affiliate and/or any of your other affiliates.



5.2.4 If you or any Developer Affiliate commits a default under any Franchise Agreement or other agreement between us and you or any Developer Affiliate, and the default remains uncured beyond all applicable notice and cure periods.

5.2.5 If you violate any of your confidentiality or non-competition obligations under this Agreement.

5.2.6 If you default under any other obligation under this Agreement and the default is not cured within 15 calendar days following written notice of default from us.

**5.3 Our Rights On Your Material Default.** On your Material Default of this Agreement, we may take any one or more of the following actions, in our discretion:

5.3.1 We may terminate this Agreement, effective immediately on our sending you a written notice of termination. A termination of this Agreement is not deemed to be a termination of any Franchise Agreement entered into between you and us, or any Developer Affiliate and us. You are not entitled to any refund of any of the Development Fee if we terminate this Agreement in accordance with the terms hereof.

5.3.2 We may reduce the territory in your Development Area. However, we will not reduce the Territory already granted under any of your effective Franchise Agreements. We will determine, in our sole discretion, the part of the territory that is removed from the Development Area. The reduction in the Development Area will be effective on our sending you a written notice of the reduction. You are not entitled to any refund of any of the Development Fee if we reduce the Development Area in accordance with the terms hereof.

5.3.3 We may reduce your Minimum Development Obligations. We will determine, in our sole discretion, the reduced number of your Minimum Development Obligations and the timing of your remaining Minimum Development Obligations, if any. The reduction in the Minimum Development Obligations will be effective on our sending you a written notice of the reduction. You are not entitled to any refund of any of the Development Fee if we reduce your Minimum Development Obligations in accordance with the terms hereof; however, you may apply any unapplied portion of the Development Fee to the initial franchise fee due under any of your remaining Minimum Development Obligations.

**5.4 Effects of Termination.** On the expiration of the term, or on termination of this Agreement, regardless of the cause for termination, you have no further right to open or operate additional Centers that are not, at the time of the termination or expiration, the subject of a then existing Franchise Agreement between you and us that is in full force and effect. After the expiration or earlier termination of this Agreement, we may open and operate, and license others the right to open and operate one or more Centers anywhere in the Development Area, subject to any territorial rights granted to you or any Developer Affiliate, as applicable, under any Franchise Agreement then in effect.

## **6. TRANSFER AND SUCCESSION**

**6.1 Assignment by Us.** We may assign this Agreement, or any of our rights and privileges to any other person, firm or corporation without your prior consent. With respect to any assignment resulting in the assignee's performance of our obligations under this Agreement, the assignee will assume and agree to perform our obligations in writing.

**6.2 Assignment by You.** Your rights and obligations under this Agreement are personal to you and are not assignable at all. Without our prior written permission, you will not voluntarily or involuntarily sell, transfer, assign, encumber, give or otherwise alienate the whole or any part of this Agreement, your assets, or any ownership in you. We have entered this Agreement in reliance on and in consideration of the singular personal skill, qualifications and trust and confidence in you or your principal officers or partners who will actively and substantially participate in the development and operation of the Centers you must develop under this Agreement.

## **7. COVENANTS: NON-COMPETITION/ CONFIDENTIALITY/ COMPLIANCE WITH LAWS**

### **7.1 Non-Compete**

7.1.1 You and each of your owners, officers and agents will not, during the Term of this Agreement, directly, indirectly or through, on behalf of, or in conjunction with any person or legal entity:

(a) participate as an owner, director, partner, officer, franchisee, employee, consultant, advisor, salesperson, distributor, or agent or serve in any other capacity in any Competitive Business (as defined below); or

(b) divert, or attempt to divert any present or prospective business or customer of any Center to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System.

For purposes of this Agreement, the term “Competitive Business” means any (i) children’s gym, fitness center, health club, personal training center, or (ii) any other business involved in providing fitness, wellness, health, character development, or brain development services to or for the benefit of children, or (iii) any other business offering products and services offered or authorized for sale by System franchisees ((i) through (iii) each a “Competing Business”), or (iv) any business offering or granting licenses or franchises for the right to operate a Competing Business; provided, however, that this Section does not apply to your operation of any other KidStrong Center under a license or Franchise Agreement with us.

7.1.2 During the 2 years after expiration or termination of this Agreement, you and your owners, officers and agents will not directly or indirectly participate as an owner, director, partner, officer, franchisee, employee, consultant, advisor, salesperson, distributor, or agent or serve in any other capacity in any Competitive Business that is located: (a) anywhere in the Development Area; (b) within a 25 mile radius of the Development Area; or (c) within a 25 mile radius of any Center in operation, under lease, or under construction as of the date of termination or expiration, as applicable. During the 2 years after expiration or termination of this Agreement, you and your owners, officers and agents will not directly or indirectly participate as an owner, director, partner, officer, franchisee, employee, consultant, advisor, salesperson, distributor, or agent or serve in any other capacity in any franchise system that is offering or selling the right to develop, open or operate Competitive Businesses anywhere in the United States. The covenants not to compete are in addition to and not in lieu of your obligations under this Agreement to not use any trade secrets, confidential information or personal contacts except as we authorize.

7.1.3 You agree that the restricted periods stated in Section 7.1 (inclusive of all subparts) is tolled during any time in which you are in violation of your obligations. We may require you to obtain written agreements from your owners, officers, directors, managerial employees and agents to not compete against us and to not disclose our trade secrets and confidential information. These agreements will be in a form we approve.

7.1.4 If for any reason, any provision of the covenants not to compete stated in Section 7.1 (inclusive of all subparts) is determined to exceed any lawful scope and limit as to duration, geographic coverage, or otherwise, you agree that provision will nevertheless be binding to the full scope or limit allowed by applicable laws or by a court of law.

7.1.5 You agree that damages alone cannot adequately compensate us if there is a violation of any of these non-competition covenants and that injunctive relief is essential for our protection. You therefore agree that on any alleged breach or violation of this Section, we may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to us at equity or law.

**7.1 Communication of Information.** During the Term of this Agreement and thereafter, you will not communicate or divulge to any person or entity the contents of the System Manuals, or any other non-public information related to the System or the operation of the Centers. Under no circumstances will you or your agents communicate or divulge to any person or entity any trade secrets, confidential information or personal contacts relating to the System or Centers operating under the System during the Term of this Agreement or thereafter.

**7.2 You Must Cease Using Names and Marks.** Except to the extent permitted under your Franchise Agreements, on expiration or termination of this Agreement, whatever the cause for termination, you must immediately stop using the Marks and our names, logos, service marks, trademarks and other marks, symbols or materials suggesting that you were related to us or the System in any way. You may use them only under the provisions of any relevant Franchise Agreements between the parties.

**7.3 Compliance with Applicable Laws.** You must, at your sole expense, comply with all federal, state, city, municipality and local laws, ordinances, rules and regulations applicable to your obligations under this Agreement. You must, at your expense, be solely responsible for identifying all licenses and permits required by law for your Centers, for qualifying for and obtaining and maintaining all these licenses and permits in full force and effect.

## **8. DISPUTE RESOLUTION**

### **8.1 Mediation.**

8.1.1 The parties have reached this Agreement in good faith and with the belief that it is advantageous to each of them. In recognition of the strain on time, unnecessary expense and wasted resources potentially associated with litigation and/or arbitration, and in the spirit of cooperation, the parties pledge to try to resolve any dispute amicably, without litigation or arbitration. Other than an action brought by us under Section 8.3 of this Agreement, and with the exception of injunctive relief or specific performance actions, before the filing of any arbitration, you and we agree to mediate any dispute, controversy or claim between us and/or any of our affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees or agents (each a "Franchisor Related Party"), on the one hand, and you and/or any of your affiliates, officers, directors, managers, shareholders, members, owners, guarantors, employees

or agents (each a "Developer Related Party"), including without limitation, in connection with any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement; (b) the parties' relationship; or (c) the events occurring before the entry into this Agreement. Good faith participation in these procedures to the greatest extent reasonably possible, despite lack of cooperation by one or more of the other parties, is a precondition to maintaining any arbitration or legal action, including any action to interpret or enforce this Agreement.

8.1.2 Mediation will be conducted in Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located). Persons authorized to settle the dispute must attend each mediation session in person. The party seeking mediation (the "Initiating Party") must begin mediation by sending the other party/parties a written notice of its request for mediation (the "Mediation Notice"). The Mediation Notice must specify, to the fullest extent possible, the nature of the dispute, the Initiating Party's version of the facts surrounding the dispute, the amount of damages and the nature of any injunctive or other relief that party claims, and must identify one or more persons with authority to settle the dispute for the Initiating Party. On receipt of the Mediation Notice, the parties will endeavor, in good faith, to resolve the dispute outlined in the Dispute Notice. If the parties have been unable to resolve the dispute within 20 days after the date the Mediation Notice is provided by the Initiating Party to the other party, either party may initiate a mediation procedure in accordance with this provision. The parties agree to participate in the mediation proceedings in good faith with the intention of resolving the dispute if at all possible within 30 days of the Mediation Notice.

The mediator must advise the parties in writing of the format for the meeting or meetings. If the mediator believes it will be useful after reviewing the position papers, the mediator must give both himself or herself and the authorized person each party designates an opportunity to hear an oral presentation of each party's views on the matter in dispute. The mediator must assist the authorized persons to negotiate a resolution of the matter in dispute, with or without the assistance of counsel or others. To this end, the mediator is authorized both to conduct joint meetings and to attend separate private caucuses with the parties. All mediation sessions will be strictly private. The mediator must keep confidential all information learned unless specifically authorized by the party from which the information was obtained to disclose the information to the other party.

The mediation may be concluded: (a) by the signing of a settlement agreement by the parties; (b) by the mediator's declaration that the mediation is terminated; or (c) by a written declaration of either party, no earlier than at the conclusion of a full day's mediation, that the mediation is terminated. Even if the mediation is terminated without resolving the dispute, the parties agree not to terminate negotiations and not to begin any arbitration or legal action or seek another remedy before the expiration of 5 days following the mediation. A party may begin arbitration within this period only if the arbitration might otherwise be barred by an applicable statute of limitations or to request an injunction from a Court of competent jurisdiction to prevent irreparable harm. The fees and expenses of the mediator are shared equally by the parties. The mediator may not later serve as a witness, consultant, expert or counsel for any party with respect to the dispute or any related or similar matter in which either of the parties is involved. The mediation procedure is a compromise negotiation or settlement discussion for purposes of federal and state rules of evidence. The parties agree that no stenographic, visual or audio record of the proceedings may be made. Any conduct, statement, promise, offer, view or opinion, whether oral or written, made in the course of the mediation by the parties, their agents or employees, or the mediator is confidential and is treated as privileged. No conduct, statement, promise, offer, view

or opinion made in the mediation procedure is discoverable or admissible in evidence for any purpose, not even impeachment, in any proceeding involving either of the parties. However, evidence that would otherwise be discoverable or admissible must not be excluded from discovery or made inadmissible simply because of its use in the mediation.

## **8.2 Arbitration.**

8.2.1 Except as qualified below and in Section 8.3, and if not resolved by the negotiation and mediation procedures stated in Section 8.1, any dispute, controversy or claim between you and/or a Developer Related Party, on the one hand, and us and/or any Franchisor Related Party, on the other hand, including, without limitation, any dispute, controversy or claim arising under, out of, in connection with or in relation to: (a) this Agreement, (b) the parties' relationship, (c) the events leading up to the entry into this Agreement, (d) the Development Area, (e) the scope or validity of the arbitration obligation under this Agreement, (f) any System standard; (g) any claim based in tort or any theory of negligence; and/or (h) any lease or sublease for any Center, is submitted to binding arbitration under the authority of the Federal Arbitration Act and must be determined by arbitration administered by the American Arbitration Association under its then-current commercial arbitration rules and procedures.

8.2.2 Any arbitration must be on an individual basis and the parties and the arbitrator will have no authority or power to proceed with any claim as a class action, associational claim, or otherwise to join or consolidate any claim with any other claim or any other proceeding involving third parties. If a court determines that this limitation on joinder of or class action certification of claims is unenforceable, then this entire commitment to arbitrate is null and void and the parties must submit all claims to the jurisdiction of the courts. The arbitration must take place in Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located). The arbitration will be heard before one arbitrator. The arbitrator must follow the law and not disregard the terms of this Agreement. The arbitrator must have at least 5 years of significant experience in franchise law. Any issue as to whether a matter is subject to arbitration will be determined by the arbitrator. A judgment may be entered on the arbitration award by any state or federal court in Collin County, Texas.

8.2.3 In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim (as defined by the then-current Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim that is not submitted or filed in the proceeding will be forever barred. The decision of the arbitrator is final and binding on all parties to the dispute; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; (2) assess punitive or exemplary damages; (3) certify a class or a consolidated action; or (4) make any award that extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance that we set. The arbitrator must have the right to make a determination as to any procedural matters that court of competent jurisdiction would be permitted to make in the state in which our main office is located. Further, the arbitrator must decide all factual, procedural, or legal questions relating in any way to the dispute between the parties, including, without limitation, questions relating to whether Section 8.2 is applicable and enforceable as against the parties; the subject matter, timeliness, and scope of the dispute; any available remedies; and the existence of unconscionability and/or fraud in the inducement.



8.2.4 The arbitrator can issue summary orders disposing of all or part of a claim and provide for temporary restraining orders, preliminary injunctions, injunctions, attachments, claim and delivery proceedings, temporary protective orders, receiverships, and other equitable and/or interim/final relief. Each party consents to the enforcement of these orders, injunctions, etc., by any court having jurisdiction.

8.2.5 The arbitrator will have subpoena powers limited only by the laws of the State of Texas. The parties ask that the arbitrator limit discovery to the greatest extent possible consistent with basic fairness to minimize the time and expense of arbitration. The parties to the dispute must otherwise have the same discovery rights as are available in civil actions under the laws of the State of Texas. All other procedural matters are determined by applying the statutory, common laws, and rules of procedure that control a court of competent jurisdiction in the State of Texas.

8.2.6 Other than as required by law, the entire arbitration proceedings (including, without limitation, any rulings, decisions or orders of the arbitrator), must remain confidential and must not be disclosed to anyone other than the parties to this Agreement.

8.2.7 We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for the arbitration proceeding to take place and by doing have not waived or relinquished our right to seek recovery of those costs against you.

**8.3 Exceptions to Arbitration.** Notwithstanding Section 8.1 or Section 8.2, the parties agree that the following claims will not be subject to mediation or arbitration:

8.3.1 any action for declaratory or equitable relief, including, without limitation, seeking preliminary or permanent injunctive relief, specific performance, other relief in the nature of equity to enjoin any harm or threat of harm to that party's tangible or intangible property, brought at any time, including, without limitation, before or during the pendency of any arbitration proceedings;

8.3.2 any action in ejectment or for possession of any interest in real or personal property; or any claim by us: (a) relating to your failure to pay any fee or amount due to us under this Agreement; (b) relating to your failure to comply with the confidentiality and non-competition covenants stated in this Agreement; and/or (c) and/or our affiliates relating to your use of the Marks and/or the System, including, without limitation, claims for violations of the Lanham Act.

## **9. MISCELLANEOUS PROVISIONS**

**9.1 Choice of Law and Venue; Limitation of Claims; Jury Trial Waiver; Class Action Waiver; Waiver of Damages.**

9.1.1 You agree that we have appointed and intend to appoint many franchisees on terms similar to those stated in this Agreement and the Franchise Agreement. It mutually benefits those franchisees, you and us if the terms of these license agreements are uniformly interpreted. This Agreement takes effect on our acceptance and signing. All matters relating to mediation or 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 or other federal law, this Agreement, the franchise and all claims arising from or in any way related to the relationship between us, and/or any of our affiliates, on the one hand, and you, and any of your owners, guarantors and/or affiliates, on the other hand, is interpreted and construed under the laws of the state of Texas,



which laws must prevail in the event of any conflict of law, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this subsection.

9.1.2 If the arbitration clause in Section 8.2 is inapplicable or unenforceable, and subject to our right to obtain injunctive relief in any court of competent jurisdiction, the following provision must govern: The parties agree that the United States District Court for Northern District of Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the applicable District Court where our corporate headquarters is then-located), or if this court lacks subject matter jurisdiction, the State Superior Court in Collin County, Texas (or, if our corporate headquarters is no longer in Collin County, Texas, the county where our corporate headquarters is then-located), is the exclusive venue and exclusive proper forum in which to adjudicate any case or controversy arising out of or related to, either directly or indirectly, this Agreement, ancillary agreements, or the business relationship between the parties. The parties further agree that, in the event of litigation, they will not contest or challenge the jurisdiction or venue of these courts. You agree that this Agreement has been entered into in the State of Texas and that you will receive valuable and continuing services emanating from our headquarters. Without limiting the generality of the foregoing, the parties waive all questions of jurisdiction or venue for the purposes of carrying out this provision. You agree that this location for venue is reasonable and the most beneficial to the needs of and best meets the interest of all of the members of the System.

9.1.3 Except for claims arising from your non-payment or underpayment of amounts you owe to us, or claims related to your unauthorized use of the Marks, all claims arising out of or related to this Agreement or the relationship of the parties are barred unless a judicial or arbitration proceeding, as required under this Agreement, is filed within one year from the date on which the party asserting the claims knew or should have known of the facts giving rise to the claims. You agree that you may not maintain any action against us or any of our principals, officers, directors, agents, employees, parents, subsidiaries, affiliates, successors or assigns (each a "KidStrong Franchising Related Party") unless (a) you deliver written notice of any claim to the other party within 180 days after the event complained of becomes known to you, (b) you strictly adhere to the negotiation and mediation procedures stated in this Agreement, and (c) you file an arbitration within one year after the notice is delivered.

9.1.4 **Waiver of Rights. EACH OF THE PARTIES KNOWINGLY, VOLUNTARILY AND INTENTIONALLY AGREE AS FOLLOWS:**

(a) **Jury Trial. Each of the parties EXPRESSLY WAIVE(S) THE RIGHT ANY MAY HAVE TO A TRIAL BY JURY IN ANY ARBITRATION, ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, FOR ANY CLAIMS RELATING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE NEGOTIATION OF THIS AGREEMENT, THE EVENTS LEADING UP TO THE SIGNING OF THIS AGREEMENT, OR THE BUSINESS RELATIONSHIP RELATING TO THIS AGREEMENT OR THE FRANCHISE, WHETHER BROUGHT IN STATE OR FEDERAL COURT, WHETHER BASED IN CONTRACT THEORY, NEGLIGENCE OR TORT, AND REGARDLESS OF WHETHER OR NOT THERE ARE OTHER PARTIES IN THE ACTION OR PROCEEDING. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in this Agreement is unenforceable. Each party agrees that it has had full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.**

(b) Damage Waiver. Each of the parties EXPRESSLY WAIVE(S) ANY CLAIM FOR PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES; **except that** this waiver and limitation does not apply with respect to (a) your obligation to indemnify us under any provision of this Agreement, or (b) any claims we bring against you and/or your guarantors and/or your owners for unauthorized use of the Marks, unauthorized use or disclosure of any Confidential Information, unfair competition, breach of your confidentiality or non-competition covenants under this Agreement, and/or any cause of action under the Lanham Act, and we are entitled to receive an award of multiple damages, attorneys' fees and all damages as provided by law.

(c) Each of the parties EXPRESSLY AGREE(S) THAT IN THE EVENT OF ANY FINAL DETERMINATION, ADJUDICATION OR APPLICABLE ENACTMENT OF LAW THAT PUNITIVE, MULTIPLE AND/OR EXEMPLARY DAMAGES MAY NOT BE WAIVED, ANY RECOVERY BY ANY PARTY IN ANY ARBITRATION OR OTHER FORUM MUST NEVER EXCEED 2 TIMES ACTUAL DAMAGES, except that we may recover more than 2 times our actual damages if you commit acts of willful trademark infringement or otherwise violate the Lanham Act, as provided by law.

(d) No Class or Collective Actions. You agree that any arbitration, or, if applicable, litigation, between you (or any of your owners or guarantors), on the one hand, and us or any KidStrong Franchising Related Party, on the other hand, will be on that party's individual claim and that the claim or claims subject to arbitration and/or litigation must not be arbitrated or litigated on a class-wide, associational or collective basis.

## **9.2 Enforcement.**

9.2.1 Either party may seek to obtain in any court of competent jurisdiction specific performance and injunctive relief to restrain a violation by the other party of any term of this Agreement. No right or remedy conferred on either party is exclusive of any other right or remedy in this Agreement or provided by law or equity. Each will be cumulative of every other right or remedy.

9.2.2 We are entitled to recover from you all of our expenses, including attorneys' fees, accounting fees, expert witness fees, and any other reasonably incurred fees, if we are the prevailing party in any action, including arbitration, litigation, any motion to compel arbitration, and/or any action on appeal, with you and/or any of your owners or Guarantors, including, without limitation, any action: (a) to enforce the terms of this Agreement; (b) for violation of this Agreement; or (c) for violation of the Lanham Act or other state or federal statutes. Without limiting the generality of the foregoing, if we incur expenses due to your failure to pay when due amounts owed to us our affiliates, to submit when due any reports, information, or supporting records, or otherwise comply with this Agreement, you agree, whether or not we initiate a formal arbitration or legal proceeding, to reimburse us for all of the expenses that we incur including, without limitation, reasonable accounting, attorneys' and related fees and costs.

**9.3 Relationship of You to Us.** The parties intend by this Agreement to establish the relationship of franchisor and developer and/or independent contractors. You have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of us for any purpose whatsoever. Neither party is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. You agree that you will not hold yourself out as our agent, employee, partner or co-venturer. All employees hired by or working for you will be your employees and will not, for any purpose, be deemed our employees or subject to our control. You must provide written notification to each of your employees that each employee is employed by you, and not us. You must file your own tax, regulatory and payroll reports with respect to your employees and operations.

**9.4 Your Indemnification.**

9.4.1 You agree to protect, defend and indemnify us, and all of our past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees (the "Indemnified Parties") and hold each of the Indemnified Parties harmless from and against all damages, expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or related to your rights or obligations under this Agreement.

9.4.2 You represent and warrant that you have full and legal capacity to enter into this Agreement and into the Franchise Agreements and that they will not violate any provision or restriction in any contractual relationship you or your owners have with any third party.

**9.5 Waiver and Delay.** The following will not constitute our waiver of the provisions of this Agreement with respect to any later breach or our waiver of our right at any time to require strict compliance with the provisions of this Agreement or of the Franchise Agreements:

9.5.1 Waiver by us of any breach or series of breaches or defaults in your performance,

9.5.2 Our failure, refusal or neglect to exercise any right, power or option given to us under this Agreement or under any Franchise Agreement between us and you, or

9.5.3 Our failure, refusal or neglect to insist on strict compliance with or performance of your obligations under this Agreement or any other Franchise Agreement between you and us.

**9.6 Survival of Covenants.** The covenants in this Agreement that, by their terms, require performance by the parties after the expiration or termination of this Agreement, will be enforceable notwithstanding the expiration or other termination of this Agreement for any reason whatsoever.

**9.7 Successors and Assigns.** This Agreement is binding on and inures to the benefit of our successors and assigns and is binding on and inures to your benefit and your heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment in this Agreement.

**9.8 Joint and Several Liability.** If you consist of more than one person or entity, or a combination thereof, the obligations of each person or entity to us are joint and several.

**9.9 Agreements with Other Developers.** You agree that other KIDSTRONG® franchisees and/or developers have or may be granted franchises or development rights at different times and in different situations, and further agree that the provisions of those agreements may vary substantially from those in this Agreement.

**9.10 Entire Agreement.** This Agreement, including its Exhibits, is the entire agreement between the parties with respect to the subject matter hereof. No other prior agreements concerning the subject matter hereof, written or oral, will be deemed to exist or to bind the parties, and all prior agreements, understandings and representations, are merged into this Agreement and superseded by it. Nothing in this Agreement is intended to disclaim the representations we made in the FDD provided to you before you sign this Agreement. You represent that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained in this Agreement. No officer, employee, or agent of ours has any authority to make any representation or promise not contained in this Agreement or in the FDD. You agree that you have signed this Agreement without reliance on any other representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties. **Time is of the essence for this Agreement.**

**9.11 Titles for Convenience.** Section and paragraph titles used in this Agreement are for convenience only and will not affect the meaning or construction of any of the terms of this Agreement.

**9.12 Severability.** Nothing in this Agreement requires the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter will prevail. In this event the provisions of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring them within the requirements of the law. If any part, section, paragraph, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed deleted, and the remaining part of this Agreement will continue in full force and effect.

**9.13 Notices.** Except as otherwise provided in this Agreement, any notice, demand or communication provided for in this Agreement must be in writing and delivered either personally, by email, or by a reputable overnight service or deposited in the United States mail, service or postage prepaid, and addressed as follows:

Notices to Us:

KidStrong Franchising LLC  
3801 Parkwood Boulevard, Suite 301,  
Frisco, Texas 75034

Notices to You:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Any notice is deemed to have been given at the time it is sent.

**9.14 Submission of Agreement.** Our submission of this Agreement does not constitute an offer and this Agreement will become effective only when signed by you and us. **THIS AGREEMENT WILL NOT BE BINDING ON US UNLESS AND UNTIL IT IS ACCEPTED AND SIGNED BY US.**

**9.15 Acknowledgments and Representations.**

9.15.1 You, and your shareholders, members and partners, as applicable, jointly and severally agree that they have carefully read this Agreement and all other related documents to be signed concurrently or in conjunction with the signing of this Agreement. You and they have obtained the advice of counsel concerning entering this Agreement. You and they understand the nature of this Agreement and intend to comply with and to be bound by it. You agree that you have conducted an independent investigation of the System, us and the Centers, and recognize that, like any other business, the business venture contemplated by this Agreement involves business risks. Your success in this business is not guaranteed, is speculative and depends, to an important extent, on your ability as an independent businessperson. We do not represent or warrant that any Center will achieve any certain level of sales or be profitable. We disclaim the making of, and you agree that you have not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

9.15.2 You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of this franchise are accurate and complete and that you have made no misrepresentations or material omissions in obtaining the franchise. We have approved of your entering into this Agreement and granting you the rights under this Agreement in reliance on all of your representations.

9.15.3 You agree that neither we, nor any of our representatives or agents with whom you have met have made, and are not making, any guarantees, express or implied, as to whether or not the Centers you develop under this Agreement will break even, be successful or profitable. You agree that the franchise opportunity is a newer opportunity with a limited track record and operating history. You accept all risks, including the risk of loss of your entire investment. You agree that neither we nor any of our representatives and/or agents with whom you have met or corresponded with, have, in any way, represented or promised any specific amounts of earnings or profits in association with any Center, including the Centers you must develop under this Agreement.

9.15.4 You will exert your best efforts and full time to carrying out the terms of this Agreement in good faith.

9.15.5 You agree that you received our FDD at least 14 calendar days before the date on which you signed this Agreement and that you have read the FDD. You agree that the FDD is a disclosure document, not a contract, and that this Agreement embodies the entire contractual agreement between the parties.

***[The next page is the signature page.]***

**IN WITNESS WHEREOF**, this Agreement has been signed as of the Effective Date.

**DEVELOPER:**

\_\_\_\_\_

**FRANCHISOR:**

**KidStrong Franchising LLC**

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

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

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

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

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

Name:

Title:



## EXHIBIT A TO DEVELOPMENT AGREEMENT

### 1. DEVELOPMENT AREA

The Development Area is defined as the entire territory encompassed by \_\_\_\_\_ in the State of \_\_\_\_\_. If the Development Area is identified by city or other political subdivisions, the boundaries will be considered fixed as of the Agreement Date, notwithstanding any political reorganization or change to the boundaries. The Development Area is depicted on the map attached to this Exhibit A. However, if there is an inconsistency between the language in this Exhibit A and the attached map, the language in this Exhibit A controls. All street boundaries are deemed to end at the street center-line unless otherwise stated.

### 2. MINIMUM DEVELOPMENT OBLIGATIONS

You agree to open Centers within the Development Area according to the following Schedule:

Column A	Column B	Column C
Center #	Lease and Franchise Agreement Signing Deadline	Opening Deadline

3. DEVELOPMENT FEE. The Development Fee is \$ [\$45,000 multiplied by the number of Centers to be developed].

### 4. RESPONSIBLE OWNER:

Responsible Owner Name: \_\_\_\_\_  
Responsible Owner Address: \_\_\_\_\_  
Telephone Number & Email Address: \_\_\_\_\_  
Percentage Ownership Interest: \_\_\_\_\_

**5. DEVELOPER INFORMATION:**

<b>Individual</b>	<b>Legal Entity</b>
<b>Name of Individual(s) or Legal Entity (as applicable):</b> _____	
<b>If Legal Entity:</b>	_____
<b>State of formation/incorporation:</b>	_____
<b>Date of formation:</b>	_____

Ownership Information:

Owner Name	Owner Address	Percentage Ownership Interest

**DEVELOPER:**

\_\_\_\_\_

**FRANCHISOR:**

**KidStrong Franchising LLC**

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

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

**EXHIBIT B TO DEVELOPMENT AGREEMENT  
GUARANTY OF PERFORMANCE**

This Guaranty and Assumption of Obligations is given as of \_\_\_\_\_, by \_\_\_\_\_ (whether one or multiple persons or entities, the "Guarantor").

1. In consideration of, and as an inducement to, the signing of the Area Development Agreement (the "ADA") by **KidStrong Franchising LLC** ("Franchisor"), and \_\_\_\_\_ ("Developer"), Guarantor personally and unconditionally: (i) guarantees to Franchisor, and its successors and assigns, for the term of the ADA and as provided in the ADA, that Developer will punctually pay and perform every obligation stated in the ADA; and (ii) agrees to be personally bound by, and personally liable for the breach of, every provision in the ADA, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Guarantor waives the right to assert as a defense to Franchisor's claims under this Guaranty that Franchisor had the right to procure any insurance on Developer's account.

2. Guarantor waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (iii) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (iv) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability.

3. Guarantor agrees that: (i) Guarantor's direct and immediate liability under this Guaranty is joint and several; (ii) Guarantor will render any payment or performance required under the Agreement on demand if Developer fails or refuses punctually to do so; (iii) liability is not contingent or conditioned on Franchisor's pursuit of any remedies against Developer or any other person; and (iv) liability is not diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this Guaranty, which is continuing and irrevocable during the term of the ADA.

4. Guarantor represents and warrants that, by signing the Guaranty: (i) any financial statements and other financial information that Guarantor has submitted to Franchisor are limited to the separate property of Guarantor and any marital property (community property) against which Franchisor is entitled to enforce its rights under this Guaranty and do not include any separate property of Guarantor's spouse against which Franchisor may not enforce this Guaranty; and (ii) if no signature appears below for Guarantor's spouse, Guarantor is either not married or, if married, is a resident of a state that does not require the consent of both spouses to encumber the assets of a marital estate (i.e., community property).

5. Guarantor agrees that:

(a) Guarantor's liability under this undertaking is direct, immediate, and independent of the liability of, and is joint and several with, Developer and the other parties who may be held liable for Developer's performance of the ADA;

(b) Guarantor will render any payment or performance required under the ADA on demand if Developer fails or refuses punctually to do so;

(c) Franchisor is entitled to proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having begun any action or having obtained any judgment against Developer; and

(d) Guarantor agrees to pay all reasonable attorneys' fees and all expenses incurred in any collection or attempt to collect amounts due under this undertaking (including any amounts spent in pursuing payment from Developer) or any negotiations relative to the obligations guaranteed or in enforcing this undertaking against Guarantor.

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was signed.

**GUARANTOR(S)**

**Percentage Ownership  
in Developer**

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

\_\_\_\_%

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

\_\_\_\_%

## **EXHIBIT C - FINANCIAL STATEMENTS**

**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**



**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

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Statements of cash flows	5
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**Citrin Cooperman & Company, LLP**  
Certified Public Accountants

225 Broadhollow Road, Suite 401  
Melville, NY 11747  
T 631.930.5000 F 516.349.2190  
citrincooperman.com

## INDEPENDENT AUDITOR'S REPORT

To the Member  
KidStrong Franchising LLC

### Opinion

We have audited the accompanying financial statements of KidStrong Franchising LLC (a limited liability company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income and changes in member's equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2024, 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 KidStrong Franchising LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, 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 KidStrong Franchising LLC 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 KidStrong Franchising LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

"Citrin Cooperman" is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNI). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

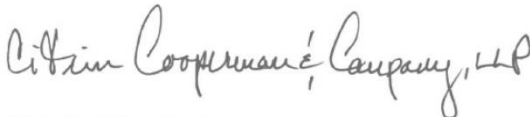
### Auditor's Responsibilities for the Audit of the Financial Statements

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 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 KidStrong Franchising LLC'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 KidStrong Franchising LLC'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.



Melville, New York  
April 17, 2025

"Citrin Cooperman" is the brand under which Citrin Cooperman & Company, LLP, a licensed independent CPA firm, and Citrin Cooperman Advisors LLC serve clients' business needs. The two firms operate as separate legal entities in an alternative practice structure. The entities of Citrin Cooperman & Company, LLP and Citrin Cooperman Advisors LLC are independent member firms of the Moore North America, Inc. (MNA) Association, which is itself a regional member of Moore Global Network Limited (MGNI). All the firms associated with MNA are independently owned and managed entities. Their membership in, or association with, MNA should not be construed as constituting or implying any partnership between them.

**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,860,552	\$ 5,902,648
Investments, held to maturity	1,723,345	-
Accounts receivable	1,386,504	870,205
Franchise fees receivable	1,030,000	576,000
Prepaid expenses	<u>3,013</u>	<u>1,042</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,003,414</u></b>	<b><u>\$ 7,349,895</u></b>
<b><u>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</u></b>		
Current liabilities:		
Accounts payable and other current liabilities	\$ 1,700,674	\$ 587,391
Deferred revenues, current	1,210,132	1,833,604
Due to related parties	450,376	310,897
Brand fund payable	<u>72,265</u>	<u>188,140</u>
Total current liabilities	3,433,447	2,920,032
Long-term liability:		
Deferred revenues, net of current	<u>2,997,695</u>	<u>2,802,431</u>
Total liabilities	6,431,142	5,722,463
Commitments and contingencies (Notes 6 and 7)		
Member's equity (deficit)	<u>(427,728)</u>	<u>1,627,432</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>	<b><u>\$ 6,003,414</u></b>	<b><u>\$ 7,349,895</u></b>

See accompanying notes to financial statements.

**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF INCOME AND CHANGES IN MEMBER'S EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u><b>2024</b></u>	<u><b>2023</b></u>	<u><b>2022</b></u>
Revenues:			
Royalties	\$ 5,236,077	\$ 3,174,917	\$ 1,577,414
Franchise fees	1,171,288	932,158	949,371
Brand fund fees	1,226,935	765,953	298,116
Marketing fees	1,079,314	750,020	437,069
Technology fees	804,949	484,848	-
Direct software fees	906,493	706,681	368,140
Other revenues	<u>118,575</u>	<u>45,818</u>	<u>4,734</u>
Total revenues	10,543,631	6,860,395	3,634,844
Operating expenses	<u>9,502,405</u>	<u>5,459,043</u>	<u>3,012,009</u>
Income from operations	1,041,226	1,401,352	622,835
Interest income	<u>203,614</u>	<u>120,149</u>	<u>-</u>
Net income	1,244,840	1,521,501	622,835
Member's equity (deficit) - beginning	1,627,432	605,931	(16,904)
Distributions	<u>(3,300,000)</u>	<u>(500,000)</u>	<u>-</u>
<b>MEMBER'S EQUITY (DEFICIT) - ENDING</b>	<b>\$ <u>(427,728)</u></b>	<b>\$ <u>1,627,432</u></b>	<b>\$ <u>605,931</u></b>

See accompanying notes to financial statements.

**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:			
Net income	\$ 1,244,840	\$ 1,521,501	\$ 622,835
Adjustments to reconcile net income to net cash provided by operating activities:			
Changes in operating assets and liabilities:			
Accounts receivable	(516,299)	(641,043)	(183,560)
Prepaid expenses	(1,971)	(1,042)	-
Franchise fees receivable	(454,000)	(396,000)	(90,000)
Accounts payable and other current liabilities	1,113,283	546,106	41,285
Deferred revenues	(428,208)	638,042	996,409
Brand fund payable	(115,875)	112,493	75,647
Due to related parties	<u>139,479</u>	<u>(1,093,973)</u>	<u>1,122,112</u>
Net cash provided by operating activities	981,249	686,084	2,584,728
Cash used in investing activities:			
Investments held to maturity	(1,723,345)	-	-
Cash used in financing activities:			
Distributions	<u>(3,300,000)</u>	<u>(500,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(4,042,096)	186,084	2,584,728
Cash and cash equivalents - beginning	<u>5,902,648</u>	<u>5,716,564</u>	<u>3,131,836</u>
<b>CASH AND CASH EQUIVALENTS -</b>			
<b>ENDING</b>	<b><u>\$ 1,860,552</u></b>	<b><u>\$ 5,902,648</u></b>	<b><u>\$ 5,716,564</u></b>

See accompanying notes to financial statements.



**KIDSTRONG FRANCHISING LLC**  
**(A Limited Liability Company)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**NOTE 1.     ORGANIZATION AND NATURE OF OPERATIONS**

KidStrong Franchising LLC (the "Company"), a wholly-owned subsidiary of KidStrong Inc. (the "Member"), was formed on July 13, 2019, as a Delaware limited liability company to offer and sell franchises pursuant to a non-exclusive license agreement with an effective date of July 31, 2019 (the "License Agreement"), between the Company and Skilz, LLC, an entity related to the Company by common ownership and control. On December 22, 2022, the License Agreement was amended and restated in which the trademarks under the License Agreement were assigned to KidStrong IP, LLC, ("Licensor") an entity related to the Company by common ownership and control. Pursuant to the Company's standard franchise agreement, franchisees will operate children's development and fitness centers under the trade name "KidStrong" in accordance with a uniform system established by the Company.

The Company is a limited liability company, and therefore the Member is not liable for the debts, obligations or other liabilities of the Company, whether arising in contract, tort or otherwise, unless the Member has signed a specific guarantee.

**NOTE 2.     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates may be adjusted due to changes in future economic, industry or other financial conditions. Actual results could ultimately differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less to be cash equivalents and such investments are stated at cost, which approximates fair value. The Company's cash equivalents are comprised of a money market account.

Investments

Investments consist of United States treasury bills with original maturities greater than three months which are held to maturity. Investments are stated at amortized cost with interest income recorded on the accompanying statements of income and changes in member's equity (deficit).

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts and Franchise Fee Receivables

Accounts receivable consist of royalties, marketing fees, and technology fees. Accounts and franchise fee receivables are stated at the amount the Company expects to collect. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of some of its franchisees to make required payments. The Company assesses collectibility by reviewing accounts and franchise fee receivable on a collective basis where similar risk characteristics exist. In determining the amount of the allowance for doubtful accounts, management considers historical collectibility and makes judgments about the creditworthiness of the pool of customers based on credit evaluations. Current market conditions and reasonable and supportable forecasts of future economic conditions adjust the historical losses to determine the appropriate allowance for doubtful accounts. Uncollectible accounts are written off when all collection efforts have been exhausted. The Company did not require an allowance for doubtful accounts as of December 31, 2024 and 2023.

Revenue and Cost Recognition

The Company derives its revenues from franchise fees, royalties, marketing fees, direct software fees, technology fees and other revenues.

*Franchise Fees, Development Fees, Royalties, Marketing Fees, Direct Software Fees and Technology Fees*

Contract consideration from franchise operations primarily consists of initial and renewal franchise fees, sales-based royalties, sales-based marketing fees, technology fees, and transfer fees payable by a franchisee for the transfer of a franchise unit to another franchisee. The Company also enters into area development agreements ("ADA") which grant a franchisee the right to develop two or more franchise units. The Company collects the up-front franchise fee related to the first location in the ADA along with an additional portion of each additional unit in the arrangement. The initial franchise fees are nonrefundable and generally collected when the underlying franchise agreement or ADA is signed by the franchisee. Sales-based royalties and marketing fees are payable monthly. Renewal and transfer fees are payable when an existing franchisee renews the franchise agreement for an additional term or when a transfer to a third party occurs, respectively.

The Company's primary performance obligation under the franchise agreement includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including site selection, training and other such activities commonly referred to collectively as "pre-opening activities." Pre-opening activities consistent with those under Accounting Standards Update ("ASU") No. 2021-02 ("ASU 2021-02") are recognized as a single performance obligation. For all other pre-opening activities, if any, the Company determines if a certain portion of those pre-opening activities provided is not brand specific and provides the franchisee with relevant general business information that is separate from the operation of a Company-branded franchise unit. The portion of pre-opening activities, if any, that is not brand specific is deemed to be distinct as it provides a benefit to the franchisee and is not highly interrelated to the use of the Company's

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and Cost Recognition (Continued)

*Franchise Fees, Development Fees, Royalties, Marketing Fees, Direct Software Fees and Technology Fees (Continued)*

intellectual property and therefore accounted for as a separate performance obligation. All other pre-opening activities are determined to be highly interrelated to the use of the Company's intellectual property and therefore accounted for as a component of a single performance obligation which is satisfied along with granting of certain rights to use the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company first allocates the initial franchise fees and the fixed consideration under the franchise agreement to the stand-alone selling price of the pre-opening activities and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, other than those included under ASU 2021-02, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under ASU 2021-02 are recognized when those performance obligations are satisfied.

Initial and renewal franchise fees allocated to the right to access the Company's intellectual property are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. ADAs generally consist of an obligation to grant the right to open two or more units. These development rights are not distinct from franchise agreements; therefore, up-front fees paid by franchisees for development rights are deferred and apportioned to each franchise agreement signed by the franchisee. The pro-rata amount apportioned to each franchise agreement is recognized as revenue in the same manner as the initial and renewal franchise fees.

Royalties are earned as a percentage of franchisee gross sales ("sales-based royalties") over the term of the franchise agreement, as defined in each respective franchise agreement. Franchise royalties which represent sales-based royalties that are related entirely to the use of the Company's intellectual property are recognized as franchisee sales occur and the royalty is deemed collectible.

The Company recognizes revenues from technology, direct software and marketing fees from services provided to the franchisees as a single performance obligation when the services are rendered.

*Brand Fund*

The Company maintains a brand fund established to collect and administer funds contributed for use in advertising and promotional programs for franchise units. Marketing fees are collected from franchisees based on a percentage of franchisee gross sales. The Company has determined that it acts as a principal in the collection and administration of the brand fund and therefore recognizes the revenues and expenses related to the brand fund on a gross basis. The Company has determined that the right to access its intellectual property and administration of the brand fund are highly interrelated and therefore are accounted for as a single performance obligation. As a

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue and Cost Recognition (Continued)

*Brand Fund (Continued)*

result, revenues from the brand fund represent sales-based royalties related to the right to access the Company's intellectual property, which are recognized as franchisee sales occur. When marketing fees exceed the related brand fund expenses in a reporting period, advertising costs are accrued up to the amount of marketing fees recognized.

The Company charges its franchisees a marketing fee up to 1.65% of its franchisees gross revenues, in accordance with the Company's standard franchise agreement. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the brand fund. During the years ended December 31, 2024, 2023 and 2022, the Company recognized \$1,226,935, \$765,953 and \$298,116 of marketing fees as revenue, respectively, which is included in "Brand fund fees" in the accompanying statements of income and changes in member's equity (deficit).

When brand fund fees exceed the related brand fund expenses in a reporting period, advertising costs are accrued up to the amount of brand fund revenues recognized.

*Other Revenues*

The Company recognizes revenues from other fees from training fees, marketing management and other services provided to the franchisees as a single performance obligation when the services are rendered.

*Incremental Costs of Obtaining a Contract*

The Company capitalizes direct and incremental costs, principally consisting of commissions, associated with the sale of franchises and amortizes them over the term of the franchise agreement and ADAs. In the case of costs paid related to ADAs for which no signed franchise agreement has been received, these costs are deferred until the signed franchise agreement is received.

Income Taxes

The Company is a single-member limited liability company and is therefore considered a disregarded entity for income tax purposes. Accordingly, no provision has been made for income taxes in the accompanying financial statements, since all items of income or loss are required to be reported on the income tax returns of the Member, who is responsible for any taxes thereon.

The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification 740, *Income Taxes*. Under that guidance, management assesses the likelihood that tax positions will be sustained upon examination based on the facts, circumstances and information, including the technical merits of those positions, available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change. There were no uncertain tax positions at December 31, 2024 and 2023.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Advertising

Advertising costs are expensed as incurred and amounted to \$2,325,337, \$1,143,367 and \$298,116 for the years ended December 31, 2024, 2023 and 2022, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassification adjustments had no effect on the Company's previously reported net income.

Variable Interest Entities

In accordance with the provisions of FASB ASU No. 2018-17, *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* ("ASU 2018-17"), FASB no longer requires nonpublic companies to apply variable interest entity guidance to certain common control arrangements, including leasing arrangements under common control. The Company has applied these provisions to the accompanying financial statements and has determined that the entities disclosed in Note 6 meet the conditions under ASU 2018-17, and accordingly, are not required to be included in the Company's financial statements.

Subsequent Events

The Company has evaluated subsequent events through April 17, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

**NOTE 3. FRANCHISED OUTLETS**

The following data represents the Company's franchised outlets as of and for the years ended December 31, 2024, 2023 and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Franchises sold	51	46	36
Franchised outlets in operation	118	89	54

**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES**

Disaggregated Revenues

The Company derives its revenues from franchisees located throughout the United States and Canada. The economic risks of the Company's revenues are dependent on the strength of the economy in the United States and Canada, and the Company's ability to collect on its contracts. The Company disaggregates revenue from contracts with customers by timing of revenue recognition by type of revenue, as it believes this best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Initial franchise fees are recognized over time, while royalties, brand fund fees, technology fees, direct software fees and other franchise related fees are recognized at a point in time.

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**NOTE 4. REVENUES AND RELATED CONTRACT BALANCES (CONTINUED)**

Contract Balances

Contract assets includes accounts and franchise fee receivable. The balances as of December 31, 2024, 2023 and 2022, are \$2,416,504, \$1,446,205 and \$409,162, respectively.

Contract liabilities are comprised of unamortized initial franchise fees and development fees received from franchisees, which are presented as "Deferred revenues" in the accompanying balance sheets. A summary of significant changes in deferred revenues during the years ended December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Deferred revenues - beginning of year	\$ 4,636,035	\$ 3,997,993
Revenue recognized during the year	(1,171,288)	(932,158)
Additions for initial franchise fees receivable	454,000	486,000
Additions for initial franchise fees received	1,529,490	1,274,200
Refunds for initial fees	<u>(1,240,410)</u>	<u>(190,000)</u>
Deferred revenues - end of year	<u>\$ 4,207,827</u>	<u>\$ 4,636,035</u>

At December 31, 2024, deferred revenues are expected to be recognized as revenue over the remaining term of the associated franchise agreements as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2025	\$ 1,210,132
2026	593,133
2027	543,800
2028	472,800
2029	342,800
Thereafter	<u>1,045,162</u>
Total	<u>\$ 4,207,827</u>

Deferred revenues consisted of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Franchise units not yet opened	\$ 3,268,082	\$ 3,921,543
Opened franchise units	<u>939,745</u>	<u>714,492</u>
Total	<u>\$ 4,207,827</u>	<u>\$ 4,636,035</u>



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**NOTE 5. CONCENTRATIONS OF CREDIT RISK**

Cash and Cash Equivalents

The Company places its cash at a financial institution which, at times, may be in excess of the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. At December 31, 2024, the Company's cash balance was in excess of the FDIC limit by \$552,230. In addition, the Company places its cash equivalents at a financial institution which, at times, may be in excess of the Securities Investor Protection Corporation ("SIPC") limit of \$500,000. At December 31, 2024, the Company's cash equivalent balance was in excess of the SIPC limit by \$574,869. This potentially subjects the Company to a concentration of credit risk. The Company has not experienced any losses on such amounts.

Accounts and Franchise Fee Receivable

Concentration of credit risk with respect to accounts and franchise fee receivables are limited due to the number of franchisees in the Company's customer base and their geographic dispersion. The Company provides an allowance for doubtful accounts equal to the estimated collection losses based on historical experience coupled with a review of the current market conditions and reasonable and supportable forecasts of future economic conditions.

Foreign Operations

Operations outside the United States include franchisees located in Canada. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. As of December 31, 2024 and 2023, total revenues and assets from franchise locations in Canada are less than 10% of total revenues and assets.

**NOTE 6. RELATED-PARTY TRANSACTIONS**

License Agreement

In July 2019, the Company entered into a non-exclusive License Agreement with the Skilz, LLC for the use of the registered name "KidStrong", which will remain in effect indefinitely. Pursuant to the License Agreement, the Company acquired the right to sell and operate KidStrong franchises in the United States of America and Canada, and the right to collect franchise fees, royalties and other fees from franchisees. As discussed in Note 1, the License Agreement was amended and restated on December 22, 2022 ("Amended License Agreement"). Under the Amended License Agreement, the Company will be obligated to pay the Licensor a license fee of 30% on the Company's gross sales, as further defined in the Amended License Agreement. The Licensor will not license the trademarks and/or confidential information to any third parties for the purpose of operating a competing franchised system and will not use the trademarks for any other business activity without the written approval of the Company. The Amended License Agreement is for a 20-year term and will be automatically renewed thereafter for 10-year terms unless otherwise terminated. Total license fees amounted to \$1,922,210, \$1,232,123, and \$758,036 for the years ended December 31, 2024, 2023 and 2022, respectively, and are included in "Operating expenses" in the accompanying

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**NOTE 6. RELATED-PARTY TRANSACTIONS (CONTINUED)**

License Agreement (continued)

statements of income and changes in member's equity (deficit). License fees are to be paid within 120 days after year end. As of December 31, 2024 and 2023, there were no unpaid license fees. At December 31, 2023, prepaid license fees amounted to \$15,234. There were no prepaid license fees at December 31, 2024.

Management Fee

The Company entered into a management fee arrangement with KidStrong Inc. (the "Member"), whereby the Member will perform administrative services on the Company's behalf. The fee is based on the opening of locations during the year at a fixed fee as defined in the agreement. Management fee expense for the years ended December 31, 2024, 2023 and 2022, was \$3,500,000, \$2,000,000 and \$1,800,000, respectively, and is included in "Operating expenses" in the accompanying statements of income and changes in member's equity (deficit).

Due to Related Parties

In the ordinary course of business, the Member periodically pays expenses on behalf of the Company. At December 31, 2024 and 2023, the amounts due to reimburse the Member for such expenses and management fees amounted to \$186,823 and \$317,184, respectively, and is included in "Due to related parties" in the accompanying balance sheets. No interest is charged on these advances, they are unsecured and have no specific repayment terms. Management expects balances due to the Member to be settled within one year from the date of these financial statements.

In the ordinary course of business, the Company periodically advances funds to and receives funds from entities affiliated through common ownership. At December 31, 2023, the balance due from related entities amounted to \$6,287. At December 31, 2024, the balance due to related entities amounted to \$263,553. Balances are included in "Due to related parties" in the accompanying balance sheets.

**NOTE 7. BRAND FUND**

Brand Fund

The Company collects a marketing fee of up to 1.65% of their gross revenues per month from its franchisees, in accordance with the Company's standard franchise agreement. Under the terms of the franchise agreements, the Company is obligated to spend the amounts received (when collected from the franchisees) solely on advertising and related expenses for the benefit of the franchisees. The Company has discretion as to the nature of the advertising expenditures, as long as they are related to the business of the franchisees. Pursuant to the standard franchise agreement, the Company is not required to segregate and restrict monies collected on behalf of the brand fund. Funds collected and not yet expended on the franchisee's behalf totaled \$72,265 and \$188,140 as of December 31, 2024 and 2023, respectively.

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**NOTE 7.     BRAND FUND (CONTINUED)**

Cooperative Advertising Fund

The Company reserves the right to establish a cooperative advertising fee ("Cooperative") for a region in which two or more facilities are located and will collect the greater of 3% of its franchisee's gross sales or between \$2,250 and \$6,000 on a monthly basis. Any contributions to a Cooperative will be credited toward a franchisee's local advertising commitment. As of December 31, 2024, and the date these financial statements were available to be issued, the Cooperative was not established.

## **EXHIBIT D - CURRENT FRANCHISEE INFORMATION**

## Current Franchisees and Area Developers

### Open Centers

Franchisee	Address	City	State	Phone
Trinity Fit LLC	1530 E Glenn Ave	Auburn	Alabama	(334) 780-1118
KSAL1, LLC	5403 US 280	Birmingham	Alabama	(205) 778-4280
KSAL2 LLC	1360 Montgomery Hwy Suite 120	Vestavia Hills	Alabama	(205) 861-0800
KS Scottsdale LLC	31313 N Scottsdale Rd	Scottsdale	Arizona	(480) 717-4141
KS AZ Gilbert LLC	31313 N Scottsdale Rd	Gilbert	Arizona	(480) 725-9085
KS AZ Paradise Valley	4605 E Cactus Rd Suite 2A02	Phoenix	Arizona	(480) 842-8842
SD F.I.T. Unlimited	2620 El Camino Real suite 2622 a	Carlsbad	California	(760) 683-0266
OC FIT Unlimited LLC	26741 Rancho Pkwy	Lake Forest	California	(949) 393-3039
Livermore F.I.T. Unlimited LLC	1959 Second St	Livermore	California	(570) 239-5977
OC F.I.T. Unlimited, LLC	964 N Tustin St	Orange	California	(714) 592-3223
KS 1, LLC	1150 Sunset Blvd, Ste 156	Rocklin	California	(916) 632-0583
KS TWO, LLC	1014 Riley St Suite 1	Folsom	California	(916) 345-3066
Tava KS LLC	4697 Centennial Boulevard	Colorado Springs	Colorado	(719) 374-8035
HG Ventures II, LLC	4344 S College Ave #5	Fort Collins	Colorado	(970) 682-6160
HLG Ventures III, LLC	9439 S University Blvd	Highlands Ranch	Colorado	(720) 662-7588
HLG Ventures 1, LLC	5066 Wadsworth Blvd Unit 109	Littleton	Colorado	(720) 662-7362
HLG Ventures IV, LLC	10100 Twenty Mile Road, Unit 100	Parker	Colorado	(720) 360-1664
KS Danbury CT LLC	60 Newtown Road	Danbury	Connecticut	(203) 297-9955
KS Fairfield CT LLC	2347 Black Rock Turnpike	Fairfield	Connecticut	(203) 646-8500
KS Norwalk CT LLC	120 New Canaan Ave	Norwalk	Connecticut	(475) 755-6400
KS Orange CT LLC	185 Boston Post Road	Orange	Connecticut	(475) 318-7080
JAM-SLO, LLC	314 S Ridge Ave	Middletown	Delaware	(302) 314-1824
Jam-Slo Pike Creek, LLC	4758A Limestone Road	Wilmington	Delaware	(302) 633-3435
KS Coral Springs LLC	8180 Wiles Road	Coral Springs	Florida	(954) 332-6133
Alpas Active LLC	6020 NW 4 PI Suite G	Gainesville	Florida	(352) 244-9818
Alpas Active LLC	1385 St Johns Pkwy suite 102-104	Jacksonville	Florida	(904) 429-4288

Franchisee	Address	City	State	Phone
Alpas Active LLC	6251 Argyle Forest Blvd unit 104 107	Jacksonville	Florida	(904) 209-6767
Alpas Active LLC	9726 Touchton Road Suite 304	Jacksonville	Florida	(904) 265-8498
KS SW Kendall, LLC	13550 SW 120th St #504	Miami	Florida	(786) 231-6022
Orlando Tikes 2, LLC	345 Mike Roberto Way #1107	Oviedo	Florida	(407) 901-7271
KS Plantation, LLC	801 S University Dr Unit K101	Plantation	Florida	(954) 859-5599
Tampa Tikes 2, LLC	4820 S Himes Ave suite 102	Tampa	Florida	(813) 549-3223
Orlando Tikes I, LLC	6506 Old Brick Rd	Windermere	Florida	(407) 734-2557
Muscles Up Bell Tower, LLC	13499 S. Cleveland Avenue, Suite 159	Fort Myers	Florida	(239) 970-1022
KS Palm Beach Gardens LLC	9850 Highway A1A, Suite 506	Palm Beach Gardens	Florida	(561) 717-3173
L5 Be Brave Georgia, LLC	11720 Medlock Bridge Rd Suite 570	Johns Creek	Georgia	(770) 975-2369
KPT Investments, LLC	2325 E. Fairview Ave, Suite 130	Meridian	Idaho	(208) 775-7272
Carol Stream Youth Core Developmental Academy LLC	778 W. Army Trail RD unit 10	Carol Stream	Illinois	(630) 866-7188
Naperville Youth Core Developmental Academy LLC	2860 Showplace Dr #0126	Naperville	Illinois	(630) 755-6050
Win at Life, LLC	1704-1714 N. Harlem Ave.	Elmwood Park	Illinois	(708) 475-0092
Batavia Youth Core Developmental Academy LLC	53 S Randall Rd	Batavia	Illinois	(630) 390-7071
Avanti IN Carmel LP	13744 N Meridian St	Carmel	Indiana	(317) 660-0925
Avanti In Noblesville LP	9510 E 146th St Suite E	Indianapolis	Indiana	(812) 366-2135
KSKS2 LLC	16140 W 135th St	Olathe	Kansas	(913) 730-7686
KSKS1 LLC	9522 Nall Ave	Overland Park	Kansas	(913) 228-2002
Crestview Hills KS LLC	2816 Town Center Blvd	Crestview Hills	Kentucky	(859) 757-0201
KSLA2 LLC	481 Albertson Parkway, Ste 4	Broussard	Louisiana	(337) 999-0386
KS LA3, LLC	1200 West Causeway Approach, Ste 16	Mandeville	Louisiana	(985) 951-4280
KidStrong LA1 LLC	17900 Airline Hwy	Prairieville	Louisiana	(225) 243-9727
KSLA4 LLC	10076 Crossing Way	Denham Springs	Louisiana	(225) 286-2900
L5 Be Brave Maryland, LLC	2307 Forest Drive Suite B	Annapolis	Maryland	(410) 216-0144



Franchisee	Address	City	State	Phone
L5 Be Brave Maryland, LLC	8895 McGaw Rd	Columbia	Maryland	(410) 715-2378
Gossett LLC	35A East Padonia Road	Timonium	Maryland	(443) 625-2325
Win at Life Natick LLC	117 West Central St D	Natick	Massachusetts	(508) 402-7680
Win at Life Westborough LLC	205 Turnpike Rd #1	Westborough	Massachusetts	(508) 719-0304
Win at Life Bloomfield Hills, LLC	2081 S Telegraph Rd	Bloomfield Hills	Michigan	(248) 234-4984
Win at Life Novi, LLC	43303 Crescent Blvd	Novi	Michigan	(248) 639-3663
KSMN Jordan LLC	4250 Lexington Ave S #101	Eagan	Minnesota	(612) 638-2777
KSMN Adyson LLC	1505 Queens Drive, Suite 105-107	Woodbury	Minnesota	(651) 386-1144
Blue Springs YCDA LLC	1204 NE Coronado Drive, STE 103	Kansas City	Missouri	(816) 988-3813
MHS Ventures 1, LLC	10429 Olive Blvd.	St Louis	Missouri	(314) 582-1867
KSL STREET LLC	12226 K Plaza Suite 109	Omaha	Nebraska	(402) 268-5321
KS Henderson, LLC	1450 W. Horizon Ridge Parkway, Suite C101-102	Henderson	Nevada	(725) 214-1551
Eslynn LLC	299 E Plumb Ln Unit 103	Reno	Nevada	(775) 600-2552
KS Summerlin LLC	330 S Rampart Blvd #110	Summerlin	Nevada	(702) 857-7741
Win at Life New Hampshire, LLC	28 Portsmouth Ave, Suite 10	Stratham	New Hampshire	(603) 296-1272
KS Turnersville NJ LLC	3501 NJ-42 Unit 500	Turnersville	New Jersey	(856) 699-8988
KS Waldwick NJ LLC	140 Franklin Turnpike	Waldwick	New Jersey	(201) 808-5000
KS Wayne NJ LLC	1055 Hamburg Turnpike	Wayne	New Jersey	(973) 805-7600
KS West Windsor, LLC	295-335 Princeton Hightstown Rd	West Windsor	New Jersey	(609) 785-3838
KS West Orange NJ LLC	495 Prospect Avenue	West Orange	New Jersey	(973) 561-2090
KS Voorhees NJ, LLC	1120 White Horse Road	Voorhees	New Jersey	(856) 718-9009
KS Mt Laurel NJ LLC	4220 Dearborn Circle, Unit #4220	Mount Laurel	New Jersey	(856) 437-0900
KS-ABQ LLC	5600 Coors Blvd NW Suite E3	Albuquerque	New Mexico	(505) 305-7062
KS-ABQ LLC	8001 Wyoming Blvd, NE Suite C1	Albuquerque	New Mexico	(505) 305-6086
KS1 Garden City LLC	135 Voice Rd.	Garden City	New York	(516) 419-9988

<b>Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Phone</b>
KS2 Hicksville, LLC	1040 S Broadway	Hicksville	New York	(516) 654-1055
Mental Toughness LLC	5640 Sunrise Hwy	Sayville	New York	(631) 849-8238
M2 Thornwood LLC	996 Broadway	Thornwood	New York	(914) 228-7025
Physical Strength LLC	713 Sunrise Hwy, Ste A2	West Babylon	New York	(631) 315-7069
KS3 Commack, LLC	6183 Jericho Turnpike	Commack	New York	(631) 201-8051
NCKS1LLC	1309 NW Maynard Rd	Cary	North Carolina	(919) 371-5808
KidStrong Cotswold LLC	324 S Sharon Amity Rd	Charlotte	North Carolina	(704) 705-2248
NCKS2 LLC	7325 Six Forks Rd	Raleigh	North Carolina	(919) 589-5335
L5 Be Brave Ohio, LLC	8740 Montgomery Rd #105a	Kenwood	Ohio	(513) 401-9070
L5 Be Brave Ohio, LLC	8457 Mason Montgomery Road	Mason	Ohio	(513) 398-1315
L5 Be Brave Ohio, LLC	3976 W Powell Road	Powell	Ohio	(614) 568-1299
Fit Children Franchises, LLC	5203 Monroe St, Suite 100-B	Toledo	Ohio	(567) 250-6000
L5 Be Brave Ohio, LLC	1391 Polaris Pkwy, Ste 28	Polaris	Ohio	(380) 210-0322
KS Oklahoma LLC	3325 S Boulevard, Suite 133	Edmond	Oklahoma	(405) 594-7853
KS Oklahoma 2 LLC	12200 N MacArthur Blvd Suite D	Oklahoma City	Oklahoma	(405) 805-6552
KSNW Lake Oswego LLC	7 Monroe Parkway Suite 407B	Lake Oswego	Oregon	(503) 676-3273
LifeWins LLC	4723 Tilghman St	Allentown	Pennsylvania	(610) 400-3858
HRC CV, LLC	222 E Main St	Collegeville	Pennsylvania	(610) 487-0260
Swack Learning Center LLC	3120 McIntyre Square Dr	Pittsburgh	Pennsylvania	(412) 342-2593
HRC PA LLC	1661 Easton Rd Ste A1B	Dolestown	Pennsylvania	(215) 309-1793
Round Three LLC	770 Miles Rd Suite 4	West Chester	Pennsylvania	(484) 261-0056
TCE Business, LLC	2963 Columbia Ave	Lancaster	Pennsylvania	(717) 464-9888
KAJJ SC2 LLC	605 Brighton Park	Summerville	South Carolina	(843) 788-9328
KAJJ SC1 LLC	9500 Dorchester Rd. Suite 330	Summerville	South Carolina	(843) 429-8238
KAJJ SC3 LLC	1344 Old Georgetown Rd, Suite 104	Mount Pleasant	South Carolina	(843) 913-8227
South Austin Mompreneurs LLC	9900 S I-35 Frontage Road Suite 950	Austin	Texas	(512) 596-2648
North Austin Mompreneurs LLC	13776 US 183	Austin	Texas	(512) 596-4466
Cedar Park Momprenenuers LLC	3219 E Whitestone Blvd	Cedar Park	Texas	(512) 569-5678
Cypress Mompreneurs LLC	14041 Grant Rd Suite 140	Cypress	Texas	(281) 677-4773

Franchisee	Address	City	State	Phone
Katy Mompreneurs LLC	2004 Mason Road	Katy	Texas	(832) 975-7424
Pflugerville Mompreneurs LLC	21315 TX-130 #100	Pflugerville	Texas	(512) 596-4441
Shah Ventures Loc 2, LLC	11840 Alamo Ranch Parkway, Ste 60	San Antonio	Texas	(210) 399-1633
Shah Ventures Stone Oak LLC	20711 Wilderness Oak #109	San Antonio	Texas	(210) 399-2226
Sugarland Mompreneurs LLC	1961 Lakeside Plaza Dr Suite 8	Sugar Land	Texas	(281) 941-7196
KS Corpus, LLC	7629 South Staples, #A101	Corpus Christi	Texas	361-593-6886
Shah Ventures Location 3, LLC	13457 FM 1103 Suite 124	Cibolo	Texas	(302) 633-3435
Level Up South Jordan, LLC	11515 S 4000 W	South Jordan	Utah	(801) 917-5577
L5 Be Brave Virginia LLC	9540 Main Street Unit 8	Fairfax	Virginia	(571) 354-7709
Round Four LLC	3809 Princess Ann Road unit 115-116	Virginia Beach	Virginia	(757) 788-9838
KS Richmond LLC	1312 Gaskins Road	Richmond	Virginia	(804) 660-8707
Team Johnston, LLC	10121 Evergreen Way Suite 14	Everett	Washington	(425) 490-5966
KS N Seattle #2 LLC	22315 HWY 99, Suite D	Edmonds	Washington	(425) 678-2575
Avanti Evergreen Bothell LLC	19128 112th Ave. NE #4	Bothell	Washington	(425) 354-5656
Avanti Evergreen Puyallup LLC	5610 176th Street E Suite D102	Puyallup	Washington	(253) 236-7377
Black Wolf Ventures LLC	2828 Prairie Lake Drive #104, #106	Sun Prairie	Wisconsin	(608) 369-8866

### **Not Yet Open**

Franchisee	Trade Area	State	Zip Code	Phone
John Patriarca	Goodyear	AZ	85266	(480) 717-4141
John Patriarca	Goodyear	AZ	85266	(480) 717-4141
Gabriel & Melissa Uribe	Carmel Mountain Ranch	CA	72064	858-922-2974
Maichel Thunga, Rachel Jaddu, Pranitha Vangala	Fremont	CA	94550	(925) 231-7094
Craig Starr & Susan Daniels, Individuals	Natomas	CA	95834	(408) 201-4630
RISMA FITNESS LLC,	Pasadena	CA	91206	626-232-3219
Maverick Corporation	Sunnyvale	Ca	95129	408-476-9093
NorthPoint Partners LLC	West San Jose	CA	95765	(917) 514-7476

Franchisee	Trade Area	State	Zip Code	Phone
KS Hamden CT LLC,	Hamden	CT	06514	(973) 979-9988
KS5 Manchester, LLC,	Manchester	CT	00824	(860) 222-7457
KS Stamford CT LLC,	Stamford	CT	07444	(475) 550-6880
Island Brave, LLC,	Coral Gables	FL	33067	787-461-3193
KS Dade LLC,	Doral	FL	33016	(305) 491-8860
KS Miami Shores	Miami Shores	FL	33016	(305) 491-8860
Luisa Jaramillo and Juan Gomez,	Port St. Lucie	FL	33418	(954) 529-3658
R Cabin LLC,	Perry	GA	29405	(910) 988-4991
Resilient Youth Vernon Hills IL LLC	Libertyville	IL	60035	847-533-3555
We Can Do This LLC, Series KS Schaumburg,	Schaumburg	IL	60007	(847) 558-0612
ISLAND BRAVE, LLC,	South Bend	IN	46561	(202) 243-8886
Joseph Alves,	Plymouth	MA	*02190	(508) 345-7539
Andrew Jones, Michael Calawerts, Mary Hackel	Blaine	MN	55123	(612) 638-2777
KS Wilmington LLC	Wilmington	NC	28301	(703) 623-7709
Dustin Sparks	Lincoln	NE	68137	(402) 268-5321
KS New Jersey, LLC	Nanuet	NJ	07069	(908) 739-6163
B2R LLC,	East Rochester	NY	14534	585-410-1906
KS6 LAKE GROVE, LLC,	Lake Grove	NY	6824	(845) 781-0289
TWK KS0903 LLC	Long Island City	NY	11530	(646) 770-4080
KS4 Oceanside LLC,	Oceanside, NY	NY	11572	
Youth of the Nation, LLC,	SOHO	NY	10014	(845) 781-0289
KS1 Garden City LLC	Yonkers	NY	11514	(516) 419-9988
A&M YOUTH FITNESS LLC	Cleveland	OH	44116	(216) 773-4806
Chris Chiampas and Victoria Chiampas	Bend	OR	97701	(408) 930-0778
Zer Doe Dee, LLC,	Knoxville	TN	37922	512-850-4447
KS Volunteers LLC,	Nashville	TN	75206	(609) 440-4483
B Sparks Investment, LLC	Amarillo	TX	79015	(806) 640-8066
Jubille KS Atascocita LLC	Atascocita	TX	77044	440-390-9023
I Am KS MC LLC	Missouri City	TX	77479	(281) 235-0480
Madison Sennett and Debra Claytor	Waco	TX	76655	(972) 670-0994
MNK LLC	Manassas	VA	23294	323-863-5177
KS Midlothian LLC,	Midlothian	VA	23113	(804) 498-4337
Ryan MacFarland and Jessica MacFarland	Newport News	VA	23456	(757) 401-4774
Chean Tan and Lin Zhu,	Stone Ridge	VA	20148	(703) 608-1086
Chris and Megan Butler	Pasco	WA	98155	(425) 765-5111

**Area Developers**

<b>Entity Name</b>	<b>Address</b>	<b>Phone</b>
John Patriarca & Mike Bustamante	5442 E Las Piedras Way, Cave Creek, AZ 85331	559-779-6432
SFLStrong, LLC	10050 NW 14 St., Plantation, FL 33322	954-292-3964
P6 Capital Investments Inc and KS LA	37316 Whispering Hollow Ave Prairieville LA 70769	225-301-3863
KS1 Garden City, LLC	250 Winton Rd, Fairfield, CT 06824	845-781-0289
TEAM JOHNSTON, LLC	27207 28th Ave NW, Stanwood, WA 98292	425-220-9884
KS Long Island Holdings LLC	88 Sunny Road, Saint James, NY 11780	631-379-3484
SWACK LEARNING CENTER LLC	811 Washington Ave, Carnegie, PA 15106	412-849-8885
KS Charlotte, LLC	323 Nevada Street Lindenhurst, NY 11757	516-316-6469
AVANTI EVERGREEN LLC	17215 31st Drive NW, Arlington, WA 98233	210-990-0334
KS New Jersey, LLC	14 Pomona ave , Pompton Plains ,NJ 07444	973-979-9988
Fit Children Franchises, LLC	24315 W Walbridge Millbury 43447	419-392-7565
KAJJ, LLC	352 Iveson Rd. Somerville, SC 29486	815-260-4038
MN Fitness Futures LLC	7105 Gloucester Ave Edina, MN 55435	262-337-0259
Round Three LLC	2 Lisa Circle, Drexel Hill PA 19026	415-497-5232
Shahpreneurs, LLC	1013 Totis Road, Austin, TX 78748	913-687-7669
Gossett, LLC	618 Windwood Rd, Baltimore, MD 21212	214-918-8754
Megan and Chris Butler	19407 37 Avenue, NE, Lake Forest Park, Washington 98155	425-765-5111
Eslynn, LLC	1887 Whitney Mesa Dr #5251, Henderson, NV 89014	775-870-2147
Youth of the Nation, LLC	95 Bedford St, 5B, NY, NY 10014	240-357-7555
Muscles Up SW FL, LLC	4295 13th Way NE St. Petersburg, FL 33703	727-460-4620
KS New Jersey, LLC	14 Pomona ave , Pompton Plains ,NJ 07444	973-979-9988
Black Wolf Ventures, LLC	1540 Black Wolf Trail Sun Prairie, WI 53590	920-285-6163
KS-ABQ LLC	7355 Redbloom Rd NW, Albuquerque, NM 87114	505-382-3464
L5 Be Brave Maryland, LLC	112 Krog Street NE Suite 17 Atlanta, GA 30307	847-840-3494
L5 Be Brave Georgia, LLC	112 Krog Street NE Suite 17 Atlanta, GA 30307	847-840-3494

Entity Name	Address	Phone
ATX Mompreneurs LLC	1100 Teakwood Pflugerville, TX 78660	662-317-0172
KPT Investments, LLC	982 N. Hannah Place, Star, ID 83669	541-972-6555
KS New Jersey, LLC	14 Pomona ave , Pompton Plains ,NJ 07444	973-979-9988
Avanti IN, LLC	2249 Labrusca, New Braunfels, TX 78132	210-990-0334
L5 Be Brave Virginia, LLC	112 Krog Street NE Suite 17 Atlanta, GA 30307	847-840-3494
L5 Be Brave Ohio, LLC	112 Krog Street NE Suite 17 Atlanta, GA 30307	847-840-3494
Round Four, LLC	502 Butterfly Dr. Chesapeake, VA 23322.	757-788-9838
KS New Jersey, LLC	14 Pomona ave , Pompton Plains ,NJ 07444	973-979-9988
Ram Lavani, Mitesh Patel, Sachin Patel	108 Hemingway Forest Place, Raleigh, NC 27606	919-673-7623
Amy & Richard Young	2607 Michaux Valley Way, Midlothian, VA 23113	949-303-8091
P6 Capital Investments, Inc.	2214 Alterbrook Lane, Dallas TX 75219	225-301-3863
Win at Life 2, LLC	2045 W Webster Ave, Chicago, IL 60647	330-219-7543
Chris and Victoria Chiampas	2358 NE Purcel Street, Bend, Oregon 97701	408-930-0778
Orlando Strong Holdings, LLC	634 29th Avenue NE, St Petersburg, FL 33704	727-244-3670
Fast Action Training, INC	401 Aria Ct, El Dorado Hills, CA 95762	408-398-0780
P6 Capital Investments Inc., KSCW Ventures Inc.	1509 Muirfield Cove Milton, GA 30004	770-655-1774
Win At Life New Hampshire LLC:	6 Michael Ter, Natick, MA 07160	248-830-9602
Jam-Slo, LLC	2214 Pennington Drive, Wilmington, DE	704-557-5997
Win At Life Boston, LLC	6 Michael Ter, Natick, MA 07160	248-830-9602
DSPARKS INTERESTS LLC,	15858 Larimore Plaza #88 Omaha NE 68116	512-269-4024
Ryan MacFarland and Jessica MacFarland	502 Butterfly Drive, Chesapeake, Virginia 23322	757-788-9838
WP KS AZ LLC	10645 N. Tatum Boulevard, Suite 200- 614, Phoenix, Arizona 85028	602-400-4542
ZER DOE DEE, LLC	1135 Woodsboro Road, Knoxville, Tennessee 37922	512-850-4447
KSNY TWK HOLDINGS, LLC	113 Lee Road, Garden City, New York 11530	646-770-4080
KS5 Manchester, LLC	250 Winter Road, Fairfield, Connecticut 00824	(845) 781-0289

Entity Name	Address	Phone
Chean Tan and Lin Zhu	22447 Alewife Terrace, Ashburn, Virginia 20148	703-608-1086
JAMES FREW AND SADIE WEST	11651 S Copper Rose Way, South Jordan, UT 84009	208-539-0592
FIT CHILDREN FRANCHISES, LLC	1718 Capitol Avenue, Cheyenne, Wyoming 82001	419-392-7565
MAICHEL THUNGA, RACHEL JADDU, PRANITHA VANGALA	627 Murdell Ln Livermore, CA 94550	408-768-6465
WE CAN DO THIS, LLC	1043 Judy Drive, Elk Grove Village, Illinois 60007	847-558-0612
RESILIENT ENTERPRISES INC	838 Deerfield Road, Highland Park, IL 60035	847-533-3555
TRIA HOLDINGS, LLC	155 Bartram Market Drive, Ste 135- 308	931-801-8072
RISMA FITNESS, LLC	1971 ASHINGTON DR, GLENDALE, CA 91206	626-232-3219
I AM KS MC LLC	3403 Brookbend Ln Sugarland, TX 77479	(281) 235-0480
JUBILEE KS ATASCOCITA LLC	2809 Kings Retreat Cir. Kingwood, TX 77345	(480) 456-1777
A&M YOUTH FITNESS LLC	21621 Detroit Road Rocky River, OH 44116	216-832-1945
KS VOLUNTEERS, LLC	2018 Moser Ave, Unit 204 Dallas, TX 75206	609-440-4483
KSNY HOLDINGS LLC	344 E. 63rd St, New York, NY 10065	954-684-8228
1516080 B.C. LTD.	1550 Rand Avenue, Vancouver, British Columbia	778-320-6069



## **EXHIBIT E – FORMER FRANCHISEE INFORMATION**

**LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM IN THE PAST  
FISCAL YEAR OR THAT HAVE FAILED TO COMMUNICATE WITH US IN  
THE 10 WEEKS PRECEDING THE ISSUE DATE OF THIS FDD**

**Transfers**

<b>Transfer From</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone Number</b>
KS Gilbert LLC	6129 East Via Estrella Ave	Paradise Valley	AZ	85253	(626) 246-4570
KS Mesa LLC	6129 East Via Estrella Ave	Paradise Valley	AZ	85253	(626) 246-4570
Bay Area F.I.T. Unlimited LLC	1959 Second St	Livermore	CA	94550	(310) 345-7225
ALPAS Active LLC	901 SW 113th Way	Gainesville	FL	32607	(954) 292-2370
ALPAS Active 4 LLC	901 SW 113th Way	Gainesville	FL	32607	(954) 292-2370
ALPAS Active 2, LLC	901 SW 113th Way	Gainesville	FL	32607	(954) 292-2370
ALPAS Active 3, LLC	901 SW 113th Way	Gainesville	FL	32607	(954) 292-2370
I Am Powerfull, LLC	7913 NE 51st St	Kansas City	KS	64119	(417) 315-1999
I Am Brave LLC	7913 NE 51st St	Kansas City	KS	64119	(417) 315-1999
KS NKY, LLC	3259 Taylor Creek Dr	Taylor Mill	KY	41015	(317) 800-0873
Win at Life Bloomfield Hills, LLC	2081 Telegraph Road	Bloomfield Hills	MI	48302	(248) 830-9602
Win at Life Detroit, LLC	43303 Crescent Boulevard	Novi	MI	48375	(248) 830-9602
KSNW Lake Oswego LLC,	7080 SW Barr LN	Tualatin	OR	97062	(858) 361-6446
HRC CV, LLC	396 King Road	Doylestown	PA	18901	(215) 760-7626
DZZ Strong LLC,	13334 Arbor Villa Lane	Houston	TX	77095	(440) 390-9023
Level Up Utah LLC	1733 E Murray Holladay Rd C402	Holladay	UT	84117	(727) 244-3670

**Left the System – Other**

<b>Former Franchisee</b>	<b>Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone Number</b>
Tampa Tikes 1, LLC	634 29 <sup>th</sup> Avenue	St. Petersburg	FL	33704	248-830-9602
Win At Life Wayland LLC	6 Michael Terrace	Natick	MA	01760	(508) 719-0304

**EXHIBIT F PRE-CLOSING FRANCHISEE QUESTIONNAIRE**

## PRE-CLOSING FRANCHISEE QUESTIONNAIRE

**THIS DOCUMENT WILL NOT BE SIGNED BY YOU, AND WILL NOT APPLY, IF THE OFFER OR SALE OF THE FRANCHISE IS SUBJECT TO THE STATE FRANCHISE REGISTRATION/DISCLOSURE LAWS IN THE STATES OF CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, OR WISCONSIN.**

**Do not sign this Questionnaire if you are a resident of Maryland or the business is to be operated in Maryland.**

As you know, KidStrong Franchising LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one or more KIDSTRONG® franchises (each, a “Center”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise.

**You cannot sign or date this Questionnaire the same day as the Receipt for the FDD. You must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee. You acknowledge that we are relying on the truthfulness of your answers to this questionnaire in deciding whether or not to counter-sign the Franchise Agreement and/or Development 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 Comment section below the Questionnaire.

- |                    |  |
|--------------------|--|
| Yes _____ No _____ | 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?   |
| Yes _____ No _____ | 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?  |
| Yes _____ No _____ | 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you actually received it?  |
| Yes _____ No _____ | 4. Do you understand all the information in the Franchise Disclosure Document and the Franchise Agreement and/or Development Agreement you intend to enter into with us?   |
| Yes _____ No _____ | 5. Have you reviewed the Franchise Disclosure Document, Franchise Agreement and/or Development Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Center(s) with these professional advisor(s)? |

- \_\_\_\_\_
6. Do you understand the success or failure of your Center(s) will depend in large part on your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes \_\_\_\_\_ No \_\_\_\_\_
7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement and/or Development Agreement, and that we have reserved certain rights under the Franchise Agreement and/or Development Agreement?
- Yes \_\_\_\_\_ No \_\_\_\_\_
8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the KIDSTRONG® mark or any other mark at any location outside your (a) Territory under the Franchise Agreement and (b) Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Center(s) or the Development Area?
- Yes \_\_\_\_\_ No \_\_\_\_\_
9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and/or Development Agreement must be mediated at our then-current headquarters?
- Yes \_\_\_\_\_ No \_\_\_\_\_
10. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement and/or Development Agreement, if not resolved through mediation, must be arbitrated, at our option, at our then-current headquarters?
- Yes \_\_\_\_\_ No \_\_\_\_\_
11. Do you understand the Franchise Agreement and/or Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and/or Development Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes \_\_\_\_\_ No \_\_\_\_\_
12. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement and/or Development Agreement is us?
- Yes \_\_\_\_\_ No \_\_\_\_\_
13. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Center to open or consent to a transfer of that Center?
- Yes \_\_\_\_\_ No \_\_\_\_\_
14. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes \_\_\_\_\_ No \_\_\_\_\_

- \_\_\_\_\_
15. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?
- Yes \_\_\_\_\_ No \_\_\_\_\_
16. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Center or home address until you designate a different address by sending written notice to us?
- Yes \_\_\_\_\_ No \_\_\_\_\_
17. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement and/or Development Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes \_\_\_\_\_ No \_\_\_\_\_
18. Is it true that no broker, employee or other person speaking on our behalf made any representation, statement or promise regarding the costs involved in operating a Center that is not in the Franchise Disclosure Document or that is contrary to, or different from, the information in the Franchise Disclosure Document?
- Yes \_\_\_\_\_ No \_\_\_\_\_
19. Is it true that no broker, employee or other person speaking on our behalf made any representation, statement or promise regarding the actual, average or projected revenues, profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Center will generate, that is not in the Franchise Disclosure Document or that is contrary to, or different from, the information in the Franchise Disclosure Document?
- Yes \_\_\_\_\_ No \_\_\_\_\_
20. Is it true that no broker, employee or other person speaking on our behalf made any representation, statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information in the Franchise Disclosure Document?
- Yes \_\_\_\_\_ No \_\_\_\_\_
21. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Center purchase with exception of those payments or loans provided in the Franchise Disclosure Document?
- Yes \_\_\_\_\_ No \_\_\_\_\_
22. Is it true that you understand that our acceptance of any location for a Center does not constitute an assurance, representation or warranty of any kind as to the successful operation or profitability of a Center at the location?
- Yes \_\_\_\_\_ No \_\_\_\_\_

23. Is it true that you understand that our approval of a financing plan for operation of a Center does not constitute any representation or assurance that the financing plan is favorable, or not unduly burdensome, or that a Center will be successful if the financing plan is implemented?

Yes \_\_\_\_\_ No \_\_\_\_\_

24. Is it true that you understand that the estimated initial investment expenditures disclosed in Item 7 of the Franchise Disclosure Document are only estimates of the costs you may incur in opening a Center and that the disclosed ranges are not assurances that your costs will fall within the disclosed ranges?

Yes \_\_\_\_\_ No \_\_\_\_\_

For Washington Prospects: The Pre-Closing Franchisee Questionnaire does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100.

**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.**

Signature of Franchise Applicant

Name (please print) \_\_\_\_\_

Dated: \_\_\_\_\_

**GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES BELOW (REFER TO QUESTION NUMBER)**



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## **KidStrong Franchise Operating Manual**

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  - 2.5 Overview of Your Responsibilities
  - 2.6 Visits from Us
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  - 2.8 Annual Conference, Webinars, Connect and AD Calls
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  - 4.11.7 Brand Central
  - 4.11.8 HubSpot
  - 4.11.9 Automation Central
  - 4.11.10 LearnUpon
  - 4.11.11 Gmail
  - 4.11.12 Shop.kidstrong.com
  - 4.11.13 FranConnect
  - 4.11.14 Qvinci
  - 4.11.15 Podium
  - 4.11.16 Reputation
  - 4.11.17 Slack
  - 4.11.18 KidStrong TV (KSTV)
  - 4.11.19 Coaches App
- 4.12 Optional KidStrong Systems
  - 4.12.1 Gusto
- 4.13 Audio / Music
- 4.14 In-Center Sign Requirements
- 4.15 Initial Inventory and Supplies
  - 4.15.1 Program Apparel
  - 4.15.2 Retail Apparel
  - 4.15.3 Equipment
  - 4.15.4 Blue Floor Equipment List
  - 4.15.5 White Glove Installation Service
  - 4.15.6 Visual Merchandising Standards
  - 4.15.7 Approved Suppliers
- 4.16 Utilities / Services
- 4.17 Bank Accounts
  - 4.17.1 Opening a Business Account
  - 4.17.2 EFT / ACH
  - 4.17.3 Merchant Account
- 4.18 Insurance Coverage
  - 4.18.1 General Insurance Requirements
  - 4.18.2 Minimum Coverage Amounts
  - 4.18.3 How to Upload
  - 4.18.4 Insurance Company Requirements
  - 4.18.5 Insurance Vendor
- 5 CREATING YOUR TEAM (30 pages)
  - 5.1 Introduction
  - 5.2 Non-Joint-Employer Status
  - 5.3 Employment Law Basics
    - 5.3.1 Employee Rights / Employer Responsibilities
    - 5.3.2 Federal Regulations on Employment Relationships
    - 5.3.3 State Employment Laws
  - 5.4 OSHA

- 5.4.1 Federal Standards
  - 5.4.2 State OSHA Programs
- 5.5 Preparing to Hire Your First Employee
- 5.6 Job Responsibilities and Ideal Employee Profiles
  - 5.6.1 DNA of a KidStrong Culture Fit
- 5.7 Recruiting Employees
  - 5.7.1 Career Plug
  - 5.7.2 Job Postings
  - 5.7.3 Requirements to Advertise Open Positions
- 5.8 Confidentiality of Resumes and Applications
- 5.9 Interviewing Job Applicants
  - 5.9.1 Interview Guides
  - 5.9.2 Preparing for Interviews
  - 5.9.3 Conducting Successful Interviews
  - 5.9.4 Questions to Avoid
- 5.10 Background Checks on Job Applicants
  - 5.10.1 General Tips on Background Checks
  - 5.10.2 Special Rules for Certain Records
- 5.11 Pre-Employment Testing
- 5.12 Miscellaneous Hiring Issues
- 5.13 New Employee Paperwork
- 5.14 Additional Steps in the Hiring Process
- 5.15 Contingent Offer
- 5.16 New Employee Orientation and Training
  - 5.16.1 Training and Certifications
  - 5.16.2 HQ Certifications
  - 5.16.3 Launch Certifications
  - 5.16.4 Coach Training and Evaluations
  - 5.16.5 Post Open Certifications
  - 5.16.6 First Aid/CPR Certified
- 5.17 Coach Continuing Education
  - 5.17.1 Overview
  - 5.17.2 Requirements
  - 5.17.3 Milestones
  - 5.17.4 Certified Area Trainer Program
  - 5.17.5 Technology and Systems for Coaches
- 5.18 Learning Journey
  - 5.18.1 Coach
  - 5.18.2 GM Training
- 5.19 Human Resources Policies
  - 5.19.1 Communicating Work Rules
- 5.20 Uniforms – Dress Code and Appearance Standards
- 5.21 Paying Your Employees

- 5.21.1 Wages
    - 5.21.2 Minimum Wage
    - 5.21.3 Tips
    - 5.21.4 Commissions / Incentives
    - 5.21.5 Overtime Pay
    - 5.21.6 Benefits
    - 5.21.7 Health Insurance
  - 5.22 Employee Scheduling
    - 5.22.1 Scheduling Guidance
    - 5.22.2 Scheduling requirements
  - 5.23 Employee Management Forms
  - 5.24 Employee Morale / Motivation
    - 5.24.1 Introduction
    - 5.24.2 Factors of Good Morale
    - 5.24.3 Signs of Bad Morale
    - 5.24.4 Improving Morale and Motivation
  - 5.25 Performance Evaluations
  - 5.26 Employee Discipline
  - 5.27 Resignation / Termination
    - 5.27.1 Resignation
    - 5.27.2 Termination
    - 5.27.3 Post-Separation Procedures
    - 5.27.4 Final Paychecks
    - 5.27.5 Explaining Termination to Other Employees
    - 5.27.6 Giving References
  - 5.28 Summary of Good Employee Management Practices
  - 5.29 Getting Legal Help with Employment Law Issues
- 6 OPERATING PROCEDURES (15 pages)
- 6.1 Required Days / Hours of Operation
  - 6.2 Pricing Strategy
    - 6.2.1 Setting Your Initial Pricing
    - 6.2.2 What Are Approved Promotions
    - 6.2.3 Strategic Price Increases
    - 6.2.4 Emergency Closings
    - 6.2.5 Cancelling Classes
  - 6.3 Suspect Abuse:
  - 6.4 Customer Service Policies and Procedures
    - 6.4.1 Customer Service Philosophy
    - 6.4.2 Customer Feedback
    - 6.4.3 Refund Requests
    - 6.4.4 Atmosphere
    - 6.4.5 Understanding the Product Offerings
    - 6.4.6 Greeting Customers
    - 6.4.7 Answering the Telephone
  - 6.5 The KidStrong Experience
  - 6.6 New Member Onboarding
    - 6.6.1 Starter Kit
    - 6.6.2 KidStrong Member App
    - 6.6.3 Member Facebook Page
  - 6.7 KidStrong Programming

- 6.8 Conducting a Class
  - 6.8.1 Review Programming Training
  - 6.8.2 Check-ins
  - 6.8.3 Strong Start
  - 6.8.4 Run the Class
  - 6.8.5 Awards and Rankups
  - 6.8.6 Strong Ending
  - 6.8.7 Resetting the Blue Floor
  - 6.8.8 Managing Special Accommodations
- 6.9 Manage Class Availability and Utilization
  - 6.9.1 How to Create and Manage Schedules
  - 6.9.2 When to Expand Schedule
  - 6.9.3 Roster Cleanup
- 6.10 Camps
- 6.11 Party
- 6.12 PNO
- 6.13 Homeschool
- 6.14 Field Trips
- 6.15 Using Indoor Signage
- 6.16 Opening / Closing Checklists
- 6.17 Payment Processing
  - 6.17.1 Methods of Payment
  - 6.17.2 Decline Management
- 6.18 Equipment Management
  - 6.18.1 Equipment Inspection Checklist
  - 6.18.2 Equipment Life Expectancy
  - 6.18.3 Equipment Replacement Policy
  - 6.18.4 Equipment Ordering Procedures
- 6.19 Retail and Apparel Purchasing and Inventory Management
  - 6.19.1 Physical Inventory Count
  - 6.19.2 Rank Ups
  - 6.19.3 Managing Retail Display
- 6.20 Shop.KidStrong.com
- 6.21 Required Cleaning and Maintenance
  - 6.21.1 Daily Cleaning and Maintenance
- 6.22 Pest Program
- 6.23 Branded Vehicle Policies
- 6.24 Safety Procedures
  - 6.24.1 Preventing Accidents and Injuries
  - 6.24.2 Crisis Management Policy
  - 6.24.3 Reporting Accidents
  - 6.24.4 Worker's Compensation Issues
  - 6.24.5 Fire Safety
  - 6.24.6 Inclement Weather
  - 6.24.7 Robbery / Burglary
  - 6.24.8 Unruly Customers
  - 6.24.9 Using the Alarm System



- 7      FINANCE AND ACCOUNTING (4 pages)
  - 7.1      Operational and Financial Reporting
    - 7.1.1      Daily Report
    - 7.1.2      Sales Report
    - 7.1.3      Payout Report
    - 7.1.4      P&L
    - 7.1.5      Balance Sheet
    - 7.1.6      Money Owed
  - 7.2      Schedule of Fees
    - 7.2.1      Sample Fee Calendar
    - 7.2.2      ACH Form
    - 7.2.3      Royalties
    - 7.2.4      Fixed Fees
    - 7.2.5      Tech Fee / Brand Fund Reimbursement
    - 7.2.6      Marketing Reimbursements
    - 7.2.7      Sales Support
  - 7.3      Franchise Fees and Reporting Requirements
    - 7.3.1      Royalty Payment
    - 7.3.2      Marketing Fee
    - 7.3.3      Method of Payment
    - 7.3.4      Charge Backs
  - 7.4      Setting Up the Accounting System
    - 7.4.1      Required Accounting System
    - 7.4.2      Chart of Accounts
  - 7.5      Fundamentals of Finance
    - 7.5.1      Introduction
    - 7.5.2      Cash Awareness
    - 7.5.3      UEM
    - 7.5.4      Retention of Books and Records
- 8      SALES PROCEDURES (4 pages)
  - 8.1      Introduction
  - 8.2      Sales Training
    - 8.2.1      Registering on the Learning Path
  - 8.3      Membership Sales Process
    - 8.3.1      Self Sign-Up (Join)
    - 8.3.2      Self Sign-Up (Trials)
    - 8.3.3      New Leads
    - 8.3.4      Amazing Trial Experience
    - 8.3.5      Join – No Trial (JNT)
    - 8.3.6      Vetting New Families
  - 8.4      Lead Management
- 9      MARKETING(10 pages)
  - 9.1      Required Marketing Expenditures
    - 9.1.1      Brand Fund
    - 9.1.2      Digital Lead Generation Spend
    - 9.1.3      Ongoing Marketing Services Fee
    - 9.1.4      Regional Cooperative Advertising
  - 9.2      Brand Guidelines

- 9.3 Limited Trademark Agreement
- 9.4 Post Open National Marketing Calendar
- 9.5 Prospect Member Communication
  - 9.5.1 Internal Workflows
  - 9.5.2 External Communication
- 9.6 Referral Program
  - 9.6.1 How to Apply Referral
  - 9.6.2 Credit in HubSpot
  - 9.6.3 Sending Referral Credit
  - 9.6.4 Email in Zen Planner
  - 9.6.5 Referral Form
  - 9.6.6 Landing Page
  - 9.6.7 Marketing Materials
- 9.7 Marketing Standards
- 9.8 Digital Lead Generation
- 9.9 Local Marketing
  - 9.9.1 Digital Exceptions
  - 9.9.2 Direct Mail
  - 9.9.3 Radio
  - 9.9.4 Television
  - 9.9.5 Billboards
  - 9.9.6 Magazines
  - 9.9.7 Newspapers
  - 9.9.8 Word of Mouth / Customer Referrals
  - 9.9.9 Networking
  - 9.9.10 Grassroots Playbook
  - 9.9.11 In-Center Sales Events
  - 9.9.12 Vehicle Setup (rules and representing the brand)
- 9.10 Online Reputation
- 9.11 Organic Social Media
- 9.12 Public Relations / Community Involvement
  - 9.12.1 Press Releases
  - 9.12.2 Media Interviews
  - 9.12.3 Better Business Bureau
  - 9.12.4 Local Chamber of Commerce
  - 9.12.5 Local Community Partnerships
- 9.13 Obtaining Marketing Approval
- 10 KIDSTRONG TECHNOLOGY (1 page)
  - 10.1 Overview
  - 10.2 KSTV
  - 10.3 KS COACH APP
- 11 RESALE (1 page)
  - 11.1 Initiate process
  - 11.2 HQ Resale Program
  - 11.3 Resale Playbook

- 12     ADDITIONAL RESOURCES (3 pages)
  - 12.1   KidStrong Glossary
  - 12.2   Hiring Tools
  - 12.3   HR Resources
  - 12.4   Web Sites For Small Businesses
  - 12.5   Web Sites For Organizations
  - 12.6   Web Sites For Employment Laws
  - 12.7   Web Site For Tax Information
  - 12.8   Recommended Readings

**EXHIBIT H - STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS**

## STATE AGENCIES

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

### CALIFORNIA

Commissioner of Department of Financial  
Protection & Innovation  
Department of Financial Protection &  
Innovation  
Toll Free: 1 (866) 275-2677

#### ***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344  
(213) 576-7500

#### ***Sacramento***

2101 Arena Boulevard  
Sacramento, California 95834  
(866) 275-2677

#### ***San Diego***

1455 Frazee Road, Suite 315 San Diego,  
California 92108 (619) 525-4233

#### ***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104-4428  
(415) 972-8559

### ILLINOIS

Office of Attorney General  
State of Illinois  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

### HAWAII

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

### INDIANA

Indiana Securities Division  
302 West Washington Street  
Room E-111  
Indianapolis, Indiana 46204  
(317) 232-6681

## MARYLAND

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2020  
(410) 576-6360

## MINNESOTA

Minnesota Department of Commerce  
Securities Section  
85 7<sup>th</sup> Place, Suite 280  
St. Paul, Minnesota 55101  
(651)-539-1638

## NORTH DAKOTA

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol - 5<sup>th</sup> Floor  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

## RHODE ISLAND

Director of Business Regulations  
State of Rhode Island  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910  
(401) 462-9500

## VIRGINIA

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 East Main Street, Ninth Floor  
Richmond, Virginia 23219  
(804) 371-9051

## WISCONSIN

Wisconsin Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-9555

## MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7117

## NEW YORK

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, New York 10005  
(212) 416-8236

## OREGON

Department of Consumer and Business  
Services  
Division of Financial Regulation  
350 Winter Street NE, Suite 410  
Salem, Oregon 97301  
(503) 378-4140

## SOUTH DAKOTA

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

## WASHINGTON

Securities Division  
Department of Financial Institutions  
P. O. Box 41200  
Olympia, Washington 98501-9033  
(360) 902-8760

## AGENTS FOR SERVICE OF PROCESS

### CALIFORNIA

Commissioner of Department of Financial  
Protection & Innovation  
Department of Financial Protection &  
Innovation  
Toll Free: 1 (866) 275-2677

#### **Los Angeles**

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344  
(213) 576-7500

#### **Sacramento**

2101 Arena Boulevard  
Sacramento, California 95834  
(866) 275-2677

#### **San Diego**

1455 Frazee Road, Suite 315 San Diego,  
California 92108 (619) 525-4233

#### **San Francisco**

One Sansome Street, Suite 600  
San Francisco, California 94104-4428  
(415) 972-8559

### ILLINOIS

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

### MARYLAND

Maryland Securities Commissioner  
at the Office of Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

### HAWAII

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

### INDIANA

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

### MICHIGAN

Michigan Department of Attorney General  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 W. Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7117



## MINNESOTA

Commissioner of Commerce  
Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

## NORTH DAKOTA

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-4712

## RHODE ISLAND

Director of Business Regulations  
State of Rhode Island  
John O. Pastore Complex  
1511 Pontiac Avenue, Building 69-1  
Cranston, RI 02910  
(401) 462-9500

## VIRGINIA

Clerk, State Corporation Commission  
1300 East Main Street  
First Floor  
Richmond, Virginia 23219  
(804) 371-9733

## WISCONSIN

Administrator, Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-2139

## NEW YORK

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6th Floor  
Albany, New York 12231-0001  
(518) 473-2492

## OREGON

Department of Consumer and Business  
Services  
Division of Financial Regulation  
350 Winter Street NE, Suite 410  
Salem, Oregon 97301  
(503) 378-4140

## SOUTH DAKOTA

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

## WASHINGTON

Director Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501  
(360) 902-8760

**EXHIBIT I STATE SPECIFIC ADDENDA TO THE FDD**

**REQUIRED ADDENDUM FOR THE STATE OF CALIFORNIA**  
**ADDENDUM TO THE FDD**

In recognition of the requirements of the California Franchise Investment Law, California Corporations Code §§ 31000 through 31516, and the California Franchise Relations Act, California Business and Professions Code §§ 20000 through 20043, the Disclosure Document for KidStrong in connection with the offer and sale of franchises for use in the State of California is amended to including the following:

- 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.
- **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.**
- It is unlawful to sell any franchise in California that is subject to registration under the California Franchise Investment Law without first providing to the prospective franchisee, at least 14 days prior to the execution by the prospective franchisee of any binding franchise or other agreement, or at least 14 days prior to the receipt of any consideration, whichever occurs first, a copy of the offering circular, together with a copy of all proposed agreements relating to the sale of the franchise.
- Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
  - Representations made by the franchisor or its personnel or agents to a prospective franchisee.
  - Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
  - Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
  - Violations of any provision of this division.
- Regarding our website, [www.kidstrong.com](http://www.kidstrong.com) please note the following:

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

- Section 31125 of the California Corporations Code requires us to give you a Disclosure Document in a form and containing all information as the Commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

### **ITEM 3 - LITIGATION**

Neither we nor any person in Item 2 of the Disclosure Document is subject to any currently-effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a *et seq.*, suspending or expelling us or that person from membership in these associations or exchanges.

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

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

- Item 17.c. and m. - You must sign a general release when you renew or transfer your franchise or sign a superseding agreement. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (see California Corporations Code §§ 31000 through 31516). California Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 2000 through 20043).
- Item 17.r. - The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
- Item 17.u. - The Franchise Agreement contains a liquidated damage clause. Under California Civil Code Section 1671, certain liquidated damage clauses are unenforceable.
- Item 17.u. and v. - The Franchise Agreement requires binding arbitration. The arbitration will occur at the offices of our principal place of business (currently Collin County, Texas) or another suitable location chosen by us in the city where our headquarters is located. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
- Item 17.w. - The Franchise Agreement contains provisions requiring application of the laws of Texas. These provisions may not be enforceable under California law.

**ADDENDUM TO THE KIDSTRONG FRANCHISE AGREEMENT  
REQUIRED FOR CALIFORNIA FRANCHISEES**

This Addendum to the KidStrong Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) between KidStrong Franchising LLC (“**we,**” “**us,**” or “**our**”) and \_\_\_\_\_ (“**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(i) and 12.2(i):

California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (see California Corporations Code §§ 31000 through 31516). California Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 2000 through 20043).

2. 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. for any reason.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO

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

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

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

**REQUIRED ADDENDUM FOR THE STATE OF HAWAII**  
**ADDENDUM TO THE FDD**

THESE FRANCHISES WILL BE, OR HAVE BEEN, FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE HAWAII SECURITIES COMMISSIONER, OR A FINDING BY THE HAWAII SECURITIES COMMISSIONER, THAT THE INFORMATION PROVIDED IN THIS DISCLOSURE DOCUMENT IS TRUE, COMPLETE, AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN HAWAII WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST 7 DAYS BEFORE THE SIGNING BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATED TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. YOU SHOULD REFER TO THE FRANCHISE AGREEMENT ITSELF FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS, AND OBLIGATIONS OF BOTH YOU AND THE FRANCHISOR.

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.

**ITEM 1 – THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

Our registered agent in the state authorized to receive service of process: Hawaii Securities Commissioner, Department of Commerce and Consumer Affairs, Business Registration Division, 335 Merchant Street, Room 203, Honolulu, Hawaii 96813.

**ITEM 20 – OUTLETS AND FRANCHISEE INFORMATION**

In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 428E *et seq.*, the Franchise Disclosure Document for KidStrong Franchising LLC for use in the State of Hawaii is amended by adding the following language to Item 20:

As of the dates listed on the State Effective Dates page, this registration/exemption is or will be effective in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin, and exempt from registration in Florida, Kentucky, Nebraska, Texas, and Utah. No states have refused, by order or otherwise, to register these franchises. No states have revoked or suspended the right to offer these franchises. The proposed registration of these franchises has not been involuntarily withdrawn in any state.

**ADDENDUM TO THE KIDSTRONG FRANCHISE AGREEMENT  
REQUIRED FOR HAWAII FRANCHISEES**

This Addendum to the KidStrong Franchise Agreement dated \_\_\_\_\_  
 (“**Franchise Agreement**”) between KidStrong Franchising LLC (“**we,**” “**us,**” or “**our**”) and  
 \_\_\_\_\_ (“**you,**” or “**your**”) is entered into  
 simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Sections 2.2(i) (Offer of Successor Franchise Agreement) and 12.2(i) (Minimum Conditions of Transfer):

The general release will not relieve us or any other person, directly or indirectly, from liability imposed by the Hawaii Franchise Investment Law.

2. The Hawaii Franchise Investment Law provides rights to you on nonrenewal, termination and transfer of the Agreement. If any of the provisions of the Franchise Agreement on termination are inconsistent with the Hawaii Franchise Investment Law, then this will apply.

3. 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.

4. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

5. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. for any reason.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO

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

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

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



**REQUIRED ADDENDUM FOR THE STATE OF ILLINOIS**  
**ADDENDUM TO THE FDD**

Illinois law governs the Franchise Agreement.

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.

You will not be permitted to open your Center until you have at least 325 members enrolled. Your Center must be opened within 12 months of the signing of the Franchise Agreement or the franchisor can terminate your Franchise Agreement.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Items 5 and 7 of the FDD are hereby amended as follows:

Payment of the Initial Fees will be deferred until Franchisor has met its pre-opening obligations to franchisee, and franchisee has commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to the Franchisor's financial condition.

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.

**ADDENDUM TO THE KIDSTRONG FRANCHISE AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the KidStrong Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) between KidStrong Franchising LLC (“**we**,” “**us**,” or “**our**”) and \_\_\_\_\_ (“**you**,” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

1. The following sentence is added to the end of Section 2.2:

The parties’ rights on non-renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

2. The following sentence is added to the end of Section 3.1

Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular, Section 3.1, You will pay the Initial Franchise Fee to us when we have satisfied our pre- opening obligations to you under this Agreement and you open the Center for business. This financial assurance requirement was imposed by the Illinois Attorney General due to our financial status.

3. The following sentence is added to the end of Section 15:

The conditions under which the franchise can be terminated may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

4. The following sentence is added to the end of Section 17.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

5. The following sentence is added to the end of Section 17.9:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

6. The following sentence is added to the end of Section 19.4:

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

7. You will not be permitted to open your Center until you have at least 325 members enrolled. Your Center must be opened within 12 months of the signing of the Franchise Agreement or the franchisor can terminate your Franchise Agreement.

8. 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.

9. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

10. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. for any reason.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

**ADDENDUM TO THE KIDSTRONG DEVELOPMENT AGREEMENT  
REQUIRED FOR ILLINOIS FRANCHISEES**

This Addendum to the KidStrong Area Development Agreement dated \_\_\_\_\_ (“Development Agreement”) between KidStrong Franchising LLC  
\_\_\_\_\_ (“we” or “us”) and \_\_\_\_\_  
 (“Developer,” “you,” or “your”) is entered into simultaneously with the execution of the Development Agreement.

1. The following sentence is added to the end of Section 2.1

Notwithstanding anything to the contrary set forth in the Development Agreement, and in particular, Section 2.1, of the Development Agreement, Developer shall pay the Development Fee to us when we have satisfied our pre-opening obligations to Developer and the Franchised Center is open for business. This financial assurance requirement was imposed by the Illinois Attorney General due to our financial status.

2. The following sentence is added to the end of Section 5.2:

The conditions under which the franchise can be terminated may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

3. The following sentence is added to the end of Section 8.1:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in an Development Agreement which designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois.

4. The following sentence is added to the end of Section 9.1:

Notwithstanding the foregoing, Illinois law shall govern this Agreement.

5. The following sentence is added to the end of Section 9.10:

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. 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.

7. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

8. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

**REQUIRED ADDENDUM FOR THE STATE OF MARYLAND**  
**ADDENDUM TO THE FDD**

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.

1. Item 1 is amended as follows:

A general release as a condition of sale shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 5 is amended to include the following:

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 development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

3. The “**Summary**” section of Item 17(h) entitled “**Cause**” defined (defaults which cannot be cured), is amended by adding the following:

The Franchise Agreement provides for termination upon your bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

2. The “**Summary**” sections of Item 17(c) entitled **Requirements for renewal or extension**, and Item 17(m) entitled **Conditions for franchisor approval of transfer**, are amended by adding the following:

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

3. The following are added to the end of the chart in Item 17:

Despite any contradicting provision in the Franchise Agreement, you have 3 years from the date on which we grant you the franchise to bring a claim under the Maryland Franchise Registration and Disclosure Law.

This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following is added under the heading and subheading “Advertising Program – Brand Fund” in Item 11:

In recognition of the requirements of COMAR 02.02.08.16(G)(1)(b), a franchisee operating in the State of Maryland, or a franchisee who is a resident of the State of Maryland, may obtain an annual accounting of the monies collected and costs incurred by the Marketing Fund within ninety (90) days upon written request delivered to: Attention: Matt Sharp, CEO 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034.



## **MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

This Addendum to the KidStrong Franchise/Area Development Agreement dated \_\_\_\_\_ (the "Agreement") between KidStrong Franchising LLC ("**we**" or "**us**") and \_\_\_\_\_ ("**you**," or "**your**") is entered into simultaneously with the execution of the Agreement.

1. Based on 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 development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
2. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
3. 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.
4. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.
5. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
6. Termination upon bankruptcy of the Franchisee might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but Franchisor intends to enforce it to the extent enforceable.
7. Section 17.11 of the Franchise Agreement shall be supplemented by the following additional language: Provided, however, that this limitation of claims shall not act to reduce the three (3) year statute of limitations afforded franchisee for bringing a claim under the Maryland franchise registration and disclosure law.
8. Franchise Agreement Sections 18.1 (Your Independent Investigation), 18.2 (No Reliance on Us to Investigate), 18.3 (Risk of Operations), and 18.5 (Receipt of Documents) are deleted.
9. Area Development Agreement Sections 9.15.1, 9.15.3, and 9.15.5 are deleted.
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. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.

10. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

**REQUIRED ADDENDUM FOR THE STATE OF MINNESOTA**  
**ADDENDUM TO THE FDD**

Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the FDD or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)

- that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
- that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

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 ADDENDUM TO  
THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

This Addendum to the KidStrong Franchise/Area Development Agreement dated \_\_\_\_\_ (the "Agreement") between KidStrong Franchising LLC ("**we**" or "**us**") and \_\_\_\_\_ ("**you**," or "**your**") is entered into simultaneously with the execution of the Agreement.

1. Minnesota Statute 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchiser from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the FDD or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statute 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
2. With respect to franchises governed by Minnesota law, the franchiser will comply with Minnesota Statute 80C.14 Subd. 3-5, which require (except in certain specified cases)
  - a. that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement and
  - b. that consent to the transfer of the franchise will not be unreasonably withheld.
3. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). The franchiser will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify the franchisee from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.
4. Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release
5. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rule 2860.4400(J) also, a court will determine if a bond is required.
6. The Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.
7. 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.
8. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.
9. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

**REQUIRED ADDENDUM FOR THE STATE OF NORTH DAKOTA**  
**ADDENDUM TO THE FDD**

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the Office of State of North Dakota Securities Commission, the Disclosure Document for KidStrong for use in the State of North Dakota is amended as follows:

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.

**ITEM 6 – OTHER FEES**

- The Franchise Agreement contains provisions that may be interpreted as liquidated damages clauses. Under the North Dakota Franchise Investment Law, certain liquidated damages clauses are unenforceable.

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

- Item 17.c. and m. - A contractual requirement that you sign a general release will not apply to claims you may have under the North Dakota Franchise Investment Law.
- Item 17.r. - Covenants not to compete such as those in the Franchise Agreement are generally considered unenforceable in the State of North Dakota.
- Item 17.v. - The Franchise Agreement requires that you consent to the jurisdiction of a court in Texas. This provision may not be enforceable under North Dakota Law because North Dakota Law precludes you from consenting to jurisdiction of any court outside of North Dakota.
- Item 17.v. and w. - The provisions of the Franchise Agreement on governing law, jurisdiction, and choice of law will not be a waiver of any right conferred on you by the North Dakota Franchise Investment Law.
- Item 17.w. - The Franchise Agreement requires you to waive your right to collect exemplary or punitive damages. This provision may not be enforceable under North Dakota law.

## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

This Addendum to the KidStrong Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) between KidStrong Franchising LLC (“**we,**” “**us,**” or “**our**”) and \_\_\_\_\_ (“**you,**” or “**your**”) is entered into simultaneously with the execution of the Franchise Agreement.

In recognition of the requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-01 through 51-19-17, and the policies of the office of the State of North Dakota Securities Commission, the Franchise Agreement, for franchises offered and sold in the State of North Dakota or to North Dakota residents, is amended to include the following:

1. The following sentence is added to the end of Sections 2.2(i) (Offer of Successor Franchise Agreement) and 12.2(i) (Minimum Conditions of Transfer):

A contractual requirement that you sign a general release will not apply to claims you may have under the North Dakota Franchise Investment Law.

2. The following sentence is added to the end of Section 11.2 (Restrictive Covenants After the Term):

Covenants not to compete such as those in the Franchise Agreement are generally considered unenforceable in the State of North Dakota.

3. The following sentence is added to the end of Section 17.5 (Selection of Venue):

The Franchise Agreement requires that you consent to the jurisdiction of a court in Texas. This provision may not be enforceable under North Dakota Law because North Dakota Law precludes you from consenting to jurisdiction of any court outside of North Dakota.

4. The following sentence is added to the end of Section 17.9 (Governing Law):

The provisions of the Franchise Agreement on governing law will not be a waiver of any right conferred on you by the North Dakota Franchise Investment Law.

5. The following sentence is added to the end of Section 17.14 (Waiver of Jury Trial):

The Franchise Agreement requires you to waive your right to a jury trial. This provision may not be enforceable under North Dakota law.

6. The following sentence is added to the end of Section 17.13 (Waiver of Damages):

The Franchise Agreement requires you to waive your right to collect exemplary or punitive damages. This provision may not be enforceable under North Dakota law.

7. The following sentence is added to the end of Section 15.9 (Liquidated Damages):

The Franchise Agreement contains provisions that may be interpreted as liquidated damages clauses. Under the North Dakota Franchise Investment Law, certain liquidated damages clauses are unenforceable.



8. The following sentence is added to the end of Section 17.11 (Limitation of Action):

Notwithstanding, the statute of limitations under North Dakota Law will apply.

9. 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.

10. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

11. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect. for any reason.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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

**REQUIRED ADDENDUM FOR THE STATE OF SOUTH DAKOTA**  
**ADDENDUM TO THE FDD**

In recognition of the requirements of the South Dakota Codified Laws, the FDD for KidStrong Franchising LLC for use in the State of South Dakota is amended to include the following:

1. The "Summary" section in Item 17(q), entitled Non-competition covenants during term of the franchise and Item 17(r) entitled Non-competition covenants after the franchise is terminated or expires, are amended by the addition of the following language:

Covenants not to compete upon termination or expiration of a franchise are generally unenforceable in South Dakota, except in certain instances as provided by law.

2. 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.

**REQUIRED ADDENDUM FOR THE COMMONWEALTH OF VIRGINIA**  
**ADDENDUM TO THE FDD**

The following statements are added to 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 or Development 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.

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 Development Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The following statement is added to Item 5 of the FDD:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other 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.

### **VIRGINIA ADDENDUM TO THE DEVELOPMENT AGREEMENT**

This Addendum to the KidStrong Area Development Agreement dated \_\_\_\_\_ (the "Development Agreement") between KidStrong Franchising LLC ("**we**" or "**us**") and \_\_\_\_\_ ("**you**," or "**your**") is entered into simultaneously with the execution of the Development Agreement.

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the development fee owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the Development Agreement.
2. 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.
3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Agreement.
4. Except as expressly modified by this Addendum, the Agreement remains unmodified and in full force and effect.

#### **KIDSTRONG FRANCHISING LLC**

#### **FRANCHISEE**

By: \_\_\_\_\_  
Name: Matt Sharp  
Title: CEO

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

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

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT, AREA DEVELOPMENT AGREEMENT, AND RELATED AGREEMENTS**

This Addendum to the KidStrong Franchise/Area Development Agreement dated \_\_\_\_\_ (the "Agreement") between KidStrong Franchising LLC ("**we**" or "**us**") and \_\_\_\_\_ ("**you**," or "**your**") is entered into simultaneously with the execution of the Agreement.

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCEW 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 areas of termination and renewal of your franchise.
3. 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 the 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.
4. 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.
5. Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
6. 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.
7. 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. The undersigned does hereby acknowledge receipt of this addendum.

8. The following paragraph is added to Item 5 and 17 of the FDD

In Washington, the Washington Department of Financial Institutions has required us to defer collection of initial franchise fees until the franchisor has fulfilled its pre-opening obligations to the franchisee and the franchisee is open for business. Also, the deferral of the Area Development Fee is pro-rated, such that the franchisee will pay the franchisor the Fee upon opening of each unit franchise under the Development Agreement.

9. Item 17(d) of the FDD for the Franchise Agreement and for the Development Agreement are amended to include the following:

Franchisees in Washington may terminate the Franchise Agreement under any grounds permitted by law.

10. Sections 1.6.1 and 1.6.2 of the Franchise Agreement are deleted in their entirety.

11. Section 7.16.2 of the Franchise Agreement is amended as follows:

This Section 7.16.2 does not apply to Washington franchisees.

12. The following sentence is added to Section 11.2 of the Franchise Agreement:

The non-compete provision included in this Section 11.2 may not be enforceable in the State of Washington.

13. The following sentence of Section 14.1 of the Franchise Agreement is amended as follows:

The indemnification obligation also does not extend to the franchisor's strict liability or fraudulent contract."

14. Sections 18.1, 18.2, 18.3, and 18.5 of the Franchise Agreement are deleted.

15. The following sentence of Section 9.10 of the Development Agreement is deleted:

You agree that you have executed this Agreement without reliance on such a representation or promise.

16. Sections 9.15.1, 9.15.3, and 9.15.5 of the Development Agreement are deleted.

17. 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.

**KIDSTRONG FRANCHISING LLC**

**FRANCHISEE**

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

Name: Matt Sharp

Title: CEO

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

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

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

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

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



**EXHIBIT J - SAMPLE RELEASE**

## GENERAL RELEASE

In consideration for the consent of KidStrong Franchising LLC (the "Franchisor"), to the assignment by \_\_\_\_\_ ("Franchisee") of its interest in that certain franchise agreement entered into between Franchisor and Franchisee dated \_\_\_\_\_ (the "Franchise Agreement"), Franchisee, guarantors, Franchisee's owners, Franchisee's principals and all persons and entities claiming by, through or under any such person or entity, remises, releases, acquits, and forever discharges Franchisor, its affiliates, parents, subsidiaries, principals, officers, members, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from any and all debts, covenants, claims, demands, contracts, promises, agreements, judgments, costs, liabilities, attorneys' fees, actions, and causes of action whatsoever, of every kind and nature, whether known or unknown, which they, by themselves, on behalf of, or in conjunction with any other person, persons, partnership or corporation, have, had or claim to have against the Franchisor Releasees arising out of or in any way related to, the offer, sale, and/or operation of the Center, the parties' rights or obligations under the Franchise Agreement and Guarantee, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, whether in law or in equity. Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

**California Release-Waiver Under Section 1542.** Franchisee waives all rights he or she may have under section 1542 of the California Civil Code. Section 1542 provides as follows:

*A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.*

Being fully informed of this provision of the Civil Code, Franchisee waives any rights under that section, and acknowledges that this Agreement extends to all Claims Franchisee has or might have against Franchisor, whether known or unknown.

This Release has been entered into and agreed to as of \_\_\_\_\_

## FRANCHISEE

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

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

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

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

**EXHIBIT K - 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 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	Pending
Illinois	Pending
Indiana	April 22, 2025
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	April 22, 2025

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 L - RECEIPTS**

## KIDSTRONG FRANCHISING LLC RECEIPT (FRANCHISEE'S COPY)

This disclosure document summarizes certain provisions of the franchise agreement, area development agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KidStrong Franchising LLC offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If the Company does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit H to this FDD.

The Issuance Date of this FDD is April 18, 2025

A list of franchisor's agents registered to receive service of process is also included in Exhibit H to this FDD.

**I received a Disclosure Document dated April 18, 2025 that included the following exhibits:**

Exhibit A:	Franchise Agreement
Exhibit B:	Area Development Agreement
Exhibit C:	Financial Statements
Exhibit D:	Current Franchisee Location Information
Exhibit E:	Former Franchisee Location Information
Exhibit F:	Pre-Closing Questionnaire
Exhibit G:	Manual Table Of Contents
Exhibit H:	State Agencies And Registered Agents
Exhibit I:	State Specific Addenda
Exhibit J:	Sample Release
Exhibit K:	State Effective Dates
Exhibit L:	Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows: Matt Sharp, Joshua Patrick, Faith Flaherty, and Melissa Rounsavall, all with a principal business address at 3801 Parkwood Boulevard, Suite 301, Frisco, Texas 75034, (214) 233-5052.

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

Prospective Franchisee:

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

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

Individually and on behalf of the following entity:

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

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

## KIDSTRONG FRANCHISING LLC RECEIPT (FRANCHISOR'S COPY)

This disclosure document summarizes certain provisions of the franchise agreement, area development agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If KidStrong Franchising LLC offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If the Company does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit H to this FDD.

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

Prospective Franchisee:

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

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

Individually and on behalf of the following entity:

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

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