

FRANCHISE DISCLOSURE DOCUMENT



KIDOKINETICS FRANCHISE LLC

A Florida limited liability company

10428 West SR 84, Unit 1

Davie, Florida 33324

Phone: (954) 385-8511

Email: Franchise@kidokinetics.com

Website: www.kidokinetics.com

Kidokinetics businesses offer physical fitness programs for young children through an introduction to all sports and a variety of other related activities and services (“Kidokinetics Business(es)”). We offer the opportunity to operate a single Kidokinetics Business or multiple Kidokinetics Businesses.

The total investment necessary to begin operation of a single Kidokinetics business ranges from \$103,000 to \$134,200. This includes \$68,000 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of two Kidokinetics Businesses ranges from \$155,000 to \$186,200. This includes \$110,000 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of three Kidokinetics Business ranges from \$202,000 to \$233,200. This includes \$147,000 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of four Kidokinetics Business ranges from \$249,000 to \$270,200. This includes \$184,000 that must be paid to the franchisor or its affiliate(s). If franchisees purchase three or four Kidokinetics Businesses, they can choose to use utilize our optional management services and the initial investment will increase by approximately \$14,000 to \$16,000, which is paid to us.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Terri Braun at (954) 385-8511, 10428 West SR 84, Unit 1, Davie, Florida 33324.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP, or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.



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

ISSUANCE DATE: April 20, 2023



How to Use This Franchise Disclosure Document

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

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



What You Need To Know About Franchising *Generally*

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

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

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

Your state may also 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 us by litigation only in Florida. Out-of-state litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to litigate with us in Florida than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Financial Condition.** The Franchisor's financial condition as reflected in the financial statements (see Item 21) calls into questions the Franchisor's financial ability to provide services and support to you.
4. **Unregistered Trademark.** One of the primary trademarks that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
5. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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



**NOTICE REQUIRED BY
STATE OF MICHIGAN**

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

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

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



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

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

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

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

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

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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



KIDOKINETICS FRANCHISE LLC FRANCHISE DISCLOSURE DOCUMENT

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

To simplify the language in this Franchise Disclosure Document, the words “we,” “our” and “us” refer to Kidokinetics Franchise LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise, whether you are a corporation, limited liability company or other business entity. If you are a corporation, limited liability company or other business entity, certain provisions of this Franchise Disclosure Document also apply to your owners.

The Franchisor

We were formed in the State of Florida on July 29, 2005 as a Florida corporation, Kidokinetics Franchise Corp., and converted into a Florida limited liability company on March 9, 2021. Our principal business address is 10428 West SR 84, Unit 1, Davie, Florida 33324. We do business under our corporate name and the name “KIDOKINETICS.” We offer franchises (“Kidokinetics Franchises” or “Franchise(s)”) for Kidokinetics Businesses and have done so since September 2006. We do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document. We grant Franchises to qualified persons or business entities to use the “KIDOKINETICS” trademarks and certain associated logos (the “Marks”).

Our agent for service of process in Florida is Terri Braun, 10428 West SR 84, Unit 1, Davie, Florida 33324. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

Parents, Predecessors and Affiliates

We have no predecessors or parents. Our Affiliate, Kidokinetics, Inc. (“KKI Affiliate”) has owned and operated a Kidokinetics Business in Weston, Florida since October 2000. Our affiliate, Tampa Kids LLC (our “TK Affiliate”), has owned and operated three Kidokinetics Business in Tampa, Florida since November 2021.

We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

The Franchise

Kidokinetics Businesses offer physical fitness programs for young children through an introduction to a full range of sports and a variety of other important physical exercises, related activities and services. The Kidokinetics Business focuses on children ages 18 months and up and also accommodates children who are not fully mentally or physically able. The Kidokinetics Business is a mobile business that provides sports fitness programs to children at schools, parks, community centers, summer camps, hotels,



gyms, health centers and similar establishments within a designated territory. Our operating system includes recognizable design, décor color scheme, uniform standards, specifications, rules and procedures of operation, techniques, philosophies, quality and uniformity of products and services offered (“System”). You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit B (“Franchise Agreement”) for your Kidokinetics Business. We also allow franchisees, in our discretion, to purchase up to four Franchises concurrently. You will receive one territory for each Franchise Agreement you sign. Franchisees that elect to purchase multiple Franchises at the same time will sign separate Franchise Agreements for each Kidokinetics Business at the time of purchase.

General Description of the Market and Competition

Our concept is targeted to young children. Our services are not seasonal in nature. The child sports and fitness industry is competitive and well developed. As a franchisee, you will compete with a variety of other businesses, including those that offer exercise programs to young children. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. You may also encounter competition from other Kidokinetics Businesses operated by us, our affiliates or other franchisees. Demand for the services you offer may be dependent on the local and national economic conditions’ effect on the public’s discretionary spending.

Regulations Specific to the Industry

Many jurisdictions have childcare laws which require licensing, bonding, insurance, building code, fire, safety, teacher to student ratios, hours, health (for example, immunizations), instructor licensing, fingerprinting, criminal background checks and other similar requirements. Most organizations that you will have contracts with will require that your staff establish proof of a clean criminal history. Some may require fingerprint checks through the U.S. Department of Justice, while others may just require you to run the criminal background investigation yourself. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and cost of compliance.

ITEM 2. BUSINESS EXPERIENCE

President/Founder: Terri Braun

Ms. Braun is our President and Founder and has been since we were formed in July 2005 in Davie, Florida. In addition, Ms. Braun has been the President of our KKI Affiliate and a sports teacher at the Kidokinetics Business it operates in Davie, Florida since October 2000.

Chief Executive Officer: David Pazgan

Mr. Pazgan is our Chief Executive Officer and has been since May 2021 in Isabela, Puerto Rico. Prior to that, Mr. Pazgan was our Director of Franchise Development from August 2020 to May 2021 in Isabela, Puerto Rico. Mr. Pazgan also owns and operates three Kidokinetics franchises in Tampa, Florida through our TK Affiliate and its parent, DJE Management Consulting, LLC in Medina, Ohio and has done so since November 2021. Before joining our team, Mr. Pazgan served as President for 101 Mobility, LLC



based out of Wilmington, North Carolina, from October 2008 through January 2020. Mr. Pazgan also owns a Shelf Genie franchise through DJE Management Consulting, LLC based out of Medina, Ohio and has done so since February 2019. Mr. Pazgan also provides consulting services through Cerulean Strategic Group LLC in Isabela, Puerto Rico and has done so since January 2020.

Chief Marketing Officer: Eric Mayers

Mr. Mayers is our Chief Marketing Officer and has been since May 2022 in Davie, Florida. He is also a Member of Kidolympics LLC which operates two Kidokinetics Businesses in Smyrna, Georgia, and has been since January 2022. Mr. Mayers is also a Principal at FlowASAP in Smyrna, Georgia and has been since July 2021. Mr. Mayers is also a Partner at ZorForum in Medina, Ohio and has been since October 2021. Prior to that, Mr. Mayers was self-employed as a marketing consultant in Atlanta, Georgia from December 2020 to July 2021. Prior to that, Mr. Mayers was an Agency Owner at Market Fresh Idea Corporation in Atlanta, Georgia from August 2012 to December 2020.

Vice President of Franchise Operations: Dena Landers

Ms. Landers is our Vice President of Franchise Operations and has been since December 2022 in Davie, Florida. Prior to that, Ms. Landers was our Franchise Support Coordinator from May 2021 to December 2022 in Davie, Florida. From August 2020 to May 2021, Ms. Landers was a stay-at-home mother. From October 2016 to August 2020, Ms. Landers served as the Director of Operations for New Rules Collective in Tallahassee, Florida. Ms. Landers also served as the Senior Executive Director of Engage Church in Tallahassee, Florida from October 2012 to August 2020. Ms. Landers was an executive assistant to Adrian Crawford in Tallahassee, Florida from January 2012 to August 2020.

Vice President of Franchisee Support: Christina Mink

Ms. Mink is our Vice President of Franchisee Support and has been since May 2022 in New Albany, Ohio. From February 2022 to May 2022, Ms. Mink was not employed. Prior to that, Ms. Mink was the Franchise Business Development Manager at 101 Mobility in Wilmington, North Carolina from December 2008 to February 2022.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item.



ITEM 5. INITIAL FEES

Initial Franchise Fee

The franchise fee (“Initial Franchise Fee”) for a Kidokinetics Business is \$60,000. The Initial Franchise Fee is paid to us in a lump sum when you sign the Franchise Agreement and is non-refundable. The Initial Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.

We may also allow franchisees, in our discretion, to purchase multiple franchises (up to four) (“Multi-Franchise”). If you purchase a Multi-Franchise, you will enter into separate Franchise Agreements for each Franchise and pay a reduced Initial Franchise Fee for the additional Franchises: (a) \$60,000 for the first Franchise Agreement; (b) \$40,000 for the second Franchise Agreement; and (c) \$35,000 under the third and fourth Franchise Agreements.

We currently offer a reduced Initial Franchise Fee for veterans. Under this program, honorably discharged United States veterans or their spouses receive a 5% discount on our Initial Franchise Fee for each Kidokinetics Franchise they purchase. You are required to provide us with a copy of your DD214 to receive this discount.

The Initial Franchise Fee is uniform for all franchisees offered a Franchise under this Franchise Disclosure Document as described above. During our last fiscal year which ended December 31, 2022, we collected Initial Franchise Fees ranging from \$9,000 (for a Franchise sold to a business associate) to \$60,000.

Initial Marketing Package

We will provide an initial marketing package (“Initial Marketing Package”) when you sign your Franchise Agreement. You will pay us \$5,000 for the Initial Marketing Package for your first Franchise and it includes updating the Kidokinetics website and social media to incorporate reference to your Kidokinetics Business, two whip banners, a package of collateral materials, a local press release, and a direct mail marketing campaign targeting institutional client opportunities. This fee for the Initial Marketing Package for your first Franchise is uniform and non-refundable and is due when you enter into your first Franchise Agreement.

If you purchase a Multi-Franchise or you purchase additional Franchises, you will pay us \$1,000 for the Initial Marketing Package for each additional Kidokinetics Business you open. The Initial Marketing Package for additional Franchises includes a direct marketing campaign targeting institutional client opportunities. This fee for the Initial Marketing Package for additional Franchises is uniform and non-refundable and is due when you enter into the franchise agreement for the additional Franchise.

Software License Fee

You must pay us a software licensing fee (“Software License Fee”) for our proprietary KIDOLINK software for each Kidokinetics Business you operate. You will pay us a Software License Fee of \$3,000



when you sign your first Franchise Agreement for our proprietary business management software. This fee is uniform and non-refundable. You must also sign the “Software License Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit H, when you sign the Franchise Agreement. If you purchase a Multi-Franchise or additional Kidokinetics Businesses, you will pay us \$1,000 for the Software License Fee for each additional Kidokinetics Business you open. The Software License Fee for additional Kidokinetics Businesses is uniform and non-refundable and is due when you enter into the Franchise Agreement for the additional Kidokinetics Business.

Optional Management Services

Management Fee

We provide optional management services to qualifying franchisees to provide support in fulfilling pre-opening and/or post-opening obligations, including obtaining permits and day-to-day oversight of operations of the franchise (the “Management Services”). We currently provide the Management Services directly but may designate an Affiliate to provide the Management Services in the future.

In order to qualify for these services, you must purchase a Multi-Franchise with at least three Franchises and meet our minimum requirements for capitalization (currently \$100,000 in working capital). If you choose to use these services, you will pay \$2,000 per month to us or our designated affiliate (the “Management Fee”) upon signing the “Business Management Agreement” attached to this Franchise Disclosure Document in Exhibit H-7. You must sign a Business Management Agreement for each qualifying Franchise you purchase. We currently offer these Management Services to all franchisees who qualify, subject to our availability, and you are permitted to sign multiple Business Management Agreements for each Franchise.

You may purchase these Management Services at any time during the term of the Franchise Agreement by signing the Business Management Agreement. If you sign the Business Management Agreement prior to opening your Kidokinetics business, we estimate you will pay two to three monthly payments of the Management Fee (\$4,000 to \$6,000) to us prior to opening. The Management Fee covers Management Services for up to four Kidokinetics Businesses so long as they have adjacent territories. If you experience delays, additional payments will apply. The Management Fee is uniform and non-refundable under any circumstances.

Recruiting Fee

Participants in our optional Management Services program will pay us a recruiting fee (“Recruiting Fee”) of \$10,000. The Recruiting Fee is in addition to the Management Fee and covers the cost of recruiting a business director for your Kidokinetics Businesses. You will only pay one Recruiting Fee to cover recruiting costs for one business director who will manage up to four Kidokinetics Businesses with adjacent territories. The Recruiting Fee is due when you sign the Business Management Agreement, is uniform and non-refundable.

Financial Assurances

Some states have imposed a financial assurance. Please refer to the State Addendum in Exhibit G



to the Franchise Disclosure Document.

ITEM 6. OTHER FEES

Type of Fee⁽¹⁾	Amount	Due Date	Remarks
Royalty Fee	The greater of 8% of Gross Sales ⁽²⁾ or the “Minimum Royalty” ⁽³⁾	Due on Wednesday of each week for percentage-based Royalty; Monthly for the Minimum Royalty	The “ <u>Royalty</u> ” is based on “Gross Sales” during the previous week. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance. See Note 3 for a breakout of the Minimum Royalty by timeframe of operation.
Brand Development Fund Contribution	2% of Gross Sales	Weekly	You must pay us a brand development fund contribution of 2% of Gross Sales at the same time as the Royalty. We may use the brand development fund for any purpose we determine.
Technology Fee	The then-current fee (currently \$475 per month with an additional fee of \$6 per month if you request additional email addresses)	Monthly	This fee covers certain technologies used in the operation of your Kidokinetics Business and includes up to four e-mail addresses, our KIDOLINK software, access to our Kidokinetics workspace on Slack, and up to two seats on Monday.com, our workflow management and customer relationship management tool. We may charge an additional fee for more than four e-mail addresses (currently, \$6 per month per email). This fee may include fees paid to third-party vendors and it may be adjusted to reflect their price increases. This fee will cover up to four Kidokinetics Business so long as they are operated by the same legal entity and have adjacent territories. You will also be responsible for any increase in fees that result from any upgrades, modifications or additional services or software.
Local Advertising	The greater of \$500 per month, or 2% of Gross Sales per month on a rolling 12-month average	Monthly	You must spend this amount directly, locally for local advertising and marketing purposes.
Customer Service Fee ⁽⁴⁾	Then-current fee (currently \$1,000 per quarter)	Quarterly	You must pay us a quarterly fee if you are not in compliance with our brand standards compliance program that is contained in the operations manual (“ <u>Customer Service Fee</u> ”). See Note 4.



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Cooperative Advertising	Established by cooperative members, between 1% and 2% of Gross Sales	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. We anticipate that each Kidokinetics Business that we or our affiliate owns that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. We anticipate that each Kidokinetics franchisee and each Kidokinetics that we or our affiliates own will have one vote for each Kidokinetics Business operated by the member in the designated market. Item 11 contains more information about advertising cooperatives.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting, legal and travel expenses	On demand	You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than three percent (3%) or you fail to submit required reports.
Late Fees	\$25 per week for each payment of any amount owed to us or any report due under the Franchise Agreement that is not received by us when due, plus interest at a rate of 1.5% per month or the highest rate allowed by the law of the state where you are located, whichever is less	On demand	Payable if any payment due to us or an Affiliate is not made by the due date. Interest accrues from the original due date until payment is received in full.
Insufficient Funds Fee	Greater of \$50 per occurrence or the amount charged to us by the financial institution	On demand	Payable if any of your checks are returned, or an electronic fund transfer from your bank account is denied for insufficient funds.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$100 to \$500)	As incurred	Payable if we inspect a new product, service or proposed supplier nominated by you.
Insurance	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus twenty percent (20%) of the premium for an administrative cost of obtaining the insurance.
Transfer Fee	50% of the then-current Initial Franchise Fee; if the transferee signs a new Franchise Agreement for a new 10-year term, the transfer fee is equal to the then-current initial franchise fee.	At the time of transfer	Payable in connection with the transfer of your Kidokinetics Business, a transfer of ownership of your legal entity, or the Franchise Agreement. If we are not offering Franchises at the time of the transfer, the transfer fee will be \$5,000 plus any actual costs including broker fees.



Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Renewal Fee	\$7,500	At the time you sign the successor franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement.
Additional Training or Assistance Fees	\$500 per person per day; You must also pay your expenses as well as employees' expenses in attending	Upon invoice	We may require you to attend ongoing training, additional training, and remedial training as we determine appropriate or necessary throughout the term. If required, you must complete the ongoing training and pay the applicable training fees to us upon invoice.
Management Fee ⁽⁵⁾	\$2,000 per month	On or before the 20 th day of the month prior to the month in which the fee is due	This optional fee is payable to us (or an Affiliate we designate) if you choose to use our optional Management Services which includes obtaining permits and day-to-day oversight of operations. The payment is due throughout the term of the Business Management Agreement.
Incentive Fee ⁽⁵⁾	10% of the Profits of your Kidokinetics Business, if any	Within 15 days of the end of each fiscal quarter	In addition to the Management Fee, you must pay to us (or an Affiliate we designate) an incentive fee equal to 10% of the Profit of your Kidokinetics Business ("<u>Incentive Fee</u>"), if you choose to use our optional management services. "<u>Profit</u>" is calculated as the Gross Sales less all costs of goods sold and services provided and operating expenses for the operation of your Kidokinetics Business. Profit will include earnings before taxes, interest, depreciation and amortization. The Profit will be calculated and the Incentive Fee and Management Fees will be deducted from Profit before the balance of the Profit is remitted to you.
Professional Fees and Expenses	All costs including reasonable attorney fees	Upon demand	You must reimburse us for all costs in enforcing your obligations under the Franchise Agreement and your principals' obligations under any and all personal guarantees.
Indemnification	All costs including reasonable attorneys' fees	Upon demand	You must indemnify and reimburse us for any expenses or losses, including professional fees, that we or our representatives incur related in any way to your Kidokinetics Business or Franchise.

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
Conference Fee	The then-current fee (currently estimated to be \$500 per person)	Upon receipt of written notice that such convention is being held	You (or your business director, if applicable) must attend the annual conference if and when held. Payable to us to help defray the cost of your attendance at any annual conference that we choose to hold. This fee is due regardless of whether or not you attend our annual conference in any given year.

NOTES:

1. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer (“EFT”) or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in Exhibit H). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you purchase multiple Kidokinetics Businesses, the fees indicated in the chart above are the fees charged and/or incurred for each Kidokinetics Businesses except as otherwise noted. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

2. “Gross Sales” means all sales of every kind and nature at or from the Kidokinetics Business or made pursuant to the rights granted hereunder, including but not limited to the sales of all services and products related to the Kidokinetics Business, whether Franchisee has received the amount of the sales in cash, coupon, from barter or exchange, in services in kind, or on credit or otherwise. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales include sales of gift cards and gift certificates at the time Franchisee receives the funds from the purchase of such gift cards and gift certificates.

3. The obligation to pay Royalties begins upon completion of your initial training. You will be required to pay the greater of 8% of Gross Sales or the “Minimum Royalty” (described below). You will pay 8% of Gross Sales on a weekly basis. At the end of the month, if the Minimum Royalty amount is greater than the total weekly Royalties paid that month, you will pay us the difference in order to meet your Minimum Royalty obligation. You will receive a grace period (“Grace Period”) before you are required to begin paying Minimum Royalties. The Grace Period will be for 90 days beginning on the day you successfully complete the initial training (“Grace Period Commencement”). If you purchase multiple franchises at the same time, you will receive an increased Grace Period for your second through fourth franchises as summarized below.



The Grace Periods are as follows:

Franchise Number	Grace Period in Months Following Grace Period Commencement
2	12 months
3	24 months
4	36 months

The “Minimum Royalty” is as follows:

Timeframe	Minimum Royalty
First 12 months (Beginning after the Grace Period)	\$600 per month
Months 13 to 24	\$800 per month
Months 25+	\$1,000 per month

4. We have established a brand standards compliance program in our operations manual. If you are not in compliance with this program at any point during a given quarter, we will charge you the Customer Service Fee for the quarter you are not in compliance. Franchisees that comply with this program may receive discounts, special pricing or other perks, which are contained in the operations manual.

5. We provide optional Management Services to support you in fulfilling your pre-opening and/or post-opening obligations, including obtaining permits and day-to-day oversight of operations of the franchise. We make these Management Services available to all franchisees, and you are permitted to sign multiple Business Management Agreements for multiple franchises. You may purchase these Management Services at any time during the term of the Franchise Agreement by signing the Business Management Agreement. The term of the Business Management Agreement lasts for one year and automatically renews unless we or you provide 60 days’ written notice of non-renewal prior to expiration. You may cancel these services and terminate our agreement upon 90 days’ written notice during any renewal term. If you terminate the agreement, you must pay a pro rata share of the Incentive Fee. If you provide notice of non-renewal and have less than three months remaining in the term of your Management Agreement, we will refund one month of payments to you.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT Single Franchise

Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee ¹	\$60,000	\$60,000	Lump Sum	Upon Signing the Franchise Agreement	Us



Type of Expenditure ⁽¹⁾	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Furniture, Fixtures & Equipment ²	\$1,500	\$4,000	As Incurred	Before Beginning Operations	Third Parties
Insurance ³	\$2,500	\$3,000	As Incurred	Before Beginning Operations	Third Parties
Office Equipment and Supplies ⁴	\$300	\$500	As Incurred	Before Beginning Operations	Approved Suppliers
Initial Inventory ⁵	\$2,000	\$3,000	As Incurred	Before Beginning Operations	Third Parties
Training ⁶	\$1,000	\$3,000	As Incurred	Before Beginning Operations	Third Parties
Vehicle ⁷	\$500	\$1,200	As Incurred	First 3 Months Of Operation	Third Parties
Initial Marketing Package ⁸	\$5,000	\$5,000	As Incurred	Before Beginning Operations	Us
Licenses & Permits ⁹	\$200	\$500	As Incurred	Before Beginning Operations	Your Attorneys, Advisors, CPAs and Other Professionals
Professional Fees ¹⁰	\$2,000	\$6,000	As Incurred	As Necessary	Third Parties
Software License Fee ¹¹	\$3,000	\$3,000	Lump Sum	Upon Signing the Franchise Agreement	Us
Additional Funds ¹² (3 months)	\$25,000	\$45,000	As Incurred	Before Beginning Operations	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT ¹³	\$103,000	\$134,200			



Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Kidokinetics Business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for deposits and other payments.

1. Initial Franchise Fee. The Initial Franchise Fee and discounts are described in greater detail in Item 5 of this Franchise Disclosure Document.
2. Furniture, Fixtures & Equipment. You must purchase (or lease) furniture, fixtures and equipment such as a desk, chair, filing cabinet, bookcase or shelving, etc. and a workspace with computer workstation with printer/fax/scanner. Although some of these items may be leased, the range shown represents an estimated purchase price. This estimate includes purchase of a Computer System which we estimate to be between \$500 and \$1,500.
3. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Kidokinetics Business, your rates may be significantly higher than those estimated above.
4. Office Equipment and Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for office equipment and supplies are refundable. You should inquire about the return and refund policy of the supplier at or before the time of purchase. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors.
5. Initial Inventory. You must purchase an initial inventory of play equipment, including balls of all types, fitness dice, lacrosse set, polyspots, juggling scarves, Little Tikes golf clubs, mini basketball hoops, baseball bases and bats, T-ball set, bowling set of pins and balls, tunnels, rope, footballs, bean bags, Frisbees, plastic cones, jump ropes, potato sacks, egg and spoon set, hula hoops, nets and goals, volleyballs, parachutes, hockey pucks and sticks, badminton sets, tennis racquets, etc. The cost of these items may vary based on manufacturers' discounts and specials at the time of purchase and other factors. We do not know if the amounts you pay for inventory items are refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.
6. Training. The cost of training is included in the Initial Franchise Fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.
7. Vehicle. You must have a vehicle capable of transporting play equipment. You may use a vehicle that you already own. If you do not already have an appropriate vehicle to travel to/from customer



locations, you will need to lease an appropriate vehicle. The low cost assumes you already have a suitable vehicle and the high cost represents the estimated maximum cost to lease an appropriate SUV or equivalent vehicle.

8. Initial Marketing Package. You must pay us \$5,000 before opening for initial marketing materials and website updates for your first Franchise. If you open additional Kidokinetics Businesses, you will pay us \$1,000 for each Kidokinetics Business. See Item 5 for more details about this fee.
9. Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses, among other things. Your actual costs may vary based on the requirements of state and local government agencies.
10. Professional Fees. You will need to employ an attorney, accountant/CPA and other consultants to assist you in establishing your Kidokinetics Business. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.
11. Software License Fee. You must pay us a \$3,000 software license fee for our proprietary KIDOLINK software when you sign the Franchise Agreement. See Item 5 for more details about this fee.
12. Additional Funds. The estimate of additional funds is calculated for an initial period of three months. These expenses include advertising, storage locker rent and Technology Fees, but do not include owner's salary or draw. The high end includes an estimate for three months' salary for a full-time business director.
13. Our estimates are based on our experience and the experience of our affiliates in establishing Kidokinetics Businesses, and our current requirements for Kidokinetics Franchises.

Multi-Franchise

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
TOTAL ESTIMATED INITIAL INVESTMENT FOR TWO FRANCHISES ⁽¹⁾	\$155,000	\$186,200	Per Table Above	Per Table Above	Per Table Above
TOTAL ESTIMATED INITIAL INVESTMENT FOR THREE FRANCHISES ⁽¹⁾	\$202,000	\$233,200	Per Table Above	Per Table Above	Per Table Above



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
TOTAL ESTIMATED INITIAL INVESTMENT FOR THREE FRANCHISES <i>with Management Services</i> ⁽²⁾	\$216,000	\$249,200	Per Table Above	Per Table Above	Per Table Above
TOTAL ESTIMATED INITIAL INVESTMENT FOR FOUR FRANCHISES ⁽¹⁾	\$ 249,000	\$270,200	Per Table Above	Per Table Above	Per Table Above
TOTAL ESTIMATED INITIAL INVESTMENT FOR FOUR FRANCHISES <i>with Management Services</i> ⁽²⁾	\$263,000	\$286,200	Per Table Above	Per Table Above	Per Table Above

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating multiple Kidokinetics Business. We do not offer direct or indirect financing for these items. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for deposits and other payments.

1. Initial Investment. See the table for Single Franchises in this Item 7 for more details on the initial investment for the first Kidokinetics Businesses. In addition to the costs for the first Kidokinetics Business, Franchisees purchasing additional Kidokinetics Businesses will only pay the Initial Franchise Fee, Initial Marketing Package fee, Software License fee and have an additional \$10,000 in Additional Funds.
2. Optional Management Services. If you purchase three or four Kidokinetics Businesses, you can use our optional Management Services. You will incur an additional \$14,000 to \$16,000 in fees if to use our Management Services and sign the Business Management Agreement. Franchisees must have a minimum working capital of \$100,000 to use these services. Because this is one of the requirements to qualify for our Management Services, the minimum working capital amount is not factored into the estimates.



3. This is an estimate of your initial start-up expenses for operating under multiple franchise agreements in multiple territories. You should review these figures carefully with a business advisor before making any decision to purchase the Franchise(s).

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

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

You must purchase, install, maintain in sufficient supply and only use equipment, signs and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing.

Many of the products, supplies and services discussed above may only be purchased from approved suppliers in accordance with the Franchise Operations Manual. We will provide you with a list of these items and services and their approved suppliers, which may include or be limited to us or an affiliate. We are approved suppliers of the proprietary business management software. We are also an approved supplier of logoed items, such as uniforms, packaging supplies and other items bearing the Marks, but we may approve alternate suppliers in our discretion.

If you want to use any item or service in establishing or operating your Kidokinetics Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our approved supplier criteria. You must reimburse us for all of our reasonable expenses in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval may later be withdrawn based on the supplier's performance, changes in our specifications, standards or requirements, or for other reasons.

Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality. Our standards, specifications and other criteria for supplier or distributor approval have been developed by us, our principals and our affiliates through the expenditure of extensive work and time and are considered



confidential information. We do not make our standards and specifications or our other criteria for supplier or distributor approval available to our franchisees or approved suppliers. Our specifications, standards and requirements may, on occasion, change, in our sole discretion.

We reserve the right to limit the number of potential suppliers we may consider for approval and for some categories of products or services, we may designate a third party or ourselves as exclusive suppliers.

We may, but are not required to, negotiate purchase arrangements with suppliers and distributors for the benefit of franchisees and the System as a whole, and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives. We do not provide any other material benefits to franchisees for using designated or approved suppliers; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us to, among other things, terminate the Franchise Agreement. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services and we have no obligation to pass them on to our franchisees or use them in any particular manner. We reserve the right to receive fees or other consideration in exchange for rights licensed or granted, or services rendered to third parties, including vendors. We may derive income, consideration and other benefits from your purchases or lease of any products, services, supplies or other items from us and from approved and designated suppliers. This income may be derived in any form, including as a rebate from various suppliers based on the quantity of System franchisee purchases. We do not guarantee the availability of independent sources of supply for any particular product or service required to establish or operate your Kidokinetics Business.

We are the exclusive provider of the Optional Management Services for your Kidokinetics Business and of the marketing materials and services including the Initial Marketing Package. You will also pay us a Software License Fee of \$3,000 prior to opening for our proprietary KIDOLINK software (\$1,000 for additional Kidokinetics Businesses). Except as disclosed above, as of the Issuance Date of this Franchise Disclosure Document, neither we, nor our affiliates are approved suppliers of any item, although we may become one in the future. Some of our officers own an equity interest in us, an approved supplier.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Kidokinetics Business. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications from the suppliers we specify. You may be required to use our approved suppliers for certain technology business solutions that will support your business efficiencies, which may include phone systems, scheduling software, bookkeeping services and any other solutions we may require from time to time in the Franchise Operations Manual.

You must obtain the insurance coverage required under the Franchise Agreement, as follows: comprehensive general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate, or in the event you lease commercial office space or storage space, such amount as required by your lease or state laws; umbrella excess liability coverage in an amount equal to \$1,000,000 combined single limit coverage; property and casualty insurance to cover the full replacement value of your equipment, furniture, fixtures, vehicles and inventory; business interruption insurance for a minimum of 12 months equal to 12 month's financial obligations to us, the landlord (if any) and all others;



automobile insurance in the amount of at least a combined single limit for bodily and property damage of \$100,000, or greater if required by state law; and, if you have employees, statutory worker's compensation insurance in the limits required by state law; crime insurance for employee dishonesty in the amount of \$5,000 combined single limit; and employer's liability insurance in the amount of \$100,000 per accident.

The insurance company must be authorized to do business in the state where your Kidokinetics Business is located, and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties. Your policy must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice.

We estimate that approximately 30% to 80% of your expenditures for leases and purchases in establishing your Kidokinetics Business will be from us or from other approved suppliers or under our specifications. We estimate that approximately 25% to 30% of your expenditures on an ongoing basis will be from us or from other approved suppliers or under our specifications.

We do not provide material benefits to you (such as renewal rights or the right to open additional Kidokinetics Businesses) based on whether or not you purchase through the sources we designate or approve; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us to, among other things, terminate the Franchise Agreement. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services and we have no obligation to pass them on to our franchisees or use them in any particular manner.

During the fiscal year ended December 31, 2022, we derived \$27,822 in revenue from required franchisee purchases in the form of sales from shirts and other apparel. This represents 3.12% of our total revenue of \$891,755. During the fiscal year ended December 31, 2022, our affiliates did not derive any revenue from required franchisee purchases.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

Obligation		Section in Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	7.1	11
b.	Pre-opening purchases/leases	9.3, 11	7, 11
c.	Site development and other pre-opening requirements	7.1	11



Obligation		Section in Franchise Agreement	Disclosure Document Item
d.	Initial and ongoing training	6	11
e.	Opening	7.2	11
f.	Fees	4.1.8., 5, 6.4, 6.5, 6.6, 12, 15.4, Schedule 1	5, 6, 7
g.	Compliance with standards and policies/Operating Manual	8, 10, 11.1, 18.1	8, 11
h.	Trademarks and proprietary information	11.1, 13, 18.2, Attachment A	13, 14
i.	Restrictions on products/services offered	12	8
j.	Warranty and customer service requirements	Not applicable	Not applicable
k.	Territorial development and sales quotas	2.1, Attachment B	12
l.	Ongoing product/service purchases	11.1, 12.3	8
m.	Maintenance, appearance and remodeling requirements	8, 11.1	Not applicable
n.	Insurance	14	7
o.	Advertising	12	6, 11
p.	Indemnification	11.7, 13.8, 14.4	14
q.	Owner's participation/management/staffing	10.3, 11.1	11, 15
r.	Records and reports	11.2	6
s.	Inspections and audits	9.2, 11.2	6, 11
t.	Transfer	15	17
u.	Renewal	4	17
v.	Post-termination obligations	17	17
w.	Non-competition covenants	18	17
x.	Dispute resolution	19	17
y.	Other	Not applicable	Not applicable

ITEM 10. FINANCING

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

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

Except as listed below, Kidokinetics Franchise LLC is not required to provide you with any assistance.

Before The Kidokinetics Business Opens

Before you open your Kidokinetics Business, we (or our designee) will:

1. Designate the territory within which you will operate the Kidokinetics Business. You must run your Kidokinetics Business from an office located inside of your territory. You may use a home office if suitable. You and we will agree on your territory before you sign the Franchise Agreement. (Franchise Agreement, Section 2.1 and Attachment B)
2. Provide an initial training program. We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the System and brand standards to your key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Kidokinetics Business. You will be responsible for hiring, training, directing, scheduling and supervising your employees and independent contractors in the day-to-day operations of the Kidokinetics Business. (Franchise Agreement, Section 6.1)
3. Loan you one copy of the Franchise Operations Manual, which is approximately 350 pages. The table of contents of the Franchise Operations Manual, along with number of pages devoted to each section, is included as Exhibit C to this Franchise Disclosure Document. (Franchise Agreement, Sections 8.1 and 9.1)
4. Provide to you any written specifications for required equipment, tools and vehicles and provide you with a list of any approved suppliers and/or manufacturers of these items. You must purchase at your own costs, install, maintain in sufficient supply and only use fixtures, furnishings, equipment, signs and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing. (Franchise Agreement, Sections 9.3 and 9.5)
5. If requested, provide you with Management Services under the Business Management Agreement. We provide optional Management Services to support you in fulfilling your pre-opening and post opening obligations, including obtaining permits and day-to-day oversight of the operations of the franchise. You will at all times be responsible for complying with the obligations of the Franchise Agreement even though you may retain management services. (Franchise Agreement, Section 5.2.6)



Site Selection

We expect that you will operate your Kidokinetics Business out of your home. We do not provide any site selection assistance to you. We do not have specifications for an office location outside of the home, except that if you choose to operate from a location other than a home office, such location must be within the Territory. If you chose to open an office location outside the home, we do not assist you in conforming the premises to local ordinances and building codes, obtaining permits, or constructing, remodeling or decorating your premises. You must provide a copy of the lease for the location and obtain written acceptance from us. We will notify you in writing of our approval decision of your location within 10 days of receiving the request. If we cannot agree on an office location located within your Territory, we can terminate the Franchise Agreement. You must ensure that the premises allow you to operate your Kidokinetics Business according to our standards and specifications set forth in our Franchise Operations Manual, comply with local ordinances and building codes, and obtain any required permits. We generally do not own retail or commercial spaces that we would lease to you.

Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a Kidokinetics Business is 60 days. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. You are required to open your Kidokinetics Business and be operational within 90 days after signing the Franchise Agreement. (Section 7.2)

Other Assistance During the Operation of The Kidokinetics Business

During the operation of your Kidokinetics Business, we (or our designee) will:

1. Upon reasonable request, provide advice regarding your Kidokinetics Business's operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods in our discretion (Franchise Agreement, Section 9.1).
2. Offer from time to time, in our sole discretion, mandatory or optional additional training programs. If we require it, you must attend any mandatory additional training for up to 5 days each year at a location we designate. You must pay our then-current additional training fees (currently \$500 per person per day). You must pay your travel, transportation, lodging, meals and other expenses to attend any mandatory training program (Franchise Agreement, Section 6.5).
3. Schedule, in our discretion, a national business meeting or convention for up to 3 days per year at a location we designate. If we schedule any national business meeting or convention, you must attend and you must pay us a registration fee per attendee as we designate. You are also responsible for paying for your transportation, lodging, meals and other expenses to attend any national business meeting or convention (Franchise Agreement, Section 6.5).



4. Upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance at your premises. If you request on-site remedial training, we may charge a per diem fee, currently \$500 per person per day for the services of our trainer. You will pay any travel-related expenses of the trainer, including transportation, meals and lodging (Franchise Agreement, Section 6.6).

5. Upon your request, provide individualized assistance to you within reasonable through written materials, electronic media, telephone or other methods in our discretion, subject at all times to availability of our personnel and a reasonable limit (Franchise Agreement, Section 6.7).

6. From time to time, as may become available, provide you with samples or camera-ready advertising and promotional materials (Franchise Agreement, Section 9.4).

7. Conduct inspections of your Kidokinetics Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your services, equipment and vehicles to ensure that they meet our standards (Franchise Agreement, Section 9.2).

8. Approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 15 business days, either accepting or rejecting the proposed material and/or campaign. (Franchise Agreement, Section 12.7).

9. Provide you with any written specifications for required equipment, inventory, and supplies and provide you with updated lists of any approved suppliers of these items (Franchise Agreement, Section 9.5).

10. We will provide you with post-opening Management Services, either directly or through an Affiliate we designate in the future, if you sign the Business Management Agreement. You will at all times be responsible for complying with the obligations of the Franchise Agreement even though you may retain management services (Franchise Agreement Section 5.2.6).

11. Reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions.

Unless otherwise established in the execution of the Business Management Agreement described above, we have no obligation to: (i) develop new products or services to be offered by you to your customers; (ii) hire or train employees; (iii) improve or develop the Kidokinetics Business; (iv) establish prices; (v) establish or use administrative, bookkeeping, accounting or inventory control procedures; or (vi) resolve operating problems encountered by you in the operation of your Kidokinetics Business. We need not provide other assistance or services to you during the term of your Franchise Agreement.

Advertising and Promotion

Initial Marketing

To market your first Kidokinetics Business in your territory, you will pay us \$5,000 for an Initial Marketing Package. The Initial Marketing Package for your first territory includes updating the



Kidokinetics website and social media to incorporate reference to your Kidokinetics Business, two whip banners, a package of collateral materials, a local press release, and a direct mail marketing campaign targeting institutional client opportunities. For each additional Franchise you open, you will pay \$1,000 for an Initial Marketing Package that includes direct mail marketing to institutional clients within the additional territory for your Kidokinetics Business.

Local Marketing Requirement

After you open your Kidokinetics Business, you are required to spend the greater of \$500 or 2% of Gross Sales per month on a rolling 12-month average on local advertising and marketing to promote your Kidokinetics Business (“Local Marketing Requirement”). The Local Marketing Requirement applies to each Kidokinetics Business you operate under separate Franchise Agreements. You must order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your request. Use of logos, Marks and other name identification materials must follow our approved standards. You may not use our logos, Marks and other name identification materials on items to be sold or services to be provided without our prior written approval.

Brand Development Fund

The brand development fund (“Brand Development Fund”) is for marketing, developing, and promoting the System, the Marks and Kidokinetics Franchises. You must pay 2% of your weekly Gross Sales to the Brand Development Fund (“Brand Development Fund Contribution”). Each franchisee will be required to contribute to the Brand Development Fund, but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Kidokinetics Businesses owned by us will contribute to the Brand Development Fund on the same basis as franchisees, except for one existing affiliate-owned Kidokinetics Business.

The Brand Development Fund will be administered by us, or our affiliate or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. We will separately account for all of the Brand Development Fund Contributions that we administer; however, we are not required to segregate any of the funds from our other monies.

We have complete discretion on how the Brand Development Fund will be utilized. We may use the Brand Development Fund for local, regional, or national marketing, or any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Kidokinetics brand. For example, we may use the Brand Development Fund for: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and accounting for Brand



Development Fund Contributions; (xii) preparing and distributing financial accountings of the Brand Development Fund; (xiii) conducting quality assurance programs and other reputation management functions; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities.

We do not guarantee that advertising expenditures from the Brand Development Fund will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the Brand Development Fund Contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating "Franchises Available" or similar phrasing.

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

The Brand Development Fund is not audited. Upon your written request, we will make available an annual accounting for the Brand Development Fund that shows how the Brand Development Fund proceeds have been spent for the previous year. During our fiscal year ended December 31, 2022, we spent 10% of the Brand Development Fund Contributions on production, 10% on media, and 80% on administration.

Cooperatives

Currently, our System has no regional advertising fund or cooperative. We may establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative consists of all Kidokinetics Businesses in a designated geographic area. We anticipate that each Kidokinetics Business that we or our affiliates owns that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. We anticipate that each Kidokinetics Business, including any Kidokinetics Businesses we or our affiliates own, will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions, between 1% and 2% of Gross Sales, from each member. We may require that each cooperative operate with governing documents. Each cooperative must prepare annual unaudited financial statements, and such statements will be provided for review to each member of such cooperative. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. (Franchise Agreement, Section 12.3)

Cooperative contributions will not exceed the Local Marketing Requirement unless a majority of the Cooperative votes to increase that requirement.

Advertising Council



We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council. We reserve the right to change or dissolve the council at any time. (Franchise Agreement, Section 8.6)

Internet

You are restricted from establishing a presence on, or marketing, promoting or advertising your Kidokinetics Business, using the Internet or other electronic media without our prior written approval. Except as approved in advance in writing by us, 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 Kidokinetics Business, including on social media and/or networking site (whether currently existing or developed in the future). If we grant the approval, you: (i) must establish and operate such Internet site in accordance with System standards and any other policies we designate in the Franchise Operations Manual or otherwise in writing from time to time; (ii) must utilize any templates that we provide to you to create and/or modify such site(s); and (iii) must obtain our approval prior to making social media postings and you agree to any social media postings that we, in our sole discretion, determine are inappropriate or detrimental to the goodwill of the System within 24 hours of our notice to you. You must obtain paid advertising on the Internet (i.e. Google, Yahoo, Bing, and MSN) for your Kidokinetics Business. You will obtain these services directly through third parties and are responsible for any fees they charge.

We reserve the right to require you to provide us with all social media account information related to the Kidokinetics Business and grant us independent access (including administrator rights) to your Kidokinetics Business social media accounts in order to make upgrades, post information, and manage social media accounts as we deem appropriate for the benefit of the System. (Franchise Agreement, Section 12.6)

We retain the sole right to market on the Internet, including the use of websites, domain names, uniform resource locator's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. You may be requested to provide content for our Internet marketing and you must follow our intranet and Internet usage rules, policies and requirements. We retain the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. We retain the sole right to approve any linking to, or other use of, the Kidokinetics website. (Franchise Agreement, Section 12.6)

Computer System

You are required to purchase a computer system that consists of the following hardware and software: (a) a desktop or laptop that runs Windows 11, a multi-function printer/scanner, a digital camera, a phone, a music box and a flash drive; and (b) Microsoft Office and QuickBooks (“Computer System”). We estimate the cost of purchasing the Computer System will be between \$500 and \$1,500. You will also pay us a Software License Fee of \$3,000 prior to opening for our proprietary KIDOLINK software (\$1,000 for additional Kidokinetics Businesses). You will also pay us a monthly Technology Fee for certain



technologies used in the operation of your Kidokinetics Business, which includes up to four email addresses, access to our Kidokinetics workspace on Slack, and up to two seats on Monday.com, our workflow management and customer relationship management tool.

The Computer System will manage the daily workflow of the Kidokinetics Business, register your participants, market to them, report to us, and perform other functions. You must record all gross revenues on the Computer System. You must use the Computer System to track all online and offline registrations. You must store all data and information in the Computer System that we designate, and report data and information in the manner we specify. The Computer System will generate reports on the gross revenues of your Kidokinetics Business. We may access the electronic information and data generated from the Computer System at any time. There are no contractual limitations on our rights to access this information.

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System. The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate the annual cost will range between \$1,000 and \$1,500, but this could vary (as discussed above).

Computer systems are vulnerable in varying degrees to computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures and similar problems, and attacks by hackers and other unauthorized intruders ("E-Problems"). We have taken reasonable steps so that E-Problems will not materially affect our business. We do not guarantee that information or communication systems that we designate and/or we or others supply will not be vulnerable to E-Problems. It is your responsibility to protect yourself from E-Problems. You should also take reasonable steps to verify that your suppliers, lenders, landlords, and governmental agencies on which you rely, have reasonable protection from E-Problems. This may include taking reasonable steps to secure your systems (including firewalls, password protection and anti-virus systems) and to provide backup systems.

Training

We will conduct an initial training program that the business director (see Item 15) (or you, if you are not a corporation or other business entity) must attend and complete to our satisfaction. Although initial training is mandatory for the business director, it is also available for up to one additional assistant. Training will take place at our headquarters, or at another location we designate, and will be held whenever necessary to train new franchisees. The initial training program covers the business and administrative aspects of the operation of a Kidokinetics Business, including sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures, other operational issues and on-the-job training. All franchisees must complete initial training to our satisfaction within 60 days of signing the Franchise Agreement. We expect franchisees will advance through the training program at different rates depending on a variety of factors such as background and experience. Accordingly, the time frames provided in the following chart are an estimate of the time it will take to complete training. If you replace your designated manager, your new business director must attend our training program. We do not charge for initial training, however, you must pay for all travel costs and living expenses for yourself and any of your attendees. You may be charged fees for additional training of a new business director. You are obligated to train your own employees and other management personnel. This



initial training is in addition to the on-site opening assistance we provide to you. (Section 6.1). We plan to provide the training listed in the table below.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Kidokinetics Business Director Training: Accounting, Scheduling, Kidolink, CRM	4	8	Davie, Florida or Franchisee's Location
Programming, Coaching, Sport Specific and Fitness Training	4	20	Davie, Florida or Franchisee's Location
Equipment	1	1	Davie, Florida or Franchisee's Location
Marketing and Enrollment	4	0	Davie, Florida or Franchisee's Location
3-Year Strategic Planning	0	2	Davie, Florida or Franchisee's Location
TOTAL	13	31	

Terri Braun and Dena Landers will supervise our initial training program. Ms. Braun is our president and founder and has owned a Kidokinetics business since 2000. Ms. Landers is our VP of Franchise Operations and has worked in operations since 2016. From time to time, we may require that you or your owners, business directors and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If you appoint a new principal owner or transfer ownership, or if you hire a new business director, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Kidokinetics Business. If we conduct an inspection of your Kidokinetics Business and determine you are not operating in compliance with the Franchise Agreement, we may require that you or your operating principal, business director, managers and other employees attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training (either at corporate headquarters or at your Kidokinetics Business). You must pay us \$500 per attendee per day for additional training, and you must pay for airfare, meals, transportation costs, lodging and incidental expenses for all of your training program attendees. If we determine that you are not operating your Kidokinetics Business in compliance with the Franchise Agreement or the Operations Manual, we may require that you or your principal owner, designated managers and other employees attend remedial training. If the training program is conducted at your Kidokinetics Business, you must reimburse us for the expenses we or our representatives incur in providing the training.

ITEM 12. TERRITORY

You and we will agree on your territory before you sign the Franchise Agreement. You will not receive an exclusive territory ("Territory"). You may face competition from other franchisees, from outlets



that we own, or from other channels of distribution or competitive brands that we control. Except as described below, we will not establish or franchise others to establish another Kidokinetics Business within your designated Territory during the term of the Franchise Agreement. Your Territory for each Kidokinetics Business will contain a minimum population of approximately 250,000 persons. You may offer the Kidokinetics® sports fitness programs to all schools, parks, community centers, summer camps, hotels, gyms, health centers and similar establishments located within your Territory.

The Kidokinetics Business is a mobile business that provides sports fitness programs to children at schools, parks, community centers, summer camps, hotels, gyms, health centers and similar establishments within a designated territory. You may choose to have a home-based office for your Kidokinetics Business, located within your Territory. If you wish to rent a commercial office space, such space must also be located within your Territory and you must request our acceptance. In our experience and that of our franchisees, the majority of these establishments do not charge any fee for the right to provide Kidokinetics services on their premises. However, an establishment may require you to pay an access or rental fee to provide services on its premises. An establishment could charge a flat fee per month in which you hold an event on its premises. Alternatively, an establishment may require you to pay a percentage of your event revenue. We estimate an approximate average of 5% of your annual revenue. These estimates take into consideration that establishments may charge or negotiate varying amounts at their discretion, and others will not impose any fee or revenue share. Because these establishments are independent third parties, you and they will arrange for these and other terms, and we do not have any control over or involvement with potential charges set by any establishment.

As long as your Franchise Agreement is in effect, we will not establish, own or operate, or license others to establish, own or operate, any other Kidokinetics Business within your Territory. You are not granted any options, rights of first refusal or similar rights to acquire additional development rights or franchises anywhere, regardless of the proximity to your Kidokinetics Business.

We, and any party we designate, retains and will have the right to: (i) establish and operate, and license third parties the right to establish and operate, other Kidokinetics Businesses using the Marks and System at any location outside of the Territory; (ii) acquire, merge with, engage in joint ventures with, or otherwise affiliate with, and thereafter own and operate and franchise others the right to own and operate, any business of any kind, including businesses that offer products that are similar to those provided by a Kidokinetics Business, within or outside the Territory; (iii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Kidokinetics Business under marks other than the Marks at any location; (iv) sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products, services or merchandise, from any location or to any purchaser, through any channel or method of distribution (including, but not limited, to virtual classes, sales made by or through telemarketing, and/or on the Internet); (v) provide the services or sell products authorized for Kidokinetics Businesses to customers whose principal residence (or principal business office, if the customer is a business entity) is within a Kidokinetics franchisee's Territory if contact with the customer is initiated by the customer and not us; (vi) to use and license the use of technology to non-franchisee locations inside and outside the Territory; and (vii) engage in any other activities not expressly prohibited under this Agreement. Although we reserve the rights described, neither we nor any affiliate, currently operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other



Franchises. The Franchise Agreement does not grant you any right to (a) offer any product or service via e-commerce without our prior written approval, (b) establish an independent website or to establish a website for the Kidokinetics Business or using the Marks, or (c) distribute, market, or implement any products and/or services (including competitive products and/or services) in any channel of distribution not specifically identified in this Agreement. We are not required to compensate you for soliciting or accepting orders from inside your Territory.

You may not relocate the Kidokinetics Business without our prior written consent, which shall not be unreasonably withheld. We may approve a request to relocate the Kidokinetics Business according to the provisions of the Franchise Agreement that provide for the relocation of the Kidokinetics Business, and our then-current site selection policies and procedures. Any relocation will be at your sole expense. In the event you wish to relocate the Kidokinetics Business to a new location, you may relocate the Kidokinetics Business to a new location within the Territory.

You may only advertise your services within your Territory and provide services to customers in your Territory unless you have requested and receive our prior written approval to provide services to customers outside your Territory. If we approve you to provide services outside your Territory, we may withdraw that approval, in our discretion, at any time, and you must comply with our directives.

You are not permitted to use other channels of distribution, such as the Internet, mobile applications, catalog sales, telemarketing or other direct marketing, to make sales of services or products to customers. You may not maintain a website with respect to your franchise without our prior written consent. We have the right to condition our approval on the terms that we determine are necessary, such as requiring that your domain name and home page belong to us and be licensed to you for your use during the term of your Franchise Agreement.

ITEM 13. TRADEMARKS

The Franchise Agreement and your payment of the Royalty Fee grant you the non-exclusive right and license to use the System, which includes the use of the Marks. You may also use other future trademarks, service marks, and logos we approve to identify your Kidokinetics Franchise. The Marks and the System are owned by us. We have registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Trademark	Registration Number	Registration Date	Register
KIDOKINETICS	6,401,659	June 29, 2021	Principal
	6,401,783	June 29, 2021	Principal



We have applied to register the following trademark with the USPTO:

Trademark	Serial Number	Filing Date	Status
	97,322,632	March 21, 2022	Pending on the Principal Register

We do not have a federal registration for the trademark listed above (serial number 97,322,632). Therefore, this trademark does not have as many legal benefits and rights as a federally-registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board or the trademark administrator of any state, or any court, and no pending infringement, opposition or cancellation proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

No agreement significantly limits our right to use or license the Marks in any manner material to the Kidokinetics Franchise. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement and with a conspicuous sign in your Kidokinetics Business that you are an independently owned and operated licensed franchisee of Kidokinetics. You may not use the Marks in the sale of unauthorized products or services or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale or other disposition of the Kidokinetics Franchise, or any interest in the Kidokinetics Franchise. All rights and goodwill from the use of the Marks accrue to us.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three business days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within 30 days after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.



You must not directly or indirectly contest our right to the Marks. We may acquire, develop and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials and other written materials. We also claim copyrights and other proprietary rights in our Franchise Operations Manual.

There are no current material determinations of, or proceedings pending in, the USPTO, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect which limit your right to use any of our copyrights. As of the date of this Franchise Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them.

Our mutual obligations to protect your rights to use our copyrights are the same as the obligations for trademarks described in Item 13 of this Franchise Disclosure Document. You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action, but will respond to this information as we think appropriate. We will defend you against any claim brought against you and indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information. We have the sole discretion to take such action as we deem appropriate to exclusively control any litigation or administrative proceeding involving any copyrighted works, confidential information or trade secrets.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Kidokinetics Business; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Franchise Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as “confidential” or “proprietary”, and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the “Confidential Information”). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the initial term, any renewal term, or after the Franchise Agreement expires or is terminated) reveal any of our Confidential Information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to



any dissemination. Your business director and your other management level personnel must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment F).

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

You or, if the franchisee is an entity, the majority shareholder or owner of the franchisee must devote personal full-time attention and best efforts to the management and operation of the Kidokinetics Business, or you may delegate the day-to-day operation of your Kidokinetics Business to a business director (“Business Director”). You and the Business Director, if different from you, must successfully complete our initial training program and all other training courses we require. You may not appoint a Business Director who is not you or a principal of the Franchisee, if an entity, without our approval. The Business Director must devote his or her full time and best efforts to the job, cannot have an interest or business relationship with any of our competitors, and must meet our then-current standards for Business Directors before assuming the position. If you are a business entity, each owner must sign a Personal Guaranty. Spouses are required to sign a Personal Guaranty. The Personal Guaranty is attached to our Franchise Agreement as Attachment E. If you use our Management Services, we will assist in recruiting your Business Director.

Your Business Director and all other managerial personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure and Non-Compete Agreement, which is attached to our Franchise Agreement as Attachment F. Additionally, if you are a business entity, all of your officers, directors, and equity holders, and those of any business entity that directly or indirectly controls you must sign the Non-Disclosure and Non-Compete Agreement.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees, and may vary depending on the operating season and geographic location of your Kidokinetics Business or other factors. You must follow our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect unless we specify otherwise. The amount you must pay for the changes or additions will depend upon their nature and type. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions, in accordance with the law.

You may not establish an account or participate in any social networking sites or blogs or mention or discuss the Kidokinetics franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from using the Marks on social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your



ability to serve customers, provided you do so from the location of your Kidokinetics Business in accordance with our policies.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section In the Franchise or Other Agreement	Summary
a. Length of the franchise term	Article 3	The initial term is 10 years.
b. Renewal or extension of the term	Article 4	You may renew for one additional term of 10 years, subject to our renewal requirements. If you fail to meet any one of these conditions, we may refuse to renew or extend the terms of your Franchise Agreement.
c. Requirements for franchisee to renew or extend	Article 4	Be in full compliance, provide written notice to us at least 90 days, but not more than nine months, before the end of the term, update machinery, equipment, tools and vehicles as required, not be in default of any provision of the Franchise Agreement, satisfy all monetary obligations, execute our then-current form of franchise agreement (with materially different terms and conditions than your original Franchise Agreement), comply with then- current qualifications and training requirements, including completion of additional training, pay us a Renewal Fee, execute a general release.
d. Termination by franchisee	None	Not applicable. You may not terminate the Franchise Agreement. (Subject to applicable state law).
e. Termination by Franchisor without cause	None	Not applicable.
f. Termination by Franchisor with cause	Article 16	We may terminate if you default for failure to comply with the obligations of the Franchise Agreement, or if you or an affiliate of yours defaults under any other agreement, including any other franchise agreement, with us or any of our affiliates, suppliers or landlord and do not cure the default within the time period provided in the other agreement. The Franchise Agreement describes defaults throughout. Please read it carefully.



Provision	Section In the Franchise or Other Agreement	Summary
g. "Cause" defined-curable defaults	Sections 16.3 and 16.4	You have five days to cure non-payments. You have 15 days to cure the following defaults: your failure to immediately endorse payments that are erroneously made to you; your failure to maintain prescribed days and hours of operations; your failure to personally supervise day-to-day operations; your failure to maintain the strict quality controls reasonably required by the Franchise Agreement and/or the Franchise Operations Manuals; and your failure to obtain or maintain any required licenses, certifications or permits.

Provision	Section In the Franchise or Other Agreement	Summary
h. "Cause" defined -non-curable defaults	Sections 16.1 and 16.2	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: fail to open the Kidokinetics Business within required time frames; falsify any report to us; abandon the Kidokinetics Business for five days or more, unless the premises are damaged and you apply to relocate; lose possession of the vehicles and equipment, unless as a result of a casualty event; fail to re-open the Kidokinetics Business within 120 days after a casualty; fail to comply with applicable laws; default under any lease for the premises; understate Gross Sales by 3% at any time or understate Gross Sales by any amount three or more times; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime that could damage the goodwill or reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three or more times during the term or receive two or more default notices in any consecutive 12-month period; default under any other agreement with us or our affiliates; issue a press release or respond to a media inquiry without our prior approval; or terminate the Franchise Agreement without cause.

Provision	Section In the Franchise or Other Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	Article 17	Upon termination, you must: cease operations; cease to identify yourself as a Kidokinetics franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Franchise Operations Manual and all records and files related to your Kidokinetics Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Kidokinetics Business and the land and/or building where your Kidokinetics Business is located, if applicable; and assign, at our option, your telephone numbers and directory listings and the lease for the location.
j. Assignment of contract by Franchisor	Section 15.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-defined	Section 15.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Kidokinetics Business, any assets of the Kidokinetics Business, or in you (if you are a business entity).
l. Franchisor approval of transfer by franchisee	Sections 15.2, 15.3 and 15.4	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for franchisor's approval of transfer	Sections 15.3 and 15.4	Conditions include: transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee and its Business Director successfully complete our Initial Management Training Program; you have paid us and third- party creditors all amounts owed; you and the transferee sign a General Release in the form of Attachment C to the Franchise Agreement; you subordinate any claims you have against the transferee to us; we have approved the material terms and conditions of the transfer and you provide us a copy of the purchase agreement; you cure all existing defaults; and you have paid us a transfer fee, plus any actual costs, including broker fees, if applicable. We may withhold or condition our consent to any transfer as we deem appropriate based on the circumstances of the transfer or otherwise.



Provision	Section In the Franchise or Other Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Section 15.9	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) our credit is deemed as good as the proposed purchaser, (c) we have at least 60 days to close and (d) you shall give us all customary seller's representations and warranties.
o. Franchisor's option to purchase franchisee's business	Section 17.2	Upon termination of the Franchise Agreement, we have the option to purchase your furniture, equipment, signs, advertising materials, supplies and inventory at your cost or fair market value, whichever is less.
p. Death or disability of franchisee	Section 15.6	The Franchise Agreement may be inherited by your heirs or successors, provided they agree to guarantee all obligations of the Franchise Agreement and appoint a Business Director, approved by us, within 180 days or transfer the Kidokinetics Business. If your heirs or successors do not appoint a Business Director or transfer the Kidokinetics Business within 180 days, the Franchise Agreement will automatically terminate, unless prohibited by law.
q. Non-competition covenants during the term of the franchise	Section 18.5.1	You, each principal, and your and your principals' spouses shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity: (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any children's sports or fitness business or any other business offering any other goods or services offered or authorized for sale by System franchisees (" <u>Competing Business</u> "); (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any Kidokinetics franchisees (Subject to applicable state law).

Provision	Section In the Franchise or Other Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 18.5.2	Upon the expiration or earlier termination of this Agreement or upon a transfer and continuing for 24 months, you and your principals, and your spouse and the spouse of each principal, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in Competing Business within a twenty 20-mile radius of the perimeter of (a) the Territory being granted hereunder, or (b) any other Territory licensed by us as of the date of expiration or termination of this Agreement; (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize our business or the business of any Kidokinetics franchisee; or (v) solicit business from customers your former Kidokinetics Business or contact any of our suppliers or vendors for any competitive business purpose. (Subject to applicable state law).
s. Modification of the agreement	Section 21.4	The Franchise Agreement may not be modified except by a written agreement that both of us sign.
t. Integration/merger clause	Section 21.4	Only the terms of the Franchise Agreement are binding (subject to applicable state law). Any representations or promises made outside the Franchise Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in this Franchise Disclosure Document, its exhibits and amendments.

Provision	Section In the Franchise or Other Agreement	Summary
u. Dispute resolution by arbitration or mediation	Section 19.2	You must first bring any claim that is between us to the attention of our management. You must first exhaust our internal dispute resolution procedures before you may bring your dispute before a third party. The requirement that you must first attempt to resolve disputes internally will survive the termination or expiration of your term. At our option, any disputes and claims that are not resolved by internal dispute resolution must, at our option, be submitted to mediation. The mediation will take place in Broward County, Florida before the American Arbitration Association (“<u>AAA</u>”) in accordance with the AAA’s Commercial Mediation Rules then in effect. You must notify us, with details of your claim or dispute, before commencing any legal action against us or our affiliates. Once we receive your notice, we will have 30 days to notify you as to whether we or our affiliates elect to exercise the option to submit the matter to mediation. You may not commence any action against us or our affiliates regarding any claim or dispute in any court unless we fail to exercise our option to submit the claim or dispute to mediation, or such mediation proceedings have been terminated under certain circumstances. This agreement to mediate will survive any termination or expiration of the Franchise Agreement. The parties shall not be required to first attempt to mediate a controversy, dispute, or claim through mediation if such controversy, dispute, or claim relates to an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Marks, the System, or in any Confidential Information; (ii) any claims pertaining to or arising out of any warranty issue; or (iii) any of the restrictive covenants contained in the Franchise Agreement (subject to applicable state law).
v. Choice of forum	Section 19.4	Subject to applicable state law, any litigation must be pursued in courts located in Broward County, Florida. (Subject to applicable state law).

Provision	Section In the Franchise or Other Agreement	Summary
w. Choice of law	Section 19.3	Subject to applicable state law, Florida law applies, except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.).

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Franchise 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.

We designate each Franchise as a separate “outlet.” In some cases, a single franchisee may operate several Franchises and provide operating results on a combined basis. Combined results are noted below in Table 1 in connection with each listed location.

As of December 31, 2022, we had 36 franchised outlets and six affiliate-owned outlets operated by three affiliate-owned businesses (“Affiliate Locations”) in operation. We include information from seven outlets operated by three franchisees that were open and operating for all twelve months of 2022 (“Franchised Locations”) and information from the four Affiliate Locations that were open and operating for all twelve months of 2022, including one outlet operated by our KKI Affiliate (“Affiliate Location #1”) and three outlets operated by our TK Affiliate (“Affiliate Location #2”) (together, the “Reporting Affiliate Locations”). Two outlets opened by another affiliate opened in 2022 and have been excluded because they did not operate for all twelve months of 2022. The tables below provide information on the Reporting Affiliate Locations and the seven reporting Franchised Locations (“Reporting Group”). We exclude the data of the 29 franchised outlets that did not operate for all twelve months of 2022. The Affiliate Locations do not pay Royalty Fees, Brand Development Fund Contributions, or technology fees and is not subject to a local advertising requirement, all of which a franchised Kidokinetics Businesses will have to pay. The Kidokinetics Businesses included in this financial performance representation offer similar services and faces a similar degree of competition anticipated for the Kidokinetics Businesses offered under this Franchise Disclosure Document.

Table 1

The information in Tables 1A and 1B below is a historical financial performance representation for the Franchised Locations and Affiliate Location #1 for the 2020, 2021 and 2022 calendar years (each a “Reporting Period”) and Affiliate Location #2 for the 2022 calendar year (Affiliate Location #2 did not open until November 2021).



Table 1A
Annual Gross Sales for the Franchised Locations in the Reporting Group
During the 2020, 2021 and 2022 Reporting Periods

	Dallas Location Operates 3 Outlets⁽¹⁾			North Carolina Location Operates 1 Outlet			NW Broward Location Operates 3 Outlets⁽¹⁾		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Gross Sales	\$254,465	\$491,763	\$640,608	\$29,137	\$30,839	\$ 112,823	\$58,919	\$141,199	\$211,423

Table 1B
Annual Gross Sales for the Reporting Affiliate Locations in the Reporting Group
During the 2020, 2021 and 2022 Reporting Periods

	2020	2021	2022
Affiliate Location #1	\$260,197	\$310,172	\$374,177
Affiliate Location #2	N/A	N/A	\$139,085

Notes to Tables 1A and 1B:

1. The Dallas Location operates in a combined three-territory location in Texas and reports operating results on a combined basis. The NW Broward Location operates in three territories in Florida and reports operating results on a combined basis. The North Carolina Location operates a single outlet within a single territory in North Carolina and the Reporting Affiliate Locations operate one territory each in Florida.
2. “Gross Sales” means all sales of every kind and nature at or from the Kidokinetics Business or made pursuant to the rights granted hereunder, including but not limited to the sales of all services and products related to the Kidokinetics Business, whether Franchisee has received the amount of the sales in cash, coupon, from barter or exchange, in services in kind, or on credit or otherwise. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales include sales of gift cards and gift certificates at the time Franchisee receives the funds from the purchase of such gift cards and gift certificates.

Table 2

We requested financial information from the Franchised Locations. Two of the three franchisees provided this information and it is included in Table 2. The information in Table 2 contains financial information from a franchisee that operates three outlets in Dallas, Texas (“Dallas Location”) and a franchisee that operates one outlet in Cary, North Carolina (“North Carolina Location”). Tables 2A and Table 2B contains financial information of the Dallas Location during the 2022 and 2021 Reporting Period and Table 2C contains financial information of the North Carolina Location during the 2022 Reporting Period. The Dallas Location has been in operation since February 2008. The Dallas Franchisee operates in three territories. The Dallas Franchisee began operations in two of these territories in February 2008. The



Dallas Franchisee began operation of its third Franchise Location in June 2012. The North Carolina Location has been in operation since February of 2011 and operates in one territory.

Table 2A Financial Information for the Dallas Location During the 2021 Reporting Period		
Category	Total	% of Gross Sales
Gross Sales ⁽¹⁾	\$491,764	100%
Disclosed Operating Expenses (Actual) ⁽²⁾		
Wages	\$37,733	7.67%
Payroll Taxes	\$7,035	1.43%
Advertising and Promotion	\$3,767	0.77%
Bank Service Charges	\$515	0.10%
Business Gifts	\$1,057	0.21%
Business Meetings	\$2,485	0.51%
Coach Supplies	\$956	0.19%
Computer and Internet Expenses	\$2,158	0.44%
Contract Labor	\$131,658	26.77%
Credit Card Processing Fees	\$323	0.07%
Dues and Subscriptions	\$412	0.08%
Employee Background Services	\$280	0.06%
Equipment Storage Rental	\$408	0.08%
Facilities Rental	\$2,039	0.41%
General Liability Insurance	\$2,709	0.55%
Franchise-Related Expenses ⁽³⁾		
Royalties (Imputed)	\$39,341	8.00%
Brand Development Fund Contribution	\$9,835	2.00%
Technology Fee	\$5,700	1.16%
Local Advertising (Difference)	\$6,068	1.23%
Total Expenses	\$255,143	51.88%



Adjusted Net Operating Income	\$236,620	48.11%
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Table 2B Financial Information for the Dallas Location During the 2022 Reporting Period		
Category	Total	% of Gross Sales
Gross Sales ⁽¹⁾	\$640,408	100%
Disclosed Operating Expenses (Actual) ⁽²⁾		
Wages	\$142,788	22.30%
Payroll Taxes	\$17,634	2.75%
Advertising and Promotion	\$2,720	0.42%
Bank Service Charges	\$1,096	0.17%
Business Gifts	\$1,614	0.25%
Business Meetings	\$3,047	0.48%
Coach Supplies	\$2,232	0.35%
Computer and Internet Expenses	\$4,124	0.64%
Contract Labor	\$111,283	17.38%
Donation	\$250	0.04%
Employee Background Services	\$487	0.08%
Equipment Maintenance	\$425	0.07%
Equipment Storage Rental	\$1,160	0.18%
Facilities Rental	\$5,910	0.92%
Advertising and Promotion	\$2,720	0.42%
General Liability Insurance	\$3,058	0.48%
Interest Expense	\$228	0.04%
Legal Expense	\$175	0.03%
Meals and Entertainment	\$395	0.06%
QuickBooks Payments Fees	\$3,469	0.54%
Reimbursements	\$1,990	0.31%
Summer Camp Materials	\$4,994	0.78%
Office Supplies	\$562	0.09%
Franchise-Related Expenses		
Royalties	\$51,233	8.00%
Brand Development Fund Contribution	\$12,808	2.00%
Technology Fee	\$5,700	1.16%
Local Advertising (Difference)	\$10,088	1.56%
Total Expenses	\$392,190	61.2%



Adjusted Net Operating Income	\$248,218	38.7%
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Table 2C Financial Information for the North Carolina Location During the 2022 Reporting Period		
Category	Total	% of Gross Sales
Gross Sales ⁽¹⁾	\$112,823.01	100%
Disclosed Operating Expenses (Actual) (2)		
Advertising and Promotion	\$2,625.10	2.33%
Advertising/Promotional	\$30.00	0.03%
Automobile Expense	\$425.37	0.38%
Business Licenses and Permits	\$315.00	0.28%
Computer and Internet Expenses	\$1,108.58	0.98%
Dues and Subscriptions	\$1,951.01	1.73%
Licensing Fees	\$2,521.99	2.24%
Location Fee	\$2,088.70	1.85%
Liability Insurance	\$1,078.00	0.96%
Workers Compensation Insurance	\$518.00	0.46%
Promotional Items	\$1,092.46	0.97%
Trade Shows	\$675.00	0.60%
Meals and Entertainment	\$1,399.72	1.24%
Payroll Employee Wages	\$49.87	0.04%
Payroll Expenses Wages	\$12,411.64	11.00%
Payroll taxes Expense	\$1,096.83	0.97%
Professional Fees	\$21.00	0.02%
Accountant	\$2,391.22	2.12%
Contractors	\$20,118.00	17.83%
QuickBooks Payments Fees	\$1,340.17	1.19%
Sports Equipment	\$108.60	0.10%
Clothing / Gear	\$1,262.17	1.12%
Utilities Telephone Expense	\$3,133.02	2.78%
Franchise-Related Expenses ⁽³⁾		
Royalties	\$9,025.84	8.00%
Brand Development Fund Contribution	\$2,256.46	2.00%
Technology Fee	\$5,940.00	5.26%
Local Advertising (Difference)	\$3,374.90	3.00%
Total Expenses	\$74,983.75	69.46%



Adjusted Net Operating Income	\$34,464.36	30.54%
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Table 2 Notes:

1. “Gross Sales” is defined in the Notes to Tables 1A and 1B above.
2. “Disclosed Operating Expenses” refers to the expenses disclosed in Table 2A, Table 2B and Table 2C and does not include all operating expenses or costs of services provided. The Disclosed Operating Expenses do not include the payroll wages of the owners and managers of these Franchise Locations and certain other expenses. The payroll taxes paid in connection with the payroll of these owners and managers was not excluded. The “Facilities Rental” expenses include actual amounts paid to locations where Kidokinetics programs are held, including revenue and profit-sharing fees and other rental fees charged by these facilities.
3. Franchise Related Adjustments. The Dallas Location and North Carolina Location operate under a prior form of Franchise Agreement with alternative fee structures. These locations pay a reduced Royalty Fee of 7% of Gross Sales and do not pay a Brand Development Fund Contribution or technology fees. We have imputed the following franchise-related adjustments based on our current form of Franchise Agreement: a Royalty Fee of 8% of Gross Sales, Brand Development Fund Contribution of 2% of Gross Sales, a technology fee of \$475 per month, and local advertising requirement* of 2% of Gross Sales to reflect fees and costs that franchised Kidokinetics Businesses will pay under our current fee structure. Because the Dallas Location incurred some advertising expenses, we have deducted the amount spent from the imputed local advertising requirement. We do not assess an additional technology fee for a single franchisee operating up to four outlets. The illustrative adjustments of adding the then-current Royalty Fee, Brand Development Fund Contribution, technology fee and balance of the local advertising requirement in the table above present financial projections. These projections are based on historical information. We assumed that any additional expenses would not have a direct or indirect material effect on revenue or other expenses. Any change in these assumptions would require material alterations to the projections.

*Franchisees are required to spend the greater of \$500 per month, or 2% of Gross Sales per month (on a rolling 12-month average) on local advertising. The amount equal to 2% of monthly Gross Sales for the Dallas Location, calculated on a rolling 12-month average, was greater than the minimum \$500 local advertising requirement during the Reporting Period. Accordingly, we used the formula of 2% of Gross Sales to calculate the imputed franchise-related adjustment for the local advertising requirement for the Dallas Location. The North Carolina Location exceeded the 2% number but did not meet the \$500 per month minimum. Accordingly, we used the \$500 per month figure and imputed a additional \$3,374.90 .
4. “Adjusted Net Operating Income” equals Gross Sales less Disclosed Operating Expenses and Franchise Related Adjustments. Adjusted Net Operating Income is not net profit and does not include all operating expenses or any non-operating expenses such as taxes, interest, depreciation and amortization.
5. Franchisees may operate multiple Kidokinetics Businesses. We allow franchisees with multiple Kidokinetics Businesses to combined financial information to us. We do not collect or require



franchisees to provide us with separate numbers for each Kidokinetics Business they operate. Because the figures above for the Dallas Location include aggregate totals for multiple Kidokinetics Businesses, these figures may include significantly higher Gross Sales and Net Operating Income than the typical franchisee would generate operating a single Kidokinetics Business. A breakdown of these numbers by each Kidokinetics Business would result in significantly lower numbers.

6. The financial performance representations in Table 2 do not reflect all expenses such as taxes and amortization that must be deducted from the Gross Sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Franchise Disclosure Document, may be one source of this information.

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

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Kidokinetics Franchise LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Terri Braun, President, 10428 West SR 84, Unit 1, Davie, Florida 33324, (954) 385-8511, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2020 - 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets*	2020	5	7	+2
	2021	7	7	0
	2022	7	36	+29
Company-Owned**	2020	1	1	0
	2021	1	4	+3
	2022	4	6	+2
Total Outlets	2020	6	8	+2
	2021	8	11	+3
	2022	11	42	+31

* We designate each franchised territory as a separate "outlet." A single franchisee may operate multiple outlets.



**One Company-Owned Kidokinetics Business referred to in this table is owned and operated by our KKI Affiliate in the following counties in the state of Florida: Dade, Broward (excluding South East Broward), Palm Beach. The total population of the zip codes in these counties in which our KKI Affiliate operates includes approximately 1,400,000 people. This would equate to approximately six separate Territories (each consisting of approximately 220,000 in population). Three of the Company-Owned Kidokinetics Businesses referred to in this table are owned and operated by our TK Affiliate in Hillsborough County, Florida. Our TK Affiliate operates three Kidokinetics Businesses under three Kidokinetics franchise agreements and was granted a territory under each agreement. Two of the Company-Owned Kidokinetics Businesses referred to in this table are owned and operated by an officer-owned entity in Smyrna, Georgia.

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

State	Year	Number of Transfers
Totals	2020	0
	2021	0
	2022	0

Table No. 3
Status of Franchised Outlets
For Years 2020 - 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Colorado	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Florida	2020	1	2	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
Georgia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
New Jersey	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0



State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
New York	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
North Carolina	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Ohio	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
Pennsylvania	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Tennessee	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	5	0	0	0	0	5
Texas	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	7	0	0	0	0	10
Utah	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
Virginia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Total	2020	5	2	0	0	0	0	7
	2021	7	0	0	0	0	0	7
	2022	7	29	0	0	0	0	36

Table No. 4
Status of Company-Owned Outlets
For Years 2020 - 2022

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2020	1	0	0	0	0	1
	2021	1	3	0	0	0	4
	2022	4	0	0	0	0	4
Georgia	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	2	0	0	0	2
Total Outlets	2020	1	0	0	0	0	1
	2021	1	3	0	0	0	4
	2022	4	2	0	0	0	6

Table No. 5
Projected Openings as of
December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	3	0
California	0	4	0
Colorado	2	0	0
Florida	0	3	0
Georgia	5	0	0
Idaho	1	0	0
Illinois	0	0	0
Indiana	3	0	0
Massachusetts	0	6	0
Minnesota	0	3	0
North Carolina	0	1	2
New Jersey	2	3	0
New York	2	3	0



State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Ohio	2	3	0
South Carolina	4	2	0
Texas	3	3	0
Virginia	4	2	0
Total	28	36	2

Franchisee Information

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit E. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Kidokinetics Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the one-year period ending December 31, 2022, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit E. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Kidokinetics System. During the last three years, we had one current franchisee sign confidentiality provisions that would restrict the franchisee's ability to speak openly about their experience with the Kidokinetics Franchise System. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. If you buy a Kidokinetics Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

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

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit D to this Franchise Disclosure Document are our audited financial statements for the fiscal years ending December 31, 2022, 2021 and 2020. Our fiscal year end is December 31.

ITEM 22. CONTRACTS

Exhibit B	Franchise Agreement
Exhibit F	Franchise Disclosure Questionnaire
Exhibit G	State Addenda and Agreement Riders
Exhibit H	Contracts for Use with the Kidokinetics Franchise

ITEM 23. RECEIPT



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



EXHIBIT A

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

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

<u>CALIFORNIA</u> <u>State Administrator and Agent for Service of Process:</u> Commissioner Department of Financial Protection and Innovation 320 W. 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 (866) 275-2677 <u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 <u>Agent for Service of Process:</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 S. Second Street Springfield, IL 62706 (217) 782-4465 <u>INDIANA</u> Secretary of State Securities Division Room E-018 302 W. Washington Street Indianapolis, IN 46204 (317) 232-6681 <u>MARYLAND</u> Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	<u>MARYLAND</u> <u>Agent for Service of Process:</u> Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 <u>MICHIGAN</u> Michigan Department of Attorney General Consumer Protection Division 525 W. Ottawa Street Lansing, MI 48913 (517) 373-7117 <u>MINNESOTA</u> Department of Commerce Commissioner of Commerce 85 Seventh Place East, Suite 280 St. Paul, MN 55101-3165 (651) 539-1600 <u>NEW YORK</u> <u>Administrator:</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 <u>Agent for Service of Process:</u> Secretary of State 99 Washington Avenue Albany, NY 12231 <u>NORTH DAKOTA</u> <u>Administrator:</u> North Dakota Securities Department 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712 <u>Agent for Service of Process:</u> Securities Commissioner 600 East Boulevard Avenue State Capitol, Fourteenth Floor, Dept. 414 Bismarck, ND 58505-0510	<u>RHODE ISLAND</u> Department of Business Regulation 1511 Pontiac Avenue, Bldg. 68-2 Cranston, RI 02920 (401) 462-9527 <u>SOUTH DAKOTA</u> Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 <u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, 9th Floor Richmond, VA 23219 <u>Agent for Service of Process:</u> Clerk of the State Corporation Commission 1300 E. Main Street, 1st Floor Richmond, VA 23219 <u>WASHINGTON</u> <u>State Administrator:</u> Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507 (360) 902-8760 <u>Agent for Service for Process:</u> Director of Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W. Washington Avenue Madison, WI 53703 (608) 266-3364
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Rev. 012723

EXHIBIT B

KIDOKINETICS FRANCHISE LLC

FRANCHISE AGREEMENT





KIDOKINETICS FRANCHISE LLC FRANCHISE AGREEMENT

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Schedule 1:	Data Sheet
Attachment A:	Trademarks
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Attachment C:	Release
Attachment D:	Statement of Ownership Interests in Franchisee
Attachment E:	Franchisee’s Personal Guaranty
Attachment F:	Confidentiality and Non-Compete Agreement
Attachment G:	EFT Authorization Form

KIDOKINETICS FRANCHISE LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (herein “Agreement” or “Franchise”) is being entered into this ____ day of _____, 20____, by and between Kidokinetics Franchise LLC, a Florida limited liability company, with its principal office at 10428 West SR 84, Unit 1, Davie, Florida 33324 (herein “Franchisor”) and _____, a _____, with an address of _____ (“Franchisee”).

BACKGROUND

A. Through the expenditure of considerable time, effort and money, Franchisor has designed, developed and established a business offering physical fitness programs for young children through an introduction to sports and a variety of other related activities and services, referred to as “Kidokinetics Businesses”, using Franchisor’s specifications, standards, operating procedures, specialized equipment, methods of marketing and presentation, training and assistance and using Franchisor’s confidential operations manual of business practices and policies (the “Franchise Operations Manual”), and Franchisor’s products and quality standards; instructional materials, any other operations manuals and training courses (the “System”).

B. The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the “KIDOKINETICS[®]” service mark, shown in Attachment “A”, and such other trade names, service marks, and trademarks as are now designated and may be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

C. Franchisor continues to develop, use, and control the use of the Marks in order to identify for the public the source of services and products marketed under the Marks and the System, and to represent the System’s high standards of quality, appearance, and service.

D. Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, service, and appearance, and the necessity of operating the business franchised in this Agreement in conformity with Franchisor’s standards and specifications.

E. Franchisee has determined to enter into this Agreement because Franchisee desires to operate a high-quality youth fitness business utilizing the System. Franchisee understands and accepts the terms, conditions and covenants contained in this Agreement as being reasonably necessary to maintain Franchisor’s high standards of quality and service and the uniformity of those standards and thereby to protect and preserve the goodwill of the Marks and other intellectual property licensed to Franchisee in this Agreement or which may be added to the System from time to time.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, the parties hereby agree as follows:

AGREEMENT

1. **GRANT OF FRANCHISE.** Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions herein contained, the license to operate a Kidokinetics franchise (the “Kidokinetics Business” or the “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only to the territory which will be selected by Franchisee and approved by Franchisor, which is more particularly described in Section 2 herein and in Attachment “B” (the “Territory”). Franchisee understands and acknowledges that present or future franchisees of Franchisor may operate under different forms of franchise agreements and consequently that Franchisor’s obligations and rights with respect to its various franchisees may differ materially in certain circumstances.



2. TERRITORY

2.1. Territory. This Agreement grants Franchisee the right to operate the Kidokinetics Business from a single location within a Territory (“Kidokinetics Business Location”) described and/or mapped in Attachment “B” to this Agreement and incorporated into this Agreement. Except as otherwise provided for in this Agreement, as long as Franchisee is in compliance with the terms and conditions hereof, Franchisor agrees it will not operate, nor permit any other franchisee to operate, a Kidokinetics Business within the Territory using the same Marks. Franchisee acknowledges that other franchisees may operate their Kidokinetics Businesses from home offices located within the Territory, however, such Franchisee shall not be granted the right to operate within the Territory. Franchisee may not operate outside the Territory without express written authorization from Franchisor.

2.2. Reservation of Rights. Franchisee acknowledges and agrees that Franchisor and any parties Franchisor designates will have the right to: (i) establish and operate, and license third parties the right to establish and operate, other franchised businesses using the Marks and System at any location outside of the Territory; (ii) acquire, merge with, engage in joint ventures with, or otherwise affiliate with, and thereafter own and operate and franchise others the right to own and operate, any business of any kind, including businesses that offer products that are similar to those provided by a Franchised Business, within or outside the Territory; (iii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Marks at any location; (iv) sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products, services or merchandise, from any location or to any purchaser, through any channel or method of distribution (including, but not limited, to virtual classes, sales made by or through telemarketing, and/or on the Internet); (v) provide the services or sell products authorized for Kidokinetics Businesses to customers whose principal residence (or principal business office, if the customer is a business entity) is within Franchisee’s Territory if contact with the customer is initiated by the customer and not Franchisor; (vi) to use and license the use of technology to non-franchisee locations inside and outside the Territory; and (vii) engage in any other activities not expressly prohibited under this Agreement. Franchisee acknowledges and agrees that this Agreement does not grant it any right to (a) offer any product or service via e-commerce without prior approval by Franchisor, (b) establish an independent website or to establish a URL incorporating the Marks or any variation thereof, or (c) distribute, market, or implement Franchisor’s products and services in any channel of distribution not specifically identified in this Agreement.

3. **TERM**. The term of this Agreement will commence on the date that Franchisor signs this Agreement and will continue for 10 years, unless sooner terminated as provided in this Agreement (the “Term”).

4. **RENEWAL**. Franchisee has the right to renew this Agreement for one successive, additional 10-year period, provided Franchisee has met the following conditions:

- 4.1.1 Franchisee has notified Franchisor of Franchisee’s intention to renew this Agreement in writing at least 90 days, and no more than nine months, prior to expiration of the current term;
- 4.1.2 Franchisee has completed, to Franchisor’s satisfaction, no later than 90 days prior to the expiration of the then-current term, any updates to required equipment, hardware and software necessary to bring the Franchised Business into full compliance with Franchisor’s then-current System standards and specifications;
- 4.1.3 Franchisee is not in breach of any provision of this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor’s affiliates, or Franchisor’s designated suppliers and vendors, and Franchisee has substantially complied with all such agreements during their respective terms;



- 4.1.4 Franchisee has satisfied all monetary obligations Franchisee owes Franchisor, Franchisor's affiliates, or Franchisor's designated suppliers and vendors;
 - 4.1.5 Franchisee executes Franchisor's then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement (which may include, without limitation, increased royalty and other fees and insurance requirements).
 - 4.1.6 Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees, if any, at Franchisee's sole expense;
 - 4.1.7 Franchisee and its principals execute a general release in the form Franchisor prescribes, currently in the form attached hereto as Attachment C; and
 - 4.1.8 Franchisee pays a renewal fee equal to \$7,500.
5. **FEES.** As part of the consideration for the right to operate the Franchised Business, Franchisee must pay to Franchisor the following fees:
- 5.1. Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchised Business and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee described in Schedule 1 of this Agreement (the "Initial Franchise Fee" or "Franchise Fee"). **The Initial Franchise Fee is fully earned upon execution of this Franchise Agreement and is not refundable under any circumstances. The Initial Franchise Fee shall be paid in a lump sum when Franchisee signs the Franchise Agreement.**
 - 5.2. Initial Marketing Package. If this is the first Franchise Agreement that Franchisee enters into with Franchisor, Franchisee must pay Franchisor \$5,000 for an initial marketing package ("Initial Marketing Package"). If this Agreement is for an additional Territory, Franchisee must pay \$1,000 for an Initial Marketing Package for an additional territory. The Initial Marketing Package is due upon execution of this Agreement.
 - 5.3. Software License Fee. Franchisee must pay Franchisor a "Software License Fee" of \$3,000 for use of Franchisor's proprietary software when Franchisee signs this Agreement. This fee is uniform and non-refundable. Franchisee must also sign the "Software License Agreement," the form of which is attached to Franchisor's Franchise Disclosure Document in Exhibit H, when Franchisee signs the Franchise Agreement. If this Agreement is for an additional Kidokinetics Business, Franchisee shall pay Franchisor a reduced Software License Fee of \$1,000 when Franchisee signs this Agreement.
 - 5.4. Optional Management Services. Franchisor or its affiliate may provide optional management services to support franchisees in fulfilling the pre-opening and/or post-opening obligations, including obtaining permits and day-to-day oversight of operations of the franchise (the "Management Services"). In order to qualify for the Management Services, Franchisee must purchase at least three Kidokinetics franchises and have at least \$100,000 in working capital. If Franchisee chooses to use these services, Franchisee will pay Franchisor: (1) a one-time \$10,000 "Recruiting Fee" to cover our costs in recruiting a director for the Kidokinetics Business; (2) \$2,000 per month to Franchisor or Franchisor's affiliate (the "Management Fee"), upon signing the "Business Management Agreement" attached to this Franchise Disclosure Document in Exhibit H-7; and (3) 10% of the Profits of the Kidokinetics Business during the term of the Business Management Agreement (the "Incentive Fee"), with Franchisor or its designee to receive a pro rata share of the Incentive Fee calculated as of the last day Franchisor or its designee furnishes Management Services. For the purposes of this Section, "Profits" are calculated as the Gross Sales less all costs of goods sold and services provided and operating expenses for the operation of the Kidokinetics Business. For the avoidance of doubt, Profits shall be equal to the Kidokinetics Business's

earnings before interest, taxes, depreciation and amortization. The Recruiting Fee is due upon execution of this Franchise Agreement, and is uniform and non-refundable. The Management Fee and Incentive Fee shall be deducted prior to the remittance of the balance of the Profits to Franchisee. You must sign a Business Management Agreement for each qualifying franchise receiving Management Services, however your Recruiting Fee and Management Fee will cover up to four Kidokinetics Businesses, if they are all purchased at the same time. Franchisee acknowledges that a default under the Business Management Agreement also constitutes a default of this Agreement. If Franchisee enters into a Business Management Agreement, Franchisee is still required to supervise the Kidokinetics Business or appoint a designated manager to supervise the day-to-day operations of the Kidokinetics Business.

5.5. Recurring Fees.

5.5.1. Royalty Fee. On Wednesday of each week (or such other date as we designate, you agree to pay us a royalty fee equal to eight percent (8%) of Gross Sales during the previous week (Monday through Sunday) (“Percentage Royalty”). At the end of the month, if the Percentage Royalty for that month is less than the minimum royalty in the chart below, you will pay us the difference (“Minimum Royalty”) to meet your Minimum Royalty obligation. You will receive a 90-day grace period (“Grace Period”), beginning on the day you successfully complete the initial training class, before you are required to begin paying the Minimum Royalty, but the Percentage Royalty will be in effect immediately. The Minimum Royalty is as follows:

Timeframe	Minimum Royalty
First 12 months (Beginning after the Grace Period)	\$600 per month
Months 13 to 24	\$800 per month
Months 25+	\$1,000 per month

If you purchased multiple franchises at the same time and this is your second, third or fourth franchise in that purchase, you will receive an increased Grace Period according to the following table:

Franchise Number	Minimum Royalty Grace Period after completion of initial training
2	12 months
3	24 months
4	36 months

The total amount you contribute is referred to herein as the (“Royalty”). “Gross Sales” means all sales of every kind and nature at or from the Kidokinetics Business or made pursuant to the rights granted hereunder, including but not limited to the sales of all services and products related to the Kidokinetics Business, whether Franchisee has received the amount of the sales in cash, coupon, from barter or exchange, in services in kind, or on credit or otherwise. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e., coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales include sales of gift cards and gift certificates at the time Franchisee receives the funds from the purchase of such gift cards and gift certificates.

5.5.2. Technology Fee. Franchisee agrees to pay Franchisor the then-current technology fee in the amount Franchisor designates each month for technology-related services (“Technology Fee”). The Technology Fee includes services for up to four Kidokinetics Businesses if they are



operated by the same legal entity and have adjacent Territories. You will pay the then-current additional monthly fee any additional email addresses (over and above the four included with your Technology Fee). Franchisee shall pay the Technology Fee via ACH electronic transfer on the date designated by Franchisor. The Technology Fee is not refundable under any circumstances. Franchisor reserves the right to increase the rate and/or payment frequency of the Technology Fee at any time.

5.5.3. Brand Development Fund Contribution. Franchisee shall pay to Brand Development Fund (as defined in Section 12.8) without offset, credit, or deduction of any nature, two percent (2%) of Gross Sales (“Brand Development Fund Contribution”). Brand Development Fund Contributions shall be paid at the same time and in the same manner as Royalty Fees as provided in Section 5.2.1.

5.5.4. Annual Conference Fee. Franchisee shall pay to Franchisor the then-current annual conference fee. Payment is due upon receipt of written notice that such conference is being held. Franchisee shall pay the Annual Conference Fee regardless of whether Franchisee registers for or attends the annual conference. The annual conference fee may be increased system wide, in our discretion, should costs to conduct the annual conference increase. Franchisee is responsible for its representatives’ travel costs and accommodations.

5.5.5. Customer Service Fee. If Franchisee is not in compliance with Franchisor’s brand standards compliance program, Franchisee shall pay to Franchisor the then-current customer service fee for the calendar quarter in which Franchisee is not in compliance. Franchisor, in its sole discretion, may determine whether Franchisee is in compliance with the brand standards compliance program.

5.6. Late Fee, Interest, and Insufficient Funds Fee.

5.6.1. Late Fee. If the Royalty Fee, Brand Development Fund, Technology Fee or any amounts due to us or our affiliates, or Gross Sales Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of twenty-five dollars (\$25.00) per week for each payment of any amounts owed to Franchisor under this Agreement, or any report due under this Agreement not received when due. This late fee is reasonably related to Franchisor’s costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee’s failure to pay the Royalty Fee, the Brand Development Fund, Technology Fee and/or submit Gross Sales Reports in accordance with the terms of this Agreement.

5.6.2. Interest. Any and all amounts that are unpaid at the time they are due and owing from Franchisee to Franchisor under the terms of this Agreement will bear interest from the date due until paid at the rate of 1.5% per month or at the highest rate permitted by law, whichever is lower.

5.6.3. Insufficient Funds Fee. In the event any of Franchisee’s checks are returned, or an electronic funds transfer from Franchisee’s bank account is denied for insufficient funds, Franchisee will pay Franchisor, in addition to the amount due, an Insufficient Funds Fee of fifty dollars (\$50.00) or an amount equal to that charged to Franchisor by the bank, whichever is higher, per occurrence. This Insufficient Funds Fee is reasonably related to Franchisor’s costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.



- 5.7. Gross Sales Reports. Franchisee shall, on the Monday following the close of each reporting week (Saturday through Friday) by no later than 11:00 a.m., furnish Franchisor with a report showing Franchisee's Gross Sales and Sales Collected at or from the Kidokinetics Business and/or made pursuant to the rights granted hereunder during such period (the "Gross Sales Report"), whether or not Franchisee has had Gross Sales during the period. The Gross Sales Report will be in such form and will contain such information as Franchisor may from time to time prescribe. At Franchisor's discretion, Franchisee will submit the Gross Sales Report by an electronic transfer of data using the management software we require (currently Kidolink), or any other such software that Franchisor may require Franchisee use in the operation of the Kidokinetics Business.
- 5.8. Method of Payment. Franchisee will, together with the submission of the Gross Sales Report, pay to Franchisor each Wednesday, via an electronic funds transfer program ("EFT Program") the Royalty Fee and the Brand Development Fund, as defined and more particularly described in Article 13, then due. Franchisee must deposit all revenues from the operation of Franchisee's Kidokinetics Business into one bank account within three days of receipt, including cash, checks, and credit card receipts. Before opening Franchisee's Kidokinetics Business, Franchisee must provide Franchisor with Franchisee's bank name, address and account number, a voided check from the bank account, and sign and give to Franchisor and Franchisee's bank, all documents, including Attachment "G" to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee will immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time. Franchisee's failure to allow electronic funds transfers on an ongoing basis is a material breach of this Agreement.

6. **TRAINING.**

- 6.1. Initial Management Training Program. Franchisee, or if Franchisee is an entity, Franchisee's principals (defined as all holders of an ownership interest, office or directorship in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee and hereinafter referred to collectively as "Principals") having management responsibility for the Kidokinetics Business and Franchisee's Business Director (if different from the Principal) shall attend and complete, to Franchisor's sole and absolute satisfaction, Franchisor's next scheduled initial management training program ("Initial Management Training Program") unless the next scheduled Initial Management Training Program is scheduled within 15 days of the Effective Date of this Agreement in which event Franchisee will attend the next scheduled training program. The Initial Training Program pertains to operation of the Franchised Business. The Initial Management Training Program consists of a course conducted at Franchisor's headquarters, currently in Davie, Florida, or at a location within the vicinity of Franchisor's headquarters. Franchisor reserves the right to designate an alternate location for the Initial Management Training Program. If Franchisee is an entity, it must at all times during the term of this Agreement have a Principal and a Business Director who have successfully completed the Initial Management Training Program to Franchisor's sole and complete satisfaction. Franchisee, Franchisee's Principals with management responsibility, and Franchisee's Business Director may attend the Initial Management Training Program at no charge prior to opening the Kidokinetics Business ("Initial Trainees"). Notwithstanding the foregoing, Franchisee will be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.
- 6.2. Modification of the Initial Management Training Program. Franchisor may modify the content and manner of conducting the Initial Management Training Program in its discretion from time to time. Franchisor also reserves the right to waive a portion of the training program or alter the training schedule, if in Franchisor's sole discretion, Franchisor determines that Franchisee or Franchisee's Business Director has sufficient prior experience or training.



- 6.3. Satisfactory Completion. Franchisor will determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Management Training Program. If the Initial Management Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Management Training Program cannot be satisfactorily completed by any such person, Franchisee will designate a replacement person, who meets the qualifications set forth in this Agreement, to satisfactorily complete such training. Any Business Director subsequently designated by Franchisee will also receive and satisfactorily complete such initial training.
- 6.4. Fee for Training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any additional trainee beyond the first two, and any replacement of an Initial Trainee who does not complete the Initial Management Training Program to Franchisor's sole and complete satisfaction. Franchisor also reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any replacement or successor Business Director, if Franchisee is not approved by Franchisor to provide such training. Franchisor's current training tuition fee is \$500 per person per day, but may be adjusted at Franchisor's sole discretion. Franchisee further will be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with initial or subsequent training, including, without limitation, costs of travel, lodging, meals and wages.
- 6.5. Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time. If required by Franchisor, Franchisee, Franchisee's principals, if any, and Business Director shall participate in refresher training for up to five (5) days per year, at a location designated by Franchisor. Franchisor reserves the right to charge its then-current additional training fee for any additional training provided by Franchisor. Currently, the additional training fee is equal to \$500 per person per day of training. Franchisor may also require Franchisee to attend a national business meeting or annual convention for up to three days per year, at a location designated by Franchisor and Franchisor reserves the right to require Franchisee to pay a registration fee for each national business meeting and/or annual convention, which fee will be due and payable regardless of whether Franchisee actually attends such meeting or convention, as applicable. Franchisee will be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training, or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals and wages. Failure to attend and/or complete mandatory additional training by Franchisee, Franchisee's Principal and/or Business Director, or failure of Franchisee to attend Franchisor's national business meeting or annual convention is a material event of default of this Agreement.
- 6.6. On-Site Additional Training. Upon Franchisee's reasonable request or as Franchisor deems appropriate, Franchisor will, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who will provide on-site additional or remedial training and assistance to Franchisee's personnel at the Kidokinetics Business Location. For such additional training and assistance requested by Franchisee, Franchisee will pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals. The per diem fee is currently set at \$500, but may be adjusted or waived at Franchisor's sole discretion; it is payable in advance, and is non-refundable.
- 6.7. Counseling and Assistance. In addition to visits by Franchisor's field representatives, as Franchisor deems appropriate, Franchisor will, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Kidokinetics Business Location pursuant to Section 6.6, furnish consultation and assistance to Franchisee, either in person or by telephone, fax, electronic mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Kidokinetics Business, including consultation and advice regarding employee training, marketing, operation issues, bookkeeping and

System improvements. Advice will be given during our regular business hours. Franchisor maintains a staff to manage and operate the Kidokinetics System and its staff members can change as employees come and go. Franchisor cannot guarantee the continued participation by or employment of any of its shareholders, directors, officers, employees or staff.

7. FRANCHISED BUSINESS REQUIREMENTS

7.1. Site Selection. The Kidokinetics Business is a home-based business. Franchisor does not have specifications for an office location outside of the home. Should Franchisee choose to operate from a location other than a home office, such location must be within the Territory and Franchisee must request approval from Franchisor, which it may grant or refuse in its sole discretion and submit to it a copy of the lease prior to signing such lease.

7.2. Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Kidokinetics Business and commence business within 90 days after Franchisee has satisfactorily completed training. The date the Kidokinetics Business opens for business to the public is defined as the "Opening Date." Prior to the Opening Date, Franchisee will (i) complete all preparations for the Kidokinetics Business, including the purchase of all required supplies, equipment and vehicles, in accordance with System requirements, (ii) satisfactorily complete Franchisor's Initial Management Training Program, as further set forth in Article 7 above, and (iii) hire staff positions, as required by Franchisor. If Franchisee fails to comply with any of such obligations, Franchisor will have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Kidokinetics Business and commence business in accordance with this Section 7.2 will be deemed a material event of default under this Agreement.

7.3. Relocation. Franchisee may not relocate the Kidokinetics Business without Franchisor's prior written consent, which shall not be unreasonably withheld. In the event Franchisee elects to relocate the Kidokinetics Business to a new location, Franchisee may relocate the Kidokinetics Business, at Franchisee's sole expense, to a new location selected by Franchisee within the Territory. In the event Franchisee wishes to relocate the Business, Franchisee:

7.3.1. must provide written notice of its intention to relocate to Franchisor at least 90 days prior to the date on which Franchisee elects to relocate;

7.3.2. shall remove any signs or other property from the original Kidokinetics Business Location which identified the original Kidokinetics Business Location as part of the System;

7.3.3. agrees that, during the transition to the new location, and at Franchisor's sole and absolute discretion: (i) the term of this Agreement will not be abated, and (ii) Franchisee remains liable to pay weekly Royalty Fees and Brand Development Fund Contributions that equal the average amount paid by Franchisee during the four calendar quarters immediately preceding the date that operations cease or the shorter period that Franchisee had been in business at the original Kidokinetics Business Location, and the annual Technology Fee; and

7.3.4. Schedule 1 of this Agreement shall be amended to reflect the address of the new Kidokinetics Business Location.

8. MAINTENANCE AND IMPROVEMENT OF THE FRANCHISED BUSINESS AND SYSTEM

8.1. Franchise Operations Manual. Franchisor has created and developed special procedures, standards and methods for operating and maintaining the Kidokinetics Business, which standards are incorporated into our Franchise Operations Manual. Franchisor will loan a copy of the Franchise Operations Manual to



Franchisee. The Franchise Operations Manual and other documents are subject to modification from time to time as Franchisor determines, in its sole discretion. Franchisee agrees to operate the Kidokinetics Business in accordance with the Franchise Operations Manual. Franchisor will notify Franchisee of updates, revisions, modifications or amendments to the Franchise Operations Manual. Franchisee must comply with all updates, revisions, modifications or amendments to the Franchise Operations Manual no later than 30 days after notification at Franchisee's sole expense. The Franchise Operations Manual contains Franchisor's Trade Secrets and other Confidential Information and it shall be kept confidential by Franchisee during the term of the Franchise and subsequent to the expiration and non-renewal, termination, or transfer of this Agreement. Franchisee may provide the services Franchisor designates to all Accounts located within the Territory. The term "Accounts" means any and all schools, parks, community centers, summer camps, hotels, gyms, health centers and similar establishments that wish to contract for the services of a Kidokinetics Business where the site at which the services are to be provided is located within the Territory.

- 8.2. Maintenance of Kidokinetics Business. Franchisee will maintain the Kidokinetics Business and Kidokinetics Business Location to the standards of sanitation, repair and condition required by Franchisor, which standards are specified in the Franchise Operations Manual and other written directives, standards and specifications. Franchisee, at Franchisee's expense, will make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repairs or replacement of worn or impaired supplies, equipment, vehicles and signage as Franchisor may direct. Franchisor reserves the right to require Franchisee to wrap the vehicle used in connection with the operation of the Franchised Business in accordance with Franchisor's designated specifications at Franchisee's sole cost and expense.
- 8.3. Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, machinery, tools, including, but not limited to, QuickBooks Pro online or such other management software as Franchisor designates, and computer hardware (including an office computer, a tablet computer, a telephone, a fax machine, and a smartphone), software and applications, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.
- 8.4. Trade Dress Modifications. Franchisee is aware that, to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new vehicle wraps, new color schemes, and new or modified marks (collectively, "Trade Dress Modifications"). Franchisee, upon notice by Franchisor, shall immediately discontinue the use of any Mark that is no longer available to Franchisor or that Franchisor has otherwise discontinued, and substitute a different Mark or Marks as Franchisor directs. Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution.
- 8.5. No Liability/Waiver of Claims. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 8. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 8, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.
- 8.6. Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may require Franchisee to participate in council-related activities and meetings and to pay any fees assessed for the administration of the council.



9. FRANCHISOR'S OBLIGATIONS

Franchisor and/or its designated representative may provide some or all of the following services as it deems necessary in its sole discretion:

- 9.1. Franchise Operations Manual. A loan of one set of the confidential Franchise Operations Manuals and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.
- 9.2. Inspection/Site Visit. Franchisor's representative may visit the Kidokinetics Business Location and inspect the equipment, vehicles, and Kidokinetics Business Location, and evaluate the operations of the Kidokinetics Business and the services rendered by Franchisee whenever reasonably determined by Franchisor. Franchisor will also, at its reasonable discretion, observe Franchisee and all employees in the performance of Kidokinetics Business services and contact and interview customers of Franchisee. Franchisor will provide a report of the visit containing instruction for the efficient operation of the Kidokinetics Business. This report is part of the System and Franchisee is obligated to implement operational changes as required by the report.
- 9.3. Pre-Opening Requirements. Provide a written list of supplies, equipment, vehicles, signage, and products that will be required to open the Kidokinetics Business for business.
- 9.4. Advertising Materials. Provide samples or camera-ready artwork of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Kidokinetics Business.
- 9.5. List of Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of approved suppliers and manufacturers of supplies, equipment and vehicles for System franchisees.
- 9.6. Training. The training programs specified in Article 6 herein.
- 9.7. Post-Opening Assistance. Post-opening assistance via telephone or at the Kidokinetics Business Location in accordance with the provisions of Article 6.
- 9.8. Website and Email. Maintain a website with a dedicated page for each Franchisee along with an e-mail address or addresses for Franchisee's use in the operation of the Kidokinetics Business.
- 9.9. Toll Free Telephone Number. Franchisor has the right, but not the obligation, to establish and maintain a toll-free telephone number for the purpose of dealing with prospective customers, customer service, customer follow-up and satisfaction surveys. If Franchisor establishes a toll-free number, Franchisee must comply with Franchisor's procedures for implementing the nationwide service as Franchisor specifies in the Franchise Operations Manual or otherwise in writing, and Franchisee may be required to pay a fee related to the establishment, operation and maintenance of the toll-free telephone number.

10. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

- 10.1. Best Efforts. Franchisee, if a natural person, covenants and agrees that he or she will devote his or her full-time and make all commercially reasonable efforts to operate the Kidokinetics Business so as to achieve optimum sales. If Franchisee is an entity, each of Franchisee's Principals covenants and agrees to make all commercially reasonable efforts to operate the Kidokinetics Business so as to achieve optimum sales.



- 10.2. Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:
- 10.2.1. Franchisee is duly organized and validly existing under the state law of its formation;
 - 10.2.2. Franchisee is duly qualified and is authorized to do business in the jurisdiction of the Kidokinetics Business Location and the Territory;
 - 10.2.3. Franchisee's organizational documents will, at all times, provide that the activities of Franchisee are confined exclusively to the operation of the Franchised Business granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;
 - 10.2.4. The execution of this Agreement and the consummation of the transactions contemplated in this Agreement are within Franchisee's power and have been duly authorized by Franchisee;
 - 10.2.5. Copies of Franchisee's organizational documents, other governing documents, resolutions or consents of the governing board authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of equity interests in Franchisee, and any other documents as may be reasonably required by Franchisor will be furnished to Franchisor prior to the execution of this Agreement;
 - 10.2.6. The ownership interests in Franchisee are accurately and completely described on Attachment D of this Agreement. Upon the occurrence of any change of ownership, Franchisee will immediately provide Franchisor with a copy of the updated list of all owners of the entity. Franchisee will make a list of its owners available to Franchisor at any time upon request;
 - 10.2.7. Franchisee and, at Franchisor's request, each Principal, has provided Franchisor with the most recent financial statements and tax returns of Franchisee and such Principal. Such financial statements and tax returns shall present fairly the financial position of Franchisee and each Principal, as applicable, at the dates indicated therein and, with respect to Franchisee, the results of its operations and its cash flow for the years then ended. Franchisee will, at all times, maintain sufficient working capital to fulfill its obligations under this Agreement; and
 - 10.2.8. Each Principal and each Principal's spouse will personally execute and bind himself or herself to the Guaranty and Confidentiality and Non-Compete Agreement, in the forms of Attachments E and F to this Agreement, respectively. Each shall jointly and severally guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements under the Agreement, and otherwise bind themselves to the terms of this Agreement as stated herein, pursuant to the terms and conditions of the Guaranty and Confidentiality and Non-Compete Agreement.
- 10.3. Appointment of Business Director. Franchisee, or its majority shareholder if Franchisee is an entity, must devote his/her full-time attention and best efforts to the management and operation of the Franchised Business, or may delegate the day-to-day operations of the Franchised Business to a Business Director ("Business Director"). Franchisee may not appoint a Business Director who is not the Franchisee or principal of the Franchisee, if an entity, without the approval of Franchisor. All requests regarding appointment of a Business Director must be in writing. The Business Director shall meet Franchisor's standards and criteria, as set forth in the Franchise Operations Manual or otherwise in writing by Franchisor, and will be an individual otherwise acceptable to Franchisor in its sole discretion. The Business Director will devote his or her full time and best efforts to the supervision and management of the Kidokinetics Business, and may not engage in any other business activity without the Franchisor's

consent, which may be withheld in Franchisor's sole discretion. The Business Director will satisfy the training requirements set forth in Article 6.

- 10.3.1. If the Business Director is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee will promptly notify Franchisor and request approval for a replacement within 30 days after the Business Director ceases to serve, such replacement being subject to the same qualifications required by this Agreement (including, but not limited to, completing all training and obtaining all certifications required by Franchisor). Franchisor will approve or disapprove of the replacement Business Director within 30 days. Until such replacement is designated, Franchisee will provide for interim management of the Kidokinetics Business, who will act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section is deemed a material event of default under this Agreement.
- 10.3.2. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee an interim management support fee ("Interim Management Fee") until such Business Director is properly trained or certified in accordance with Franchisor's requirements. The Interim Management Fee will be in the amount of 10% percent of Gross Sales earned during the interim management period plus the subsequent three weeks, payable in addition to all regularly occurring fees including Royalty Fees and Brand Development Fund Contributions, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, and be withdrawn from Franchisee's designated bank account.
- 10.4. Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules, regulations and ordinances and timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Kidokinetics Business. Such laws, rules and regulations will include, without limitation, licenses to do business, fictitious name registrations, sales and other tax permits, any permits, certificates and/or licenses required by any federal, state or local law, rule or regulation and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall pay all taxes and other fees owed to any federal, state and local government when due.
- 10.5. Claims. Franchisee will notify Franchisor in writing within three calendar days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, in any way relating to or affecting the operation or financial condition of the Kidokinetics Business.
- 10.6. Assignment of Numbers and Listings. At Franchisor's request, Franchisee will execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's Kidokinetics Business telephone numbers and listings. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Kidokinetics Business and all related business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usages related to the Kidokinetics Business.
- 10.7. Access to Tax Filings. Upon execution of this Agreement, and at any time after upon Franchisor's request, Franchisee will execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority.
- 10.8. Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties and covenants set forth in this Article 10 are continuing obligations of Franchisee and each

Principal, as applicable, and that any failure to comply with such representations, warranties and covenants constitutes a material event of default under this Agreement. Franchisee and each Principal will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

11. FRANCHISEE'S OPERATIONS

11.1. Operation of Kidokinetics Business. In order to maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Kidokinetics Business in conformity with the methods, standards, specifications and operating procedures prescribed by Franchisor. Franchisee agrees to comply with the Franchise Operations Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

11.1.1. Use only such supplies, equipment and vehicles which comply with Franchisor's specifications;

11.1.2. Maintain and operate the Kidokinetics Business in good condition and repair and in a proper and businesslike manner, using Franchisee's best efforts to maintain the Kidokinetics Business in accordance with current System standards, the Franchise Operations Manual and all other directives and requirements of Franchisor, as they may be amended from time to time, and do such repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;

11.1.3. Comply with all applicable governmental laws, ordinances, rules and regulations, including prompt payment of taxes when due;

11.1.4. Adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct in all dealings with customers, suppliers, and Franchisor;

11.1.5. Require all employees of the Kidokinetics Business to wear uniforms or clothes conforming to Franchisor's specifications as to style, color, and design, as Franchisor may, from time to time, reasonably designate so as to maintain the goodwill and reputation of Franchisor, the System and the Marks;

11.1.6. Employ only qualified individuals who are trained in accordance with Franchisor's standards and who will at all times conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to insure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to patrons of the Kidokinetics Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;

11.1.7. Obtain and use only equipment, vehicles, products, supplies, business forms, signs, stationery, and services that conform to the current standards and specifications for the System as required by Franchisor and obtained from Franchisor's previously approved suppliers. Franchisor has the right to terminate this Agreement if Franchisee uses any equipment, vehicles or products that do not conform to such standards and specifications, if Franchisee fails to obtain any equipment required by Franchisor, or if Franchisee purchases from suppliers that have not been previously approved in writing by Franchisor;

11.1.8. Prominently display signs in and upon the Kidokinetics Business Location and service vehicles using the Marks and/or other advertising of such nature, form, color, number, location and size,



and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Kidokinetics Business Location or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have been outdated. Upon giving Franchisee notice of its objection to same or upon termination of this Agreement, Franchisor may at any time enter upon the Kidokinetics Business Location or elsewhere and remove any objectionable or non-approved signs or advertising media and keep or destroy same without reimbursing Franchisee or without being deemed guilty of trespass or any other tort;

11.1.9. Conduct all advertising programs in a dignified manner that will not detract from the reputation of the System or the Marks;

11.1.10. Submit all advertising, print materials (including, but not limited to, signs, brochures, websites, etc.), press releases, media packets and media information and any other information to be released for publication relating to the Kidokinetics Business, to Franchisor for written approval, prior to their being printed or published;

11.1.11. Offer all and only such services as may from time to time be previously approved and required by Franchisor and only using the equipment approved by Franchisor;

11.1.12. Devote Franchisee's full time, energy and best efforts to the efficient and effective management and operation of the Kidokinetics Business and avoid any activities that would conflict or interfere with or be detrimental to such purposes;

11.1.13. Not use the Marks except as they relate to the System, and then only as previously approved by Franchisor in writing;

11.1.14. Have at all times a Business Director who has been properly trained as required herein;

11.1.15. Operate Franchisee's Kidokinetics Business for at least those hours, days, and months that Franchisor specifies in the Franchise Operations Manual;

11.1.16. At all times, maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee's duties, obligations and responsibilities hereunder and to operate the Kidokinetics Business in a businesslike, proper and efficient manner; and

11.1.17. Employ the number of staff and offer the services described in Schedule 1 to this Agreement.

11.2. Bookkeeping and Reports.

11.2.1. Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations utilizing the accounting procedures specified by Franchisor. Franchisee agrees to: (i) purchase the computer systems in accordance with the requirements of this Agreement; and (ii) maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisor reserves the right to require Franchisee hire an outside accounting or bookkeeping firm to maintain the records and accounts of the Franchisee should it find, in its sole discretion, that Franchisee is not maintaining the records and accounts in accordance with the standards of the Franchisor. Franchisee is required to use the bookkeeping service that Franchisor chooses.

- 11.2.2. Franchisee must maintain, for at least five fiscal years from their preparation, complete financial records for the operation of the Kidokinetics Business in accordance with the then current Internal Revenue Service Publication and must provide Franchisor, at Franchisor's request, with: (i) a weekly Sales Report signed by Franchisee and in the form Franchisor specifies that contains the sales information pertaining to the preceding week including, without limitation, a summary of all monies received during the relevant period, any other additional information which Franchisor deems necessary to properly evaluate Franchisee's progress; (ii) a quarterly income statement and profit and loss statement, reflective of the three individual months in the quarter, in a format specified by Franchisor, including a standard chart of accounts, within 20 days after the end of each quarter; (iii) annual financial reports and operating statements in the form Franchisor specifies within 50 days after the close of each of Franchisee's fiscal years; (iv) state and local sales tax returns or reports and federal, state and local income tax returns for each year in which Franchisee's Kidokinetics Business is operated, within 30 days after their timely completion; and (v) such other reports as Franchisor may from time to time require, in the form and at the time Franchisor prescribes. Franchisee's fiscal year must be on a calendar year basis. To assist Franchisee in recording and keeping accurate and detailed financial records for reports and tax returns, Franchisor, at Franchisor's discretion, may specify the form in which the business records are to be maintained and provide a uniform set of business records for Franchisee to use. Franchisor will have full access to all of Franchisee's data, system, and related information by means of direct access, whether in person, or by telephone/modem installed and maintained at Franchisee's sole expense.
- 11.2.3. The financial statements required hereunder are in such form and contain such information as Franchisor may from time to time reasonably designate.
- 11.2.4. Franchisor has the right, at all reasonable times, to examine or audit, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds that any Gross Sales Report was understated by more than 3%, or Franchisee fails to submit required reports, Franchisee shall reimburse Franchisor for the cost of such examination, any understated amounts, and any related accounting, legal and travel expenses. Franchisee shall pay the Franchisor any amounts due, together with interest thereon, at the rate provided herein, upon finding of any understated Gross Sales. Understatement of Gross Sales of more than 3% may be considered an incurable material default and thereby subject to immediate termination. Three understatements of any amount during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

11.3. Computer Systems.

- 11.3.1. Franchisee, at Franchisee's sole expense, shall install and maintain the management software, required applications and a computer system that complies with Franchisor's standards and specifications, including: (i) an office computer, a tablet computer, a telephone, a fax machine, and a smartphone; (ii) a custom and proprietary point of sale system (the "POS System"), if Franchisor makes such a POS System part of its proprietary operating system in the future; (iii) printers and other peripheral hardware or devices; (iv) archival back-up systems; (v) Internet access mode and speed; and (vi) physical, electronic, and other security systems (collectively, the "Computer System"); and Franchisee shall follow the procedures related thereto that Franchisor specifies in the Franchise Operations Manual or otherwise in writing.
- 11.3.2. Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems that permit Franchisor to electronically access and retrieve any information stored in Franchisee's management software and other computer systems, including, without limitation, information concerning Gross Sales. Upon Franchisor's request, Franchisee shall execute such documents as

Franchisor deems necessary to permit Franchisor to electronically access and retrieve all information stored on Franchisee's office computer, tablet computer, and smartphone, and in Franchisee's management software and other computer systems. There are no contractual limitations on Franchisor's right to access the information and data on Franchisee's POS System and Computer System. Franchisee shall deliver to Franchisor a separate and distinct full access user name and temporary password, as well as all access codes, static internet protocol ("IP") addresses and other information to facilitate Franchisor's access to the data generated by and stored in Franchisee's computer, tablet or smartphone.

- 11.3.3. Franchisor shall have the right, but not the obligation, to develop or designate: (i) computer software programs Franchisee must use in connection with any component of the Computer System (the "Required Software"), which Franchisee shall install at Franchisee's expense; (ii) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install at Franchisee's expense; (iii) the tangible media upon which Franchisee records data; and (iv) the database file structure of the Computer System. Franchisee shall be responsible for the payment of all fees associated with the Required Software, Computer System and POS System.
- 11.3.4. At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisee agrees to pay all fees associated with the use of Required Software, which may be payable to Franchisor or Franchisor's approved or designated suppliers. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such upgrades, additions, changes, modifications, substitutions, and/or replacements to Franchisee's Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees its compliance with this Section 11.3.4 shall be at Franchisee's sole cost and expense.
- 11.3.5. Franchisor may now or in the future create or designate a proprietary software program, and Franchisor will retain a proprietary interest in all databases, lists, templates, programs and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software (the "Proprietary Software"). Proprietary Software may conduct, among other things, scheduling, accounting, inventory, and related activities. Franchisee must obtain the computer hardware necessary to implement the Proprietary Software into the Kidokinetics Business, and comply with all specifications and standards prescribed by Franchisor regarding the Proprietary Software as provided in the Franchise Operations Manual. This Proprietary Software will be Franchisor's proprietary product, and the information collected therefrom will be deemed Franchisor's confidential information. Franchisee agrees to sign Franchisor's then-current form of software license agreement for any Proprietary Software Franchisor may now or in the future create, pay any license fees associated with use of Proprietary Software, and upgrade the Proprietary Software as Franchisor designates.
- 11.3.6. Franchisee is required to participate in any System-wide computer network, intranet system, or extranet system that Franchisor implements and may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee's reports due under this Agreement to Franchisor online; (ii) view and print portions of the Franchise Operations Manual, including any updates or modifications thereto; (iii) download approved local advertising materials; (iv) communicate with Franchisor and other System franchisees; and (v) to complete any initial or ongoing training. Franchisee agrees to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols, and restrictions that Franchisor included in the Franchise Operations Manual, including those related to the encryption of confidential

information and prohibitions against the transmission of libelous, derogatory or defamatory statements.

- 11.3.7. Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall maintain an electronic mail account with an Internet service provider acceptable to Franchisor. Franchisee shall read all electronic mail related to the Kidokinetics Business on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.
- 11.3.8. Franchisor has established a website that provides information about the System and the services offered by the Kidokinetics franchises (the “Website”). Franchisor has sole discretion and control over the Website, including whether to discontinue the Website. Franchisor will provide Franchisee with a dedicated page on the Website for Franchisee’s Kidokinetics Business. Franchisor may require Franchisee, at Franchisee’s expense, to prepare all or a portion of the page using a template that Franchisor provides. All such information will be subject to Franchisor’s approval prior to posting. Franchisee has no ownership or other proprietary rights to such page and will lose all rights to such page upon expiration or termination of this Agreement for any reason.
- 11.3.9. Franchisor may use a portion of the Brand Development Fund Contributions or the Technology Fee to pay or reimburse itself for the costs incurred in connection with the development, maintenance and update of its website.
- 11.3.10. Franchisee acknowledges that Franchisor and/or Franchisor’s affiliates are the lawful, rightful and sole owner of the Internet domain name www.kidokinetics.com as well as any other Internet domain names registered by Franchisor and/or Franchisor’s affiliates, and unconditionally disclaims any ownership interest in such Internet domain names and any Internet domain names similar thereto. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor’s affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.
- 11.3.11. Franchisee shall pay all fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, Internet access, license fees, help desk fees, licensing or user-based fees for a franchise portal or a benchmarking platform, web page design, and fees related to exposure on Franchisor’s website.
- 11.4. Volume Rebates. If Franchisor receives any cash rebates, volume discounts, concessions, advertising allowances, or discount bonuses (collectively “Discounts”), whether by way of cash, kind or credit, from any manufacturer or supplier designated by Franchisor, whether or not on account of purchases made (i) by Franchisor for its own account or for Franchisee’s account, or franchisees generally, or (ii) by Franchisee directly for its own account, Franchisor reserves the right to retain the whole or any partial amount of such Discounts.
- 11.5. Unapproved Suppliers. If Franchisee desires to purchase, lease or use any supplies, equipment, vehicles or other items of any nature or kind from an unapproved supplier, Franchisee will submit to Franchisor a written request for such approval prior to utilizing such supplier. Franchisee will not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor will have the right to require that its representatives be permitted to inspect the supplier’s facilities, and that samples from the supplier be delivered, either to Franchisor or to an independent laboratory

designated by Franchisor for testing. If the supplier or manufacturer meets Franchisor's specifications, as determined in Franchisor's sole discretion, Franchisor will approve it as an additional supplier or manufacturer. Franchisor will notify Franchisee whether Franchisor approves or disapproves of the proposed supplier or manufacturer within 60 calendar days after Franchisor receives all required information to evaluate the product or service. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing should be construed to require Franchisor to approve any particular supplier. Franchisor reserves the right to require Franchisee to pay to Franchisor all reasonable costs of evaluation of any proposed supplier or proposed product or service.

- 11.6. Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement, and this Section in particular, Franchisee acknowledges and agrees that, because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may be deemed in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee will not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.
- 11.7. Payment of Debts. Franchisee is solely responsible for: (i) selecting, retaining and paying Franchisee's employees; (ii) the payment of all invoices for the purchase of goods and services used in connection with operating the Kidokinetics Business; and (iii) determining whether, and on what terms, to obtain any financing or credit that Franchisee deems advisable or necessary for the conduct of the Kidokinetics Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors, and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee's obligations in order to preserve the relationship between any System suppliers and System franchisees. Franchisee agrees 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, personal property and real estate taxes arising from Franchisee's operation of the Kidokinetics Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.
- 11.8. Telephone. Franchisee must obtain a new telephone number and telephone listing at Franchisee's expense, to be listed under the "Kidokinetics" name and not under Franchisee's corporate, partnership, or individual name, and to be used exclusively in connection with Franchisee's operation of the Kidokinetics Business. Upon the expiration, transfer or termination of this Agreement for any reason, Franchisee must terminate Franchisee's use of such telephone number and listing and assign the same to Franchisor or Franchisor's designee. Franchisee must answer the telephone in the manner Franchisor specifies in the Franchise Operations Manual.
- 11.9. Personal Conduct. Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor's Marks into disrepute.
- 11.10. Image. Franchisee acknowledges that Franchisor has developed the System to offer and sell services that will distinguish the Kidokinetics Business from other youth fitness programs that offer similar services valued at different prices and with less attention paid to service quality and customer service. Franchisee agrees to offer services and to operate the Kidokinetics Business in such a manner that emulates and enhances the image Franchisor intends for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve system-wide uniformity and



increase the demand for the services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Kidokinetics Business. Franchisee will, in the operation of the Kidokinetics Business, use only signs, supplies, vehicles, equipment, invoices, business cards and the like, imprinted with the Marks and colors as prescribed from time to time by Franchisor.

- 11.11. Pending Actions. Franchisee must notify Franchisor, in writing, within five days of the commencement of any action, suit or proceeding and 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 Franchisee or the Kidokinetics Business.
- 11.12. User Names and Passwords. Franchisee will provide, upon request by Franchisor, user names and passwords for services used in the operation of the Kidokinetics Business, including, but not limited to, social media accounts, and QuickBooks. This does not include any passwords to online banking or other financial accounts.

12. **ADVERTISING, PROMOTIONS AND RELATED FEES**

- 12.1. Advertising Programs. Franchisor may, from time to time, develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Kidokinetics franchises operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, will be final and binding upon Franchisee.

12.2. Local Advertising.

- 12.2.1. In addition to the ongoing advertising contributions set forth herein, Franchisee shall spend annually, throughout the term of this Agreement, the greater of \$500 or 2% of Gross Sales per month on a rolling 12-month average (“Local Advertising Requirement”) on advertising for the Kidokinetics Business within the Territory (“Local Advertising”). Franchisee is not required to spend more than the Local Advertising Requirement, but there is no limit on the amount Franchisee may spend on local advertising. On or before the 1st day of February each year, Franchisee must submit to Franchisor a Local Advertising expenditure report accurately reflecting such expenditures for the preceding annual period. If that day is not a business day, then such report will be due on the next business day. The following costs and expenditures incurred by Franchisee will not be included in Franchisee’s expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee’s personnel to attend advertising meetings, workshops or other marketing activities; or (iv) charitable, political or other contributions or donations. We may require you to subscribe to the email marketing subscription program we designate, such as Constant Contact or other similar email marketing programs, at your sole cost and expense. The fee for this is determined by the provider.



- 12.2.2. In addition to the requirements of Section 12.2.1, Franchisee must: (a) before Franchisee commences operation of the Kidokinetics Business on the date designated by Franchisor, pay to Franchisor the sum of: (i) \$5,000 for the Initial Marketing Package, if this is Franchisee's first Territory; or (ii) \$1,000 for the Initial Marketing Package, if this is a Franchise Agreement for an additional Territory).
- 12.3. Regional Advertising and Promotional Cooperatives. Franchisor will have the right, in Franchisor's discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Kidokinetics Business. If a Cooperative is established applicable to the Kidokinetics Business, Franchisee must participate in the Cooperative. Cooperative contributions will be credited towards the Local Advertising discussed in Section 12.2 above. Cooperative contributions will not exceed the Local Advertising Requirement unless a majority of the Cooperative votes to increase that requirement. The following provisions will apply to each Cooperative:
- 12.3.1. Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;
- 12.3.2. Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising;
- 12.3.3. No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials must be submitted to Franchisor for prior review and approval;
- 12.3.4. The Cooperative's activities will be agreed upon by a majority vote of the member franchisees in the Cooperative. All Cooperative contributions will be credited against the Local Advertising requirement. The Cooperative may, by the majority vote of its members, require a Cooperative contribution in excess of the Local Advertising requirement;
- 12.3.5. Each member franchisee must submit to the Cooperative, no later than Wednesday of each week, for the preceding business week, its respective contribution as provided in this Agreement together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval; and
- 12.3.6. Franchisor may grant to Franchisee, in its sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request from Franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption will be final.
- 12.4. Internet Advertising. At Franchisee's sole cost and expense, Franchisee must have paid advertising on the Internet, advertising Franchisee's Kidokinetics Business, including, but not limited to, Google, Yahoo, Bing and MSN.
- 12.5. Approval of Advertising. All advertising and promotion by Franchisee, in any medium, will be conducted in a professional manner and conform to the standards and requirements of Franchisor as set forth in the Franchise Operations Manual or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media, other than Social Media as addressed in Section 12.6 below, now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall

approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee shall not advertise or use the Marks in any fashion on the Internet or via other means of advertising through telecommunication, or establish any website listing, without the express written consent of Franchisor, which may be withheld in Franchisor's sole discretion. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Kidokinetics Business and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

- 12.6. **Social Media.** Except as approved in advance in writing by Franchisor, Franchisee 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 Kidokinetics Business, including any profile on Facebook, Twitter, LinkedIn, Plaxo, YouTube, Pinterest, Instagram, TikTok, or any other social media and/or networking site (whether currently in existence or developed in the future). If such approval is granted by Franchisor, Franchisee: (i) must establish and operate such Internet site in accordance with System standards and any other policies Franchisor designates in the Franchise Operations Manual or otherwise in writing from time to time; (ii) must utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s); and (iii) must obtain Franchisor's approval prior to making Social Media postings and Franchisee agrees to any Social Media postings that Franchisor, in its sole discretion, determines are inappropriate or detrimental to the goodwill of the System within 24 hours of Franchisor's notice to Franchisee. Franchisor reserves the right to require Franchisee to provide it with all Social Media account information related to the Kidokinetics Business and grant Franchisor independent access (including as account administrator) to Franchisee's Kidokinetics Business Social Media accounts in order to make upgrades, post information, and manage Social Media accounts as Franchisor deems appropriate for the benefit of the System. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, uniform resource locator's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee must provide content Franchisor requests for Internet marketing and Franchisee must follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking to, or other use of, the Kidokinetics website.
- 12.7. **Promotional Programs.** Franchisor may, from time to time, initiate promotional programs for the benefit of all franchisees of the System such as "frequent purchase" card programs or special service discounts. Franchisee agrees to accept and honor all cards, promotional coupons, or other System-wide offers, as accepted by other franchisees in the System.
- 12.8. **Brand Development Fund.** We administer a "Brand Development Fund" that is used to promote public awareness of our brand and to improve our System. You are required to pay the Brand Development Fund Contribution described in Section 5.5.3. The Brand Development Fund may be administered by us or our affiliate or designees, at our discretion. You agree that we may use the Brand Development Fund for any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Kidokinetics brand. This includes, but is not limited to: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs and other reputation management functions; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees

and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) the proportionate salary share of our employees that devote time and provide services for advertising, promotion, collection, accounting or administration of the Brand Development Fund; (xii) preparing and distributing financial accountings of the Brand Development Fund; (xiii) training tools; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities. We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location, and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the Brand Development Fund may be invested by us in our sole discretion and unused funds collected in any calendar year will be applied to the following year's funds. We reserve the right to contribute or loan additional funds to the Brand Development Fund on any terms we deem reasonable. The Brand Development Fund is not a trust, and we have no fiduciary obligations to you regarding our administration of the Brand Development Fund. An unaudited financial accounting of the operations of the Brand Development Fund will be prepared annually and provided to you upon written request. You acknowledge and agree that our expenditures from the Brand Development Fund in or affecting any geographic area may not be proportionate or equivalent to the Brand Development Fund Contribution by our franchisees operating in that geographic area and that you may not benefit directly or in proportion to your Brand Development Fund Contribution. We reserve the right to change, merge, re-form or dissolve the Brand Development Fund in our discretion. We will not use the Brand Development Fund for advertising principally for the solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating "franchises available" or similar phrasing. We may, upon 30 days' prior written notice to you, terminate and/or reinstate the Brand Development Fund. We will spend all amounts before any termination of the Brand Development Fund.

13. **INTELLECTUAL PROPERTY**

- 13.1 Ownership. Franchisee expressly understands and acknowledges that Kidokinetics, Inc. ("Licensor") is the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor claims copyrights on certain written material used in the System, including but not limited to, forms, advertisements, promotional materials and the Franchise Operations Manual, whether or not Franchisor has filed for copyrights with the U.S. Copyright Office. The Marks and copyrights are hereafter together referred to as the "Intellectual Property". As between Franchisor and Franchisee, Franchisor and Licensor are the owners of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them. Franchisee's use of the Intellectual Property does not give Franchisee any ownership interest or other interest in or to the Intellectual Property.
- 13.2 No Interference. Neither Franchisee nor any Principal will take any action that would prejudice or interfere with the validity of Franchisor's or Licensor's rights with respect to the Intellectual Property. Nothing in this Agreement gives the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's or Licensor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Kidokinetics Business and only at or from the Kidokinetics Business Location or in approved advertising related to the Kidokinetics Business.
- 13.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System inures solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license granted, no monetary amount will be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.



- 13.4 Validity. The Marks are valid and serve to identify the System and those who are authorized to operate under the System and Franchisee shall not contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property.
- 13.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property constitutes an infringement of Franchisor's or Licensor's rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain and enforce such rights in the Intellectual Property.
- 13.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Kidokinetics Business if the current Marks no longer can be used by Franchisor, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor will require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks no later than 10 days after notification thereof.
- 13.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:
- 13.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Kidokinetics Business only under the Mark "Kidokinetics[®]" and design. Franchisee must use only the Marks that Franchisor designates, and must use them only in the manner Franchisor authorizes and permits. Franchisee must use the Marks only for the operation of the Kidokinetics Business at the location approved by Franchisor and for advertising the Kidokinetics Business. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of its corporate or other legal name prior to filing it with the applicable state authority. Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability. All fictitious names used by Franchisee will bear the designation "a franchisee of Kidokinetics Franchise LLC". Franchisee must promptly register at the office of each county in which Franchisee's Kidokinetics Business operates, or at such other public office as provided for by the laws of the state in which Franchisee's Kidokinetics Business is located, as doing business under such assumed business name.
- 13.7.2 Franchisee shall identify itself as the owner of the Kidokinetics Business and as an independent Kidokinetics Franchise LLC franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at conspicuous locations or on any vehicle as Franchisor may designate in writing.
- 13.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

- 13.7.4 Any merchandise offered by Franchisee that utilizes the Marks, must be approved by Franchisor in writing prior to being sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.
- 13.7.5 The license of the Marks granted to Franchisee hereunder is nonexclusive and Franchisor retains the right, among others, (i) to use the Marks itself 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 any rights therein to Franchisee.
- 13.8 Claims. Franchisee shall notify Franchisor immediately by telephone, and in writing, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall promptly notify Franchisor and cooperate fully in defending or settling such litigation. Franchisee may not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor will have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates, of any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to defend or settle such litigation, to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. If Franchisee is in full compliance with this Agreement, as determined by Franchisor in its sole discretion, Franchisor shall defend and indemnify Franchisee against and reimburse Franchisee for all expenses, losses and damages (including settlement amounts and reasonable attorneys' fees and costs of suit incurred prior to Franchisor's defense of Franchisee) arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement. If Franchisor, in Franchisor's sole discretion, determines that Franchisee has not used the Intellectual Property in accordance with this Agreement, Franchisee will bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee's use of the Intellectual Property, Franchisee will execute any and all documents and do such acts as may, in Franchisor's opinion, be necessary to carry out such defense or prosecution including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Intellectual Property in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee's out-of-pocket costs in performing such acts.
- 13.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.
- 13.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity or corporation.
- 13.11 Franchisee acknowledges that any unauthorized use of the Intellectual Property constitutes an infringement of Franchisor's rights in the Intellectual Property and a material default of this Agreement. Franchisee agrees that it shall provide Franchisor with all assignments, affidavits, documents, information

and assistance Franchisor reasonably requests in order to register, maintain or enforce such rights in the Intellectual Property.

- 13.12 Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in Franchisor's sole opinion, reasonably be necessary or advisable to protect and maintain Franchisor's interests in any litigation or other proceeding or to otherwise protect and maintain Franchisor's interests or any other interested party in the Intellectual Property.
- 13.13 If it becomes advisable at any time in Franchisor's sole discretion to modify or discontinue the use of any name or mark and/or use one or more additional or substitute names or marks, Franchisee shall immediately modify or discontinue the use of any such name or mark, and use such additional or substitute name or mark. Franchisee waives any claim arising from or relating to any change, modification or substitution of the Marks.
- 13.14 Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14. **INSURANCE AND INDEMNIFICATION**

- 14.1. Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies rated A or better with A.M. Best Company, protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds, with at least the following coverage and limits (except as additional coverage and higher policy limits may reasonably be specified from time to time by Franchisor in the Franchise Operations Manual or otherwise in writing):

14.1.1. Liability. Franchisee will be required to procure and maintain insurance in the amounts Franchisor prescribes. Presently, Franchisor's insurance requirements are as follows: comprehensive general liability insurance in the amount of at least \$1,000,000 per occurrence and \$2,000,000 in the aggregate, or in the event Franchisee's leases commercial office space or storage space, such amount as required by Franchisee's lease or state laws; umbrella excess liability coverage in an amount equal to \$1,000,000 combined single limit coverage; property and casualty insurance to cover the full replacement value of your equipment, furniture, fixtures, vehicles and inventory; business interruption insurance for a minimum of 12 months equal to 12 month's financial obligations to Franchisor, the landlord (if any) and all others; automobile insurance in the amount of at least a combined single limit for bodily and property damage of \$100,000, or greater if required by state law; and, if Franchisee has employees, statutory worker's compensation insurance in the limits required by state law; crime insurance for employee dishonesty in the amount of \$5,000 combined single limit; and employer's liability insurance in the amount of \$100,000 per accident. Each policy must be written by a responsible carrier or carriers acceptable to Franchisor.

- 14.2. Certificates. At least 30 days prior to the opening of the Kidokinetics Business and policy renewal date, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by



Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required in Article 14. All policies of insurance required to be maintained by Franchisee will be renewed (and policies or certificates together with evidence of payment of premiums delivered to Franchisor) at least 30 days prior to the respective expiration dates of existing policies of insurance. All such policies shall contain endorsements requiring the insurer to give Franchisor at least 10 days written notice before terminating, canceling or making any changes in any such policy. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy.

- 14.3. Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Franchise Operations Manual or otherwise in writing, Franchisor will have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost of the insurance plus twenty percent (20%) of the premium for an administrative cost of obtaining the insurance. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost.
- 14.4. Indemnification. Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, its affiliates, and its respective members, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for all claims, obligations, liabilities and damages ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (a) the operation of Franchisee's Kidokinetics Business, and Franchisee's advertising; (b) the use of the Marks and other Confidential Information; (c) the transfer of any interest in this Agreement or Franchisee's Kidokinetics Business in any manner not in accordance with this Agreement; (d) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, mark or copyright or other proprietary right owned or controlled by third parties; or (e) libel, slander or any other form of defamation of Franchisor, the System, or System franchisees by Franchisee or any of Franchisee's principals. For purposes of this indemnification, "Claims" will mean and include all obligations, actual, consequential, punitive and other damages, and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance coverage available to Franchisor through Franchisee. Franchisor has the right to defend any such claim against Franchisor in the manner Franchisor deems appropriate or desirable in our Franchisor's discretion. Such an undertaking by Franchisor will, in no manner or form, diminish Franchisor's and each of Franchisor's principals' obligations to indemnify the Indemnitees and to hold them harmless. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.
- 14.5. Increase in Coverage. The stated levels and types of insurance required by this Article 14 are minimum requirements. Franchisor reserves the right, in its sole discretion, to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within 30 days of any required new limits or types of coverage, Franchisee shall submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.
- 14.6. Media Inquiries. Any and all media inquiries concerning the Kidokinetics Business or Kidokinetics Business Location, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium about the System, except as directed by Franchisor. Franchisor acknowledges that, in certain cases, Franchisee may be approached by media, and such impromptu comments are not intended to be prevented by this Section 14.6. Franchisee agrees that it will behave in a professional and courteous manner in any such impromptu

interviews and will not discuss the System. Franchisee shall notify Franchisor at the first possible opportunity following the interview.

- 14.7. Additional Insured. All required insurance policies shall name Franchisor, its respective officers, directors, partners, agents and employees, as additional insured parties except with regards to workers' compensation insurance. Franchisee is required to list Franchisor as an additional insured and insurance certificate holder, and Franchisee agrees to provide Franchisor upon demand with Certificates of Insurance demonstrating that the required insurance is in effect, if not automatically provided by the insurance carrier.
- 14.8 Notification of Claims. Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within 24 hours. Franchisee has a 24-hour opportunity to cure any lapses in insurance coverage.

15. TRANSFERS

15.1. Transfers by Franchisor.

- 15.1.1. Franchisor has the right to freely assign this Agreement, and all of Franchisor's rights and privileges in the Franchise Agreement, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee expressly assumes and agrees to perform Franchisor's obligations under the Franchise Agreement. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other entities, or be acquired by another entity, including competitors; and (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. With regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement requires Franchisor to remain in the business franchised by this Agreement or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative to assign Franchisor's rights in this Agreement.
- 15.1.2. Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's locations). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to a Kidokinetics franchise.

- 15.1.3. If Franchisor assigns its rights in this Agreement, nothing requires Franchisor to remain in the youth fitness business, or to offer or sell any products or services to Franchisee.
- 15.2. Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee and/or Franchisee's Principal(s), and Franchisor has made this Agreement in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee and/or Franchisee's Principals. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval, which will not be unreasonably withheld. Franchisor may void any transfer made without such approval.
- 15.3. Transfers by Franchisee. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Kidokinetics Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor, except as provided in Section 15.6 of this Agreement. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership is a Transfer and is prohibited without prior written consent of Franchisor. If Franchisee has complied fully with this Agreement, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:
- 15.3.1. The proposed transferee must be an individual of good moral character or the principals of the transferee must all be of good moral character and otherwise meet Franchisor's then-applicable standards for franchisees;
- 15.3.2. The transferee must have sufficient business experience, aptitude and financial resources to operate the Kidokinetics Business and to comply with this Agreement;
- 15.3.3. The transferee and its or their Business Director have agreed to complete Franchisor's Initial Management Training Program to Franchisor's satisfaction;
- 15.3.4. Franchisee has paid all amounts owed to Franchisor and third-party creditors;
- 15.3.5. The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions materially different from this Agreement, except that the transferee will not be required to pay an Initial Franchise Fee;
- 15.3.6. Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor for any acts, whether negligent or intentional, committed by Franchisee during the sales negotiations between Franchisee and transferee.
- 15.3.7. Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Kidokinetics Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least 30 days prior to a closing of the proposed Transfer;

- 15.3.8. If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor and subject to all limitations of Section 15.8 below;
- 15.3.9. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
- 15.3.10. Franchisee or transferee will provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of an agreement to faithfully perform all of Franchisee's obligations under this Agreement;
- 15.3.11. Franchisee (and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company), and the members of their respective families must comply with the post-termination provisions of this Agreement;
- 15.3.12. The transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Kidokinetics Business;
- 15.3.13. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of franchise disclosure document, and Franchisor will not be liable for any representations not included in the franchise disclosure document;
- 15.3.14. Franchisor's approval of the transfer will not constitute a waiver of any claims Franchisor may have against the transferring party;
- 15.3.15. Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Kidokinetics Business as Franchisee has supplied Franchisor hereunder; and
- 15.3.16. In any event, Franchisor may withhold or condition Franchisor's consent to any transfer as Franchisor deems appropriate based on the circumstances of the transfer or otherwise.
- 15.4. Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to 50% of the then-current Initial Franchise Fee (the "Transfer Fee"), provided that Franchisor is offering new franchises at that time. In the event Franchisor is not currently offering new franchises for sale at the time of transfer, the Transfer Fee will be \$5,000 plus any actual costs, including broker fees, if applicable. If Franchisor agrees to extend the transferee's term to ten (10) years under a new franchise agreement, the Transfer Fee will be replaced by the Franchisor's then-current initial franchise fee under the new franchise agreement.
- 15.5. Entity Formation Documents. The by-laws of a corporation or operating agreement of a limited liability company of a Franchisee that is an entity must state that: (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 15; (ii) Franchisee may conduct no business except the operation of a Kidokinetics Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

- 15.6. Death or Permanent Disability. Upon the death or permanent disability of Franchisee, the Franchise granted by this Agreement is descendible to any heir or other successor, provided the heir or successor is capable of fulfilling the requirements of the Franchise Agreement and agrees to sign a Personal Guaranty, a copy of which is attached to this Agreement as Attachment E, to guaranty the obligations of Franchisee within six months. If the heir or successor is unwilling or unable, for example due to minority or other impairment, to comply with the obligations of this section, he or she may appoint a Business Director, approved by Franchisor to operate the Kidokinetics Business. If Franchisee's heir or successor does not wish to accept the obligations of the Franchise Agreement, he or she may transfer the Franchised Business in accordance with the obligations contained in this Article 15 of the Agreement within six months from the date of death or permanent disability, to a third party approved by Franchisor in writing. A transfer under this Section 15.6 is subject to the conditions for Transfers in this Article 15. Nothing contained herein is intended, nor will it, extend the term of the Franchise Agreement. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from supervising the operation of Franchisee's Kidokinetics Business for six months from its onset.

Immediately after the death or permanent disability of such person, or while the Franchised Business is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Kidokinetics Business shall be supervised by an interim successor manager satisfactory to Franchisor, pending appointment of an approved Business Director or transfer of the Franchised Business to the deceased or disabled individual's lawful heirs or successors. If the executor, administrator, guardian, personal representative or trustee cannot or does not appoint an interim manager, Franchisor may provide interim on-site management of Franchisee's Kidokinetics Business, for which services Franchisee shall pay to Franchisor the Interim Management Fee. If Franchisee's heirs or successors do not appoint a Business Director or transfer the Franchised Business within 180 days, the Franchise Agreement will automatically terminate, unless prohibited by law.

- 15.7. Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any of Franchisee's Principals nor waive its right to demand that the transferee comply strictly with this Agreement.
- 15.8. Security Interests to Lender. Franchisee may not pledge, encumber, hypothecate, assign or otherwise give a third party a security interest in this Agreement, the Trade Names or Marks, other trade names, copyrighted materials, or the Kidokinetics Business, in any manner whatsoever without our consent, specifically stating the encumbrance is permissible and describing the specific nature of the encumbrance. Any attempted encumbrance made in violation of this section is a material breach of this Agreement and voids the security interest.
- 15.9. Franchisor's Right of First Refusal. If Franchisee at any time determines to sell or transfer (1) an interest in this Agreement, (2) all or substantially all of the assets of the Franchised Business, or (3) the Franchised Business (including the right to receive Franchisee's portion of the Franchised Business's profits or losses) – except to or among Franchisee's Principals – Franchisee agrees to obtain from a responsible and fully disclosed buyer, and send to Franchisor, a true and complete copy of a bona fide, executed written offer relating exclusively to an interest in this Agreement, the assets of the Franchised Business and/or the Franchised Business. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to five percent or more of the offering price.

Franchisor may, by delivering written notice to Franchisee within 30 days after Franchisor receives both an exact copy of the offer and all other information Franchisor requests, elect to purchase the interest for the price and on the terms and conditions contained in the offer, provided that: (1) Franchisor may substitute cash for any form of payment proposed in the offer; (2) Franchisor's credit will be deemed



equal to the credit of any proposed buyer; (3) Franchisor will have not less than 60 days to prepare for closing after notifying Franchisee of Franchisor's election to purchase; and (4) Franchisor must receive, and Franchisee agree to make, all customary representations and warranties given by the seller of the assets of a business, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and validity of contracts and the liabilities, contingent or otherwise, relating to the assets being purchased. If Franchisor exercises Franchisor's right of first refusal, Franchisee agrees that, for two years beginning on the closing date, Franchisee will be bound by the non-competition covenant contained in Section 18.5 below.

If Franchisor does not exercise Franchisor's right of first refusal, Franchisee may complete the sale to the proposed buyer on the original offer's terms, subject to Franchisor's approval of the transfer as provided in this Article 16. If Franchisee does not complete the sale to the proposed buyer within 60 days after Franchisor notifies Franchisee that Franchisor does not intend to exercise Franchisor's right of first refusal, or if there is a material change in the terms of the sale (which Franchisee must tell Franchisor promptly), Franchisor will have an additional right of first refusal during the 15 day period following either the expiration of the 60 day period or Franchisor's receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option.

16. **DEFAULTS AND TERMINATION**

16.1. Default and Automatic Termination. Franchisee will be deemed to be in material default under this Agreement, and all rights granted herein will automatically terminate without notice to Franchisee, if Franchisee becomes insolvent or makes a general assignment for the benefit of creditors; or if Franchisee or any Principal files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee or any Principal is adjudicated as bankrupt or insolvent in proceedings filed against Franchisee or any Principal under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Kidokinetics Business premises or equipment is instituted against Franchisee and not dismissed within 30 days.

16.2. Defaults with No Opportunity to Cure. Franchisee will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

16.2.1. fails to open the Kidokinetics Business within the time and in the manner specified in Article 7.

16.2.2. falsifies any report required to be furnished Franchisor hereunder;

16.2.3. abandons the Kidokinetics Business for a period of five consecutive days or more, with the term "abandon" including any conduct which indicates a desire or intent to discontinue operating the Kidokinetics Business in accordance with the terms of this Agreement and will apply in any event if Franchisee fails to operate the Kidokinetics Business as a Kidokinetics Franchise LLC. business for a period of 5 or more consecutive days without Franchisor's prior written approval;



- 16.2.4. fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Kidokinetics Business, including, but not limited to, the failure to pay taxes;
- 16.2.5. defaults under any lease or sublease of the real property on which the Kidokinetics Business is located;
- 16.2.6. understates Gross Sales by 5% at any time, or understates Gross Sales by any amount on three occasions or more, whether or not cured on any or all of those occasions;
- 16.2.7. permits a Transfer in violation of the provisions of Article 15 of this Agreement;
- 16.2.8. fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Kidokinetics Business Location upon death or permanent disability of Franchisee or any Principal of Franchisee in accordance with the procedures set forth in Article 15 of this Agreement.
- 16.2.9. has misrepresented or omitted material facts in applying for the Franchised Business;
- 16.2.10. is convicted of, or pleads no contest to, a felony or a crime that could damage the goodwill associated with the Marks, or does anything to harm the reputation of the System or the goodwill associated with the Marks;
- 16.2.11. receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated with the System or Marks or Franchisor's interest, in Franchisor's sole opinion;
- 16.2.12. conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;
- 16.2.13. creates a threat or danger to public health or safety from the maintenance or operation of the Kidokinetics Business;
- 16.2.14. refuses to permit Franchisor to inspect or audit Franchisee's books or records;
- 16.2.15. makes any unauthorized use of the Marks or other Intellectual Property or any unauthorized use or disclosure of Confidential Information (as defined in Section 18.2);
- 16.2.16. fails to comply with the non-competition covenants in Section 18.5;
- 16.2.17. defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or any renewals or has been given at least two notices of default in any consecutive 12-month period, whether or not the defaults have been corrected;
- 16.2.18. has insufficient funds to honor a check or electronic funds transfer three or more times within any consecutive 12-month period, whether or not the defaults have been corrected;
- 16.2.19. defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement;
- 16.2.20. issues a press release or responds to a media inquiry without prior approval from Franchisor;

- 16.2.21. breaches its obligations under Section 21.12; or
- 16.2.22. fails to meet the Minimum Performance Requirement.
- 16.3. Upon 5 Days' Notice to Cure. Franchisee will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 16.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be: fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five calendar days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two times in any 12 month period, and the third such late payment in any 12 month period is a non-curable default under Section 16.2.19.
- 16.4. Upon 15 Days' Notice to Cure. Franchisee will be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if any of the following defaults remain uncured for 15 calendar days after written notice:
- 16.4.1. Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.
 - 16.4.2. Franchisee fails to maintain the prescribed months, days or hours of operation at the Kidokinetics Business.
 - 16.4.3. Franchisee fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the Kidokinetics Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.
 - 16.4.4. Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Franchise Operations Manual.
 - 16.4.5. Franchisee conducts itself in a manner that, although not criminal, reflects adversely on the System, the Marks, or the services offered through the System.
 - 16.4.6. Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of Franchisee's Kidokinetics Business.
- 16.5. Upon 30 Days' Notice to Cure. Franchisor has the right to terminate this Agreement if Franchisee fails to perform or comply with any one or more of the terms or conditions of this Agreement or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates and fails to cure such default after notice and expiration of the thirty (30)-day cure period.
- 16.6. Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, Franchisor may, but has no obligation to:
- 16.6.1. effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or
 - 16.6.2. enter upon the Kidokinetics Business Location and exercise complete authority with respect to the operation of the Kidokinetics Business until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may

take over, control and operate the Kidokinetics Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor ten (10%) percent of the Gross Sales generated by the Kidokinetics Business during Franchisor's operation of the Kidokinetics- Business, as compensation. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement. Franchisee shall have a clause inserted in its lease for the premises that permits Franchisor to exercise its rights pursuant to this Paragraph.

- 16.7 Nonwaiver. Franchisor's delay in exercising or failure to exercise any right or remedy under this Agreement, or Franchisor's acceptance of any late or partial payment due hereunder will not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

17. **POST-TERMINATION**

- 17.1. Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee will immediately terminate and Franchisee and each Principal, if any, shall:

- 17.1.1. immediately cease to operate the Kidokinetics Business, and not, directly or indirectly, identify himself, herself or itself as a current or former Kidokinetics Business owner, franchisee or licensee;
- 17.1.2. immediately and permanently cease to use the Marks, any imitation of any Mark or other indicia of a Kidokinetics Business, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor, Licensor, or the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, vehicle wraps, stationery, forms and any other articles, which display the Marks;
- 17.1.3. take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;
- 17.1.4. promptly pay all sums owing to Franchisor and its affiliates. Such sums will include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation gives rise to and remains until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures and vehicles owned by Franchisee and used in the operation of the Kidokinetics Business at the time of default;
- 17.1.5. pay to Franchisor all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;
- 17.1.6. immediately deliver to Franchisor the Franchise Operations Manual and all records, files, instructions, customer lists, correspondence, invoices, agreements and all other materials related to operation of the Kidokinetics Business (all of which are acknowledged to be Franchisor's property), and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;
- 17.1.7. comply with the non-disclosure and non-competition covenants contained in Article 18; and



- 17.1.8. Permit Franchisor to make a final inspection of Franchisee's financial records, books, and other accounting records within one (1) month of the effective date of termination, expiration, or transfer.
- 17.2. Right to Purchase.
- 17.2.1. Franchisor has the option, but not the obligation, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the equipment (including any point-of-sale system or computer systems), vehicles, signs, fixtures, advertising materials and supplies of Franchisee related to the operation of the Kidokinetics Business, at Franchisee's cost or fair market value, whichever is less. Franchisor will purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor will assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value will be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations will be binding. In the event of such appraisal, each party will bear its own legal and other costs and split the appraisal fees equally. If Franchisor elects to exercise its option to purchase, it will have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment and will pay the remaining amount in cash. Closing of the purchase will take place no later than thirty (30) days after determination of the fair market value.
- 17.2.2. With respect to the options described in Sections 17.2.1, Franchisee must deliver to Franchisor in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.
- 17.2.3. Franchisor may assign any and all of its options in Section 17.2.1 to any other party, without the consent of Franchisee.
- 17.3. Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Kidokinetics Business and any related business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Kidokinetics Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 10.7, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney will survive the expiration or termination of this Agreement. Franchisee shall use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.
- 17.4. Survival. The rights and obligations of the parties contained in this Article 17 will survive the expiration or sooner termination of this Agreement.

18. **NON-DISCLOSURE AND NON-COMPETITION COVENANTS**



18.1. Franchise Operations Manual.

18.1.1. Franchisor has provided to Franchisee, on loan, a current copy of the Franchise Operations Manual. The Franchise Operations Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or developed in the future that would allow Franchisee to view the contents. If the Franchise Operations Manual (or any changes) are provided in a form other than paper copy, Franchisee will pay any and all costs to retrieve, review, use or access the Franchise Operations Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee must operate all aspects of the Kidokinetics Business in accordance with the Franchise Operations Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Franchise Operations Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

18.1.2. Franchisee and any and all Principals shall, at all times, treat the Franchise Operations Manual, any written directives of Franchisor, and any other manual and materials, and the information contained therein, as confidential and shall maintain such information as trade secrets and confidential in accordance with this Article and this Agreement. Franchisee and Franchisee's Principals, if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Kidokinetics Business. Franchisee and Franchisee's Principals, if any, may not at any time copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

18.1.3. The Franchise Operations Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor will at all times remain the sole property of Franchisor. Franchisee shall maintain the Franchise Operations Manual at all times in a safe and secure location, take all reasonable measures to prevent unauthorized access to the Franchise Operations Manual, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and report the theft or loss of the Franchise Operations Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall and similar technology to prevent unauthorized access. Franchisee must return the Franchise Operations Manual to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

18.1.4. Franchisor may from time to time revise the contents of the Franchise Operations Manual and other materials created or approved for use in the operation of the Kidokinetics Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. Franchisee must, at all times, ensure that the Franchise Operations Manual is kept current and up to date. In the event of any dispute as to the contents of the Franchise Operations Manual, the terms of the master copy of the Franchise Operations Manual maintained by Franchisor will control.

18.2. Confidential Information. Franchisee and any Principal acknowledge and accept that, during the term of this Agreement, Franchisee and any Principal will have access to Franchisor's trade secrets, including, but not limited to: methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, service prices, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Kidokinetics

Business; systems of operation, services, programs, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Franchise Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how; any other information which Franchisor may or may not specifically designate as “confidential” or “proprietary”, and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the “Confidential Information”). Franchisee acknowledges and agrees 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 (subsections (i)-(iv) collectively “Customer Lists”), and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute the trade secrets and Confidential Information of Franchisor. Neither Franchisee nor any Principal may, during the term of this Agreement or following the expiration or termination of the Agreement, communicate or divulge to, or use for the benefit of, any other person or entity. Following the expiration or termination of this Agreement, Franchisee or any Principal shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Kidokinetics Business under the terms of this Agreement. Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee’s employees who require the Confidential Information to operate the Kidokinetics Business. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor’s prior written consent. The covenant in this Section 18.2 will survive the expiration, termination or transfer of this Agreement or any interest in the Agreement and be perpetually binding upon Franchisee and each Principal.

- 18.3. Protection of Information. Franchisee shall take all steps necessary, at Franchisee’s own expense, to protect the Confidential Information and immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.
- 18.4. New Concepts. If Franchisee or any Principal develops any new concept, process or improvement in the performance of services, or in the operation or promotion of the Kidokinetics Business (“Improvements”), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.
- 18.5. Non-Competition Covenants. Franchisee and each Principal, if any, specifically acknowledge that, pursuant to this Agreement, Franchisee and each Principal, if any, will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, each Principal and Franchisee’s managers and employees. Franchisee and each Principal, if any, acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Kidokinetics Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and each Principal, if any, are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and each Principal, if any, covenant that, except as otherwise approved in writing by Franchisor:
- 18.5.1. During the term of this Agreement, Franchisee, each Principal, and the spouse of Franchisee and each Principal if any, shall not, either directly or indirectly, for themselves or through, on behalf



of, or in conjunction with, any person or entity: (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any youth fitness business or any other business offering any other goods or services offered or authorized for sale by System franchisees (“Competing Business”); (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Kidokinetics franchisees.

- 18.5.2. Upon the expiration or earlier termination of this Agreement, or upon a Transfer and continuing for 24 months, Franchisee and Principals, and the spouse of Franchisee and each Principal if any, shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in Competing Business within a twenty (20) mile radius of the perimeter of (a) the Territory being granted hereunder, or (b) any other Territory licensed by Franchisor as of the date of expiration or termination of this Agreement; (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Kidokinetics franchisees; or (v) solicit business from customers of Franchisee’s former Kidokinetics Business or contact any of Franchisor’s suppliers or vendors for any competitive business purpose.
- 18.6. Reasonableness of Restrictions. Franchisee acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principals, if any, since Franchisee or Principals, as the case may be, have other considerable skills, experience and education which afford Franchisee or Principals, as the case may be, the opportunity to derive income from other endeavors.
- 18.7. Reduction of Time or Scope. If the period of time or the geographic scope specified above should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion of geographic scope, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor has the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 18 or any portion thereof, without Franchisee’s consent, effective immediately upon receipt by Franchisee of written notice, and Franchisee agrees to immediately comply with any covenant as so modified.
- 18.8. Injunctive Relief. Franchisee acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee hereby consents to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.
- 18.9. No Defense. Franchisee and each Principal, if any, expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, will not constitute a defense to the enforcement by Franchisor of the covenants in this Section.
- 18.10. Covenants of Managers. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person’s employment with

Franchisee) from its Business Director and all other management level personnel of Franchisee who have received or will have access to training from Franchisor. Such covenants will be substantially in the form set forth in Attachment “F”.

19. **DISPUTE RESOLUTION**

19.1. Internal Dispute Resolution. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor’s President. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee’s dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

19.2. Mediation. At Franchisor’s option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties’ respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth in Section 19.1 above, must be submitted first to non-binding mediation, in Davie, Florida or the Greater Miami Area under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Franchisee whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisee and Franchisor will share mediation costs equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 19.2 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

(1) Any federally protected intellectual property rights in the Marks, the System, Proprietary Materials, Proprietary Software, or in any Confidential Information;

(2) Any claims pertaining to or arising out of any warranty issue;

(3) Any of the restrictive covenants contained in this Agreement; or

(4) Any claims to collect past due amounts owed to Franchisor or its affiliates.

19.3. Governing Law. With respect to all claims, controversies, disputes or actions, related to this Agreement, the Attachments hereto or the relationship created thereby, this Agreement and any such related Disputes are be governed, enforced and interpreted under Florida law without reference to its conflict of laws principles.

19.4. Selection of Venue. With respect to any claims not subject to or not resolved through mediation as set forth in Section 19.2 above or governed by Section 19.5 below, the parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Broward County, Florida, and the jurisdiction and venue of the United States District Court for the Southern District of Florida. Franchisee



acknowledges that this Agreement has been entered into in the State of Florida, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Davie, Florida, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Florida as set forth in this Section.

- 19.5. Injunctive Relief. Nothing in this Agreement shall prevent Franchisor from seeking to obtain injunctive relief in any jurisdiction, without posting a bond, against threatened conduct that will cause Franchisor loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.
- 19.6. Mutual Benefit. The Parties acknowledge that their agreement regarding applicable state law and forum set forth in this Article 19 provides them with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. The Parties further acknowledge the receipt and sufficiency of mutual consideration for such benefit.
- 19.7. **WAIVER OF CERTAIN DAMAGES.** THE FRANCHISEE HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER DAMAGES, INCLUDING LOST PROFITS, AGAINST FRANCHISOR, ITS AFFILIATES, AND ITS RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER. FRANCHISEE AGREES THAT IN THE EVENT OF A DISPUTE, ALL CLAIMS ARE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.
- 19.8. **LIMITATIONS OF CLAIMS.** FRANCHISEE FURTHER AGREES THAT NO CAUSE OF ACTION ARISING OUT OF OR UNDER THIS AGREEMENT MAY BE MAINTAINED BY FRANCHISEE AGAINST FRANCHISOR UNLESS BROUGHT BEFORE THE EXPIRATION OF ONE (1) YEAR AFTER THE ACT, TRANSACTION OR OCCURRENCE UPON WHICH SUCH ACTION IS BASED OR THE EXPIRATION OF ONE (1) YEAR AFTER THE FRANCHISEE BECOMES AWARE OF FACTS OR CIRCUMSTANCES REASONABLY INDICATING THAT FRANCHISEE MAY HAVE A CLAIM AGAINST FRANCHISOR HEREUNDER, WHICHEVER OCCURS SOONER, AND THAT ANY ACTION NOT BROUGHT WITHIN THIS PERIOD SHALL BE BARRED AS A CLAIM, COUNTERCLAIM, DEFENSE, OR SET-OFF. FRANCHISEE HEREBY WAIVES THE RIGHT TO OBTAIN ANY REMEDY BASED ON ALLEGED FRAUD, MISREPRESENTATION, OR DECEIT BY FRANCHISOR, INCLUDING, WITHOUT LIMITATION, RESCISSION OF THIS AGREEMENT, IN ANY MEDIATION, JUDICIAL, OR OTHER ADJUDICATORY PROCEEDING ARISING HEREUNDER, EXCEPT UPON A GROUND EXPRESSLY PROVIDED IN THIS AGREEMENT, OR PURSUANT TO ANY RIGHT EXPRESSLY GRANTED BY ANY APPLICABLE STATUTE REGULATING THE SALE OF FRANCHISES, OR ANY REGULATION OR RULES PROMULGATED THEREUNDER.
- 19.9. **WAIVER OF JURY TRIAL.** IN THE EVENT ANY PARTY INITIATES LITIGATION FOR ANY CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES, INCLUDING THOSE THAT INCLUDE OTHER PARTIES OR CLAIMS, ALL PARTIES WAIVE THEIR RIGHT TO A TRIAL BY JURY. THIS WAIVER APPLIES TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED



IN SUCH LITIGATION, INCLUDING BUT NOT LIMITED TO CLAIMS RELATED TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN THE PRINCIPALS.

- 19.10. **NO CLASS OR CONSOLIDATED ACTION.** ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES MUST BE CONDUCTED ON AN INDIVIDUAL, AND NOT A CLASS-WIDE, CONSOLIDATED, OR MULTIPLE PLAINTIFFS BASIS.
- 19.11. **LIMITATION ON PARTIES.** THE PARTIES MAY ONLY SEEK DAMAGES OR ANY REMEDY UNDER LAW OR EQUITY FOR ANY CLAIM AGAINST EACH OTHER OR THEIR SUCCESSORS, ASSIGNS OR GUARANTORS ARISING OUT OF OR RELATING TO THE AGREEMENT OR THE RELATIONSHIPS OF THE PARTIES AND THE PARTIES AGREE THAT PRINCIPALS, AFFILIATES, SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS AND REPRESENTATIVES (THE “NON-PARTY”), UNLESS SUBJECT TO A PERSONAL GUARANTY, WILL NOT BE PERSONALLY LIABLE OR NAMED AS A PARTY IN ANY LITIGATION PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP AMONG THE PARTIES. IN THE EVENT A NON-PARTY IS NAMED IN ANY ACTION, THE PARTIES AGREE HEREIN THAT ANY CLAIMS AGAINST THE NON-PARTY WILL BE DISMISSED BY THE ARBITRATOR OR COURT WITH PREJUDICE UPON A MOTION TO DISMISS AND ALL COSTS OF LITIGATION INCURRED BY THE NON-PARTY, INCLUDING BUT NOT LIMITED TO ATTORNEYS FEES, WILL BE AWARDED TO THE NON-PARTY.
- 19.12. **SURVIVAL.** THE PROVISIONS OF THIS ARTICLE 19 WILL CONTINUE IN FULL FORCE AND EFFECT, NOTWITHSTANDING THE EXPIRATION OR TERMINATION OF THIS AGREEMENT OR A TRANSFER BY FRANCHISEE OR ANY PRINCIPAL OF THEIR RESPECTIVE INTERESTS IN THIS AGREEMENT.
- 19.13. **Modification.** The provisions of Article 19 are independent of any other covenant or provision of this Agreement, provided, however, that in the event any court of competent jurisdiction or arbitrator find any provision in this Article 19 to be unlawful in any way, this Article 19 may be modified only to the extent necessary to have them comply with the law.

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20. GENERAL

- 20.1. **Independent Contractor.** Franchisee is and will be an independent contractor under this Agreement, and no partnership exists between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys’ fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys’ fees, relative to assignment or the transfer of right to franchise and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the operation of the Franchise.



- 20.2. Successors. This Agreement binds and inures to the benefit of the successors and assigns of Franchisor and is personally binding on and inures to the benefit of Franchisee (including the individuals executing this Agreement on behalf of an entity if Franchisee is an entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision will not be construed to allow a transfer of any interest of Franchisee or Principals, if any, in this Agreement or the Kidokinetics Business Location, except in accordance with Article 15 hereof.
- 20.3. Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared by a court of competent jurisdiction to be invalid, then such provision will be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.
- 20.4. Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee or any Principal, except the representations made in Franchisor's Franchise Disclosure Document. Nothing contained in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions of the Agreement are binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 20.5. Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, are deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and any Principals are deemed to be joint and several covenants, agreements and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 20.6. Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and will not be used in construing it.
- 20.7. Notices. All notices permitted or required by this Agreement will be in writing and deemed delivered when sent by facsimile, electronic mail, or when delivered by hand, or three (3) days after being placed in the US mail, or one (1) day after being left with an overnight delivery service. Notices will be addressed to Franchisor at its then-current principal place of business address, and to you at your home address or the most current address you provide to us.
- 20.8. Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee affects or impairs the rights of these parties with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part of the System at any place other than at the Kidokinetics Business Location does not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use will not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to Kidokinetics Business Location.
- 20.9. Remedies Cumulative. All rights and remedies of the Franchisor to this Agreement are cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for in this Agreement or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the Franchisor to this Agreement are continuing and not exhausted by any one or more

uses thereof, and may be exercised at any time or from time to time as often as may be expedient and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Article 16 do not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

- 20.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed are an original, and all of which shall constitute one and the same instrument.
- 20.11. Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein are deemed to survive such termination, expiration or transfer.
- 20.12. Anti-Terrorist Activities. Franchisee certifies that neither Franchisee, nor Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224 (the "Annex"). Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities of this Agreement pertain to Franchisee's obligations under this Section 21.12. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees will constitute grounds for immediate termination, upon notice, of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 16.2.23 of this Agreement. As used herein, "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 and acts of war.

[Signature page follows]

FRANCHISOR:

KIDOKINETICS FRANCHISE LLC

By: _____

Printed Name: _____

FRANCHISEE:

By: _____

Printed Name: _____

FRANCHISE AGREEMENT
SCHEDULE 1
DATA SHEET

The following terms are a part of the Franchise Agreement entered into between the parties and are incorporated therein:

1. Franchise Number: _____
2. DBA: Kidokinetics of _____
3. Population: _____
4. Initial Franchise Fee: \$ _____
5. Initial Marketing Package: \$ _____
6. Software Licensing Fee: \$ _____

Initial



**FRANCHISE AGREEMENT
ATTACHMENT A**

Design Mark –



**FRANCHISE AGREEMENT
ATTACHMENT B
TERRITORY DESCRIPTION**



FRANCHISE AGREEMENT

ATTACHMENT C

FORM GENERAL RELEASE - RENEWAL

[_____] (“Franchisee”) and [_____] (collectively, “Franchisee’s Principal(s)”), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all others persons acting on their behalf or claiming under them (collectively, the “Franchisee Releasors”), hereby release, discharge and hold harmless Kidokinetics Franchise LLC (“Franchisor”), its affiliates, and their respective officers, directors, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the “Franchisor Releasees”) from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the Kidokinetics Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Kidokinetics Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the “Franchisee Released Claims”).

FRANCHISEE AND FRANCHISEE’S PRINCIPAL(S), ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS, WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT.

The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim.

Executed as of _____, 20__.

FRANCHISEE:

Attest:

By:

FRANCHISEE’S PRINCIPAL:

Witness:

Name:

Witness:

Name:



**FRANCHISE AGREEMENT
ATTACHMENT D**

STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE

Name

Percentage of Ownership



**FRANCHISE AGREEMENT
ATTACHMENT E**

FRANCHISEE'S PERSONAL GUARANTY

This Franchisee's Personal Guaranty and Covenant (this "Guaranty") is given by each of the undersigned (each, a "Guarantor") on [_____], 20__ to Kidokinetics Franchise LLC, a Florida limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the "Franchise Agreement") with _____, a _____ ("Franchisee").

Guarantor acknowledges that Guarantor is included in the term "Franchisee's Principal" as described in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty and the undertakings of the Franchisee's Principal herein and in the Franchise Agreement are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the covenants, representations, warranties and agreements of the Franchisee's Principal as set forth in the Franchise Agreement, including all obligations regarding non-competition and confidentiality.

Guarantor does hereby guarantee to Franchisor the prompt payment and performance when due of any and all liabilities and obligations arising under or evidenced by the Franchise Agreement, any promissory note or other credit instruments, and any other liabilities, obligations and indebtedness of Franchisee and/or any of its assignees or affiliates to Franchisor and/or any of its assignees or affiliates, of every kind and description, now existing or hereafter incurred or arising, matured or unmatured, direct or indirect, absolute or contingent, due or to become due, and any renewals, consolidations and extensions, including any future advances from Franchisor to Franchisee (collectively, the "Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is irrevocable and unlimited. This Guaranty is an absolute and unconditional continuing guarantee of payment and performance of the Guaranteed Obligations. This Guaranty is not discharged by renewal of any claims guaranteed by this instrument, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Franchisor is not required to pursue any remedy on said Guaranteed Obligations as a condition of the obligation hereunder of Guarantor. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Guarantor agrees to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs and fees, and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Franchise Agreement and any other agreement between Franchisee and Franchisor.

Guarantor waives any and all notice of the creation, renewal, extension, accrual, modification, amendment, release, or waiver of any of the Guaranteed Obligations and notice of or proof of reliance by Franchisor upon this Guaranty or acceptance of this Guaranty. The Guaranteed Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended, modified or waived, in reliance upon this Guaranty and all dealings between Franchisor and



Guarantor shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other Guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability is joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

No change in the name, objects, share capital, business, membership, directors' powers, organization or management of the Franchisee shall in any way affect Guarantor in respect of the Guaranteed Obligations either with respect to transactions occurring before or after any such change, it being understood that this Guaranty is to extend to the person(s) or entity(ies) for the time being and from time to time carrying on the business now carried on by the Franchisee, notwithstanding any change(s) in the name or shareholders of the Franchisee, and notwithstanding any reorganization or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor are cumulative and not alternative and are in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and is binding on Guarantor and its successors and assigns.

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR

Sign: _____

Printed Name:

Sign: _____

Printed Name:

**FRANCHISE AGREEMENT
ATTACHMENT F**

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this _____ day of __, 20____, among Kidokinetics Franchise LLC, a Florida limited liability company (“Franchisor”), _____ (“Franchisee”) and _____ (“Covenantor”) in connection with a Franchise Agreement(s) dated____, 20____ between Franchisor and Franchisee (the “Franchise Agreement(s)").

WHEREAS, Franchisor has the right to use and license the use of certain marks and tradenames, including the service mark “KIDOKINETICS®” and design, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of Kidokinetics Business;

WHEREAS, Franchisor has granted Franchisee the right to operate a Kidokinetics Business pursuant to the System in a territory, as specifically defined in Attachment B of the Franchise Agreement (the “Territory”), in strict accordance with the terms and conditions of the Franchise Agreement(s);

WHEREAS, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Kidokinetics operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

WHEREAS, the Confidential Information provides economic advantages to Franchisor and licensed users of the System;

WHEREAS, Franchisor and Franchisee have agreed on the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Confidentiality Agreement.

- a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her association with the Kidokinetics Business operating under the Franchise Agreement(s). Such association includes any employment, contract, or other relationship that provides access to Confidential Information of the System.
- b. Covenantor shall not, at any time, make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.



- c. Covenantor shall not, at any time, disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees and/or agents of Franchisee for training and assisting such employees and/or in the operation of the Kidokinetics Business.
- d. Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with the Kidokinetics Business.
- e. Covenantor shall not, at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.
- f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without Franchisor's written consent.

2. COVENANTS NOT TO COMPETE.

- a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's association with the Kidokinetics Business, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:
 - (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise;
 - (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any youth fitness business or any other business offering any other goods or services offered or authorized for sale by System franchisees (a "Competing Business").
- b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's association with the Kidokinetics Business and continuing for twenty-four months, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:
 - (i) divert, or attempt to divert, any business or customer of the Kidokinetics Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise;
 - (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in Competing Business within a twenty (20) mile radius of the perimeter of (a) the Territory or (b) any other Territory licensed by Franchisor as of the date of expiration or termination of this Agreement;
 - (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's Marks and the System;
 - (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of any Kidokinetics franchisees; or
 - (v) solicit business from customers of any Kidokinetics Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose.
- c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained, and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.
- d. If the period of time or the geographic scope specified in Section 2.b. above should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that



such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

3. General.

- a. Franchisee shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.
- b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.
- c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.
- d. Any failure by Franchisor or the Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor will not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.
- e. This agreement is interpreted by and construed and enforced in accordance with the laws of the State of Florida, without reference to Florida choice of law principles.
- f. **COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE COURTS OF BROWARD COUNTY, FLORIDA AND/OR THE FEDERAL DISTRICT COURTS FOR THE SOUTHERN DISTRICT OF FLORIDA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS CONFIDENTIALITY AND NON-COMPETE AGREEMENT OR THE RELATIONSHIP CREATED BY THIS CONFIDENTIALITY AND NON-COMPETE AGREEMENT BY ANY MEANS ALLOWED BY FLORIDA OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS CONFIDENTIALITY AND NON-COMPETE AGREEMENT IS BROWARD COUNTY, FLORIDA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.**
- g. The parties agree that each of the foregoing covenants contained in this Agreement are construed as independent of any other covenant or provision of this Agreement.
- h. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.



- i. This Agreement contains the entire agreement of the parties regarding the subject matter hereof and supersedes all prior written or oral agreements of the parties concerning the same subject matter. This Agreement may be modified only by a duly authorized writing executed by all parties.
- j. All notices permitted or required by this Confidentiality and Non-Compete Agreement must be in writing, and deemed delivered when sent by facsimile, electronic mail, or when delivered by hand, or three (3) days after being placed in the US mail, or one (1) day after being left with an overnight delivery service. Notices will be addressed to the party to be notified at the following addresses:

If directed to Franchisor:

Kidokinetics Franchise LLC
10428 West SR 84, Unit 1,
Davie, Florida 33324
Attention: Terri Braun

If directed to Franchisee:

If directed to Covenantor:

Any change in the foregoing addresses will be effected by giving written notice of such change to the other parties.

- k. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective affiliates, successors and assigns. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISOR:
KIDOKINETICS FRANCHISE LLC

By: _____
Name:
Title:

FRANCHISEE:

By: _____
Name:
Title:

COVENANTOR:

By: _____
Name:
Title:



**FRANCHISE AGREEMENT
ATTACHMENT G**

ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION

Bank Name _____ :

ABA# _____ :

Acct. No. _____ :

Acct. Name _____ :

Effective as of the date of the signature below, _____ (“Franchisee”) hereby authorizes Kidokinetics Franchise 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) all Brand Development Fund Contributions; (3) all Technology Fees and (4) all other fees due and payable to the Company pursuant to the Franchise Agreement. Such withdrawals will occur on a weekly basis, or on such other schedule as Company will specify in writing. Company is also authorized to deposit funds into the above-referenced account, electronically or otherwise. This authorization will remain in full force and effect until terminated in writing by Company. Franchisee will provide Company, in conjunction with this authorization, a voided check from the above referenced account.

AGREED:

FRANCHISEE:

By: _____

Name: _____

Title: _____



EXHIBIT C

KIDOKINETICS FRANCHISE LLC

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Franchise Operations Manual



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EXHIBIT D

KIDOKINETICS FRANCHISE LLC

FINANCIAL STATEMENTS





KIDOKINETICS FRANCHISE LLC

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022, 2021, AND 2020



KIDOKINETICS FRANCHISE LLC

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Independent Auditor's Report

To the Members
Kidokinetics Franchise LLC
Weston, Florida

Opinion

We have audited the accompanying financial statements of Kidokinetics Franchise LLC, which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kidokinetics Franchise LLC as of December 31, 2022, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company was converted from a corporation to a limited liability company during the year ended December 31, 2021. Our opinion is not modified in respect to the conversion.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunlavy

St. George, Utah
April 18, 2023

KIDOKINETICS FRANCHISE LLC

BALANCE SHEETS

As of December 31, 2022, 2021, and 2020

	2022	2021	2020
Assets			
Current assets			
Cash and cash equivalents	\$ 32,500	\$ 40,556	\$ 2,254
Accounts receivable	498	-	2,530
Deferred contract costs, current	326,228	-	-
Total current assets	<u>359,226</u>	<u>40,556</u>	<u>4,784</u>
Non-current assets			
Leasehold improvements, net	48,127	55,087	-
Intangible assets, net	50,553	43,554	7,545
Right of use asset	81,087	-	-
Deferred contract costs, non-current	282,706	-	-
Other non-current assets	9,600	9,600	-
Total non-current assets	<u>472,073</u>	<u>108,241</u>	<u>7,545</u>
Total assets	<u>\$ 831,299</u>	<u>\$ 148,797</u>	<u>\$ 12,329</u>
Liabilities and Members' Equity (Deficit)			
Current liabilities			
Accounts payable	\$ 354,239	\$ 68,939	\$ 8,864
Accrued expenses	41,609	-	-
Credit card liability	206,381	47,806	-
Loans from member	31,092	29,594	11,368
Note payable	60,941	-	-
Operating lease liability, current	57,509	-	-
Deferred revenue, current	595,065	-	-
Total current liabilities	<u>1,346,836</u>	<u>146,339</u>	<u>20,232</u>
Non-current liabilities			
Operating lease liability, non-current	25,318	-	-
Deferred revenue, non-current	289,713	-	-
Total non-current liabilities	<u>315,031</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,661,867</u>	<u>146,339</u>	<u>20,232</u>
Members' equity (deficit)			
Common stock	-	-	1
Additional paid-in capital	-	-	4,999
Members' interests	406,386	427,077	-
Retained earnings (accumulated deficit)	<u>(1,236,954)</u>	<u>(424,619)</u>	<u>(12,903)</u>
Total members' equity (deficit)	<u>(830,568)</u>	<u>2,458</u>	<u>(7,903)</u>
Total liabilities and members' equity (deficit)	<u>\$ 831,299</u>	<u>\$ 148,797</u>	<u>\$ 12,329</u>

The accompanying notes are an integral part of the financial statements.

KIDOKINETICS FRANCHISE LLC
STATEMENTS OF OPERATIONS
For the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenue			
Initial franchise fees	\$ 689,548	\$ 281,000	\$ -
Royalty fees	86,911	56,577	26,484
Service revenue	87,473	-	-
Apparel sales	27,823	-	-
Total operating revenue	<u>891,755</u>	<u>337,577</u>	<u>26,484</u>
Operating expenses			
General and administrative	989,921	475,718	21,049
Professional fees	81,198	76,154	21,723
Commissions	490,302	125,315	-
Advertising and marketing	116,633	70,163	3,749
Total operating expenses	<u>1,678,054</u>	<u>747,350</u>	<u>46,521</u>
Loss from operations	(786,299)	(409,773)	(20,037)
Interest expense	25,021	1,943	188
Net loss	<u>\$ (811,320)</u>	<u>\$ (411,716)</u>	<u>\$ (20,225)</u>

The accompanying notes are an integral part of the financial statements.

KIDOKINETICS FRANCHISE LLC
STATEMENTS OF MEMBERS' EQUITY (DEFICIT)
For the years ended December 31, 2022, 2021, and 2020

	Common Stock		Additional Paid-in Capital	Members' Interests	Retained Earnings	Total Equity
	Shares	Amount				
Balance at January 1, 2020	100	\$ 1	\$ 4,999	\$ -	\$ 7,322	\$ 12,322
Net loss	-	-	-	-	(20,225)	(20,225)
Balance at December 31, 2020	100	1	4,999	-	(12,903)	(7,903)
Conversion to LLC	(100)	(1)	(4,999)	5,000	-	-
Member contributions	-	-	-	422,077	-	422,077
Net loss	-	-	-	-	(411,716)	(411,716)
Balance at December 31, 2021	-	-	-	427,077	(424,619)	2,458
Adoption of ASC 842, <i>Leases</i>	-	-	-	-	(1,015)	(1,015)
Member distributions	-	-	-	(20,691)	-	(20,691)
Net loss	-	-	-	-	(811,320)	(811,320)
Balance at December 31, 2022	-	\$ -	\$ -	\$ 406,386	\$ (1,236,954)	\$ (830,568)

The accompanying notes are an integral part of the financial statements.



KIDOKINETICS FRANCHISE LLC
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flow from operating activities:			
Net loss	\$ (811,320)	\$ (411,716)	\$ (20,225)
Adjustments to reconcile net loss to			
net cash used in operating activities:			
Amortization	22,001	11,191	7,225
Depreciation	11,400	1,900	-
Amortization of right of use asset	53,741	-	-
Changes in operating assets and liabilities:			
Accounts receivable	(498)	2,530	689
Deferred contract costs	(608,934)	-	-
Other non-current assets	-	(9,600)	-
Accounts payable	285,300	60,075	8,864
Accrued expenses	41,609	-	-
Credit card liability	158,575	47,806	-
Loans from shareholder	1,498	18,226	5,800
Operating lease liability	(53,016)	-	-
Deferred revenue	884,778	-	-
Marketing fund payable	-	-	(1,946)
Prepaid fees	-	-	(1,703)
Net cash used in operating activities	<u>(14,866)</u>	<u>(279,588)</u>	<u>(1,296)</u>
Cash flows from investing activities:			
Investment in leasehold improvements	(4,440)	(56,987)	-
Investment in intangible assets	(29,000)	(47,200)	-
Net cash used in investing activities	<u>(33,440)</u>	<u>(104,187)</u>	<u>-</u>
Cash flows from financing activities:			
Draw on note payable	76,050	-	-
Principal payments on note payable	(15,109)	-	-
Member contributions	(20,691)	422,077	-
Net cash provided by financing activities	<u>40,250</u>	<u>422,077</u>	<u>-</u>
Net change in cash and cash equivalents	(8,056)	38,302	(1,296)
Cash at the beginning of the year	40,556	2,254	3,550
Cash at the end of the year	<u>\$ 32,500</u>	<u>\$ 40,556</u>	<u>\$ 2,254</u>
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 25,021	\$ 1,943	\$ 188
Cash paid for taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Kidokinetics Franchise LLC (the "Company") is a limited liability company organized pursuant to the laws of the state of Florida on July 29, 2005 as Kidokinetics Franchise Corp. On May 4, 2021, the Company filed articles of conversion and converted from a corporation to a limited liability company. The Company's principal business is the development and franchising of a unique sports fitness program developed to help children enhance their coordination, concentration, and motor skills in a non-competitive environment. The Company operates in the United States of America.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2022, 2021, and 2020, the Company had cash and cash equivalents of \$32,500, \$40,556, and \$2,254, respectively.

(e) Accounts Receivable

Accounts receivable primarily consist of amounts from franchisees for initial franchise fees, royalty fees, and advertising fees. These receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts. Management regularly evaluates individual customer receivables considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received.

As of December 31, 2022, 2021, and 2020, the Company had receivables of \$498, \$0, and \$2,530, respectively. As of December 31, 2022, 2021, and 2020, the Company had no allowance for uncollectible accounts.

(f) Accrued Expenses

Accrued expenses consist of payroll liabilities and retainer fees for management services to be provided to franchisees. As of December 31, 2022, accrued expenses were \$41,609. As of December 31, 2021 and 2020, the Company had no accrued expenses.

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(g) *Revenue Recognition*

The Company's revenues consist of fees from franchised locations operated by conventional franchisees. Revenues from franchisees consist of initial franchise fees and royalties based on a percentage of gross revenues.

On January 1, 2020, the Company adopted ASC 606, *Revenue from Contracts with Customers* using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods. Management determined that the effect of adopting ASC 606 did not have a material effect on the Company's financial statements.

ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue.

For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the transaction price, which includes an initial fee and ongoing royalties, marketing fees, and technology fees, and the Company's performance obligations. For service revenues, the Company enters into contracts with individual customers and franchisees.

Upon evaluation of the five-step process, the Company has determined that this standard does not impact the recognition of royalties from locations operated by a franchisee, which are based on a percentage of gross revenue and recognized at the time the underlying sales occur. ASC 606 does have an effect on the process management uses to evaluate the recognition of the initial franchise fees.

In allocating the transaction price and recognizing the revenue associated with initial franchise fees, the Company has elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers*. The practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation. These pre-opening services include the following:

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

The Company has determined the fair value of pre-opening services. This amount is recognized upon the commencement of operations. The remaining fees are then amortized over the life of the agreement.

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(h) Income Taxes

The Company is structured as a limited liability company under the laws of the state of Florida. Accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2022, the 2021, 2020, and 2019 tax years are subject to examination.

(i) Leasing

The Company adopted ASC 842, *Leases*, as of January 1, 2022, using the modified retrospective method. The Company has an operating lease for office space from a related party, which required adjustments to record the right-of-use asset and lease liability as of the date of implementation. Upon adoption, the Company recorded a right-of-use asset and lease liability of \$134,828 and \$135,843, respectively. The net effect on the Company's retained earnings was a decrease of \$1,015. The lease liability reflects the present value of the Company's estimated future minimum lease payments over the lease term, discounted using a collateralized incremental borrowing rate. The impact of ASC 842 is non-cash in nature and does not affect the Company's cash flows.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from any of its short-term leases. All leases with a term of 12 months or less at commencement, for which the Company is not reasonably certain to exercise available renewal options that would extend the lease term past 12 months, will be recognized on a straight-line basis over the lease term.

(j) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expenses for the fiscal years ending December 31, 2022, 2021, and 2020 were \$116,633, \$70,163, and \$3,749, respectively.

(k) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, pre-paid expenses, and accounts payable the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(l) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(m) Reclassification

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported results of operations.

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(2) Related Party Transactions

During the year ended December 31, 2020, one of the Company's members made loans to the Company. As of December 31, 2022, 2021, and 2020, the amount due to the member was \$3,120, \$3,120, and \$11,368, respectively. The balance is due on demand and does not accrue interest.

During the year ended December 31, 2021, the Company entered into a promissory note with one of its members. The loan has an initial principal balance of \$24,975 and accrues interest at 10% per annum. As of December 31, 2022, the amount due to the member was \$28,472, including \$3,497 of accrued interest. As of December 31, 2021, the amount due to the member was \$26,474, including \$1,499 of accrued interest.

(3) Leasehold Improvements

The Company's property and equipment were as follows as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Leasehold improvements	\$ 61,427	\$ 56,987	\$ -
Less: accumulated depreciation	(13,300)	(1,900)	-
	<u>\$ 48,127</u>	<u>\$ 55,087</u>	<u>\$ -</u>

Depreciation expense for the years ended December 31, 2022, 2021, and 2020 was \$11,400, \$1,900, and \$0, respectively.

(4) Intangible Assets

The Company's intangible assets were as follows as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Franchise system development	\$ 108,370	\$ 108,370	\$ 108,370
Internal-use software	68,200	39,200	-
Website	8,000	8,000	-
	184,570	155,570	108,370
Less: accumulated amortization	(134,017)	(112,016)	(100,825)
	<u>\$ 50,553</u>	<u>\$ 43,554</u>	<u>\$ 7,545</u>

Amortization expense for the years ended December 31, 2022, 2021, and 2020 was \$22,001, \$11,191, and \$7,225, respectively. As of December 31, 2022, estimated future amortization is as follows:

For the year ended December 31,	
2023	\$ 25,404
2024	21,898
2025	3,251
	<u>\$ 50,553</u>

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

(5) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial fees as well as continuing royalties, technology fees, and marketing fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Kidokinetics system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates a portion of the initial franchise fee to pre-opening services, which is recognized when the franchisee begins operations. The remainder is deferred, and the revenue is amortized over the life of the contract. In addition, the Company defers related contract costs such as broker commissions and training costs over the same period and records them as deferred contract costs.

The Company has estimated the following current and non-current portions of deferred contract costs as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Deferred contract costs, current	\$ 326,228	\$ -	\$ -
Deferred contract costs, non-current	282,706	-	-
	<u>\$ 608,934</u>	<u>\$ -</u>	<u>\$ -</u>

The Company has estimated the following current and non-current portions of deferred revenue as of December 31, 2022, 2021, and 2020:

	2022	2021	2020
Deferred revenue, current	\$ 595,065	\$ -	\$ -
Deferred revenue, non-current	289,713	-	-
	<u>\$ 884,778</u>	<u>\$ -</u>	<u>\$ -</u>

(6) Operating Lease

During the year ended December 31, 2021, the Company entered into a lease agreement for office space. The lease expires in 2024, with the option to renew. As the Company adopted ASC 842 on January 1, 2022, there are no right of use assets or operating lease liabilities as of December 31, 2021 and 2020. As of December 31, 2022, the Company recorded a right of use asset of \$81,087. As of December 31, 2022, the Company had the following current and non-current portions of its operating lease liability:

	2022
Operating lease liability, current	\$ 57,509
Operating lease liability, non-current	25,318
	<u>\$ 82,827</u>

As of December 31, 2022, the maturities of the Company's lease liability were as follows:

For the year ended December 31,	
2023	\$ 57,509
2024	25,318
	<u>\$ 82,827</u>

(7) Commitments and Contingencies

(a) *Litigation*

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a

KIDOKINETICS FRANCHISE LLC
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021, and 2020

liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

(b) COVID-19

On March 11, 2020, the World Health Organization classified the outbreak of a new strain of the coronavirus (“COVID-19”) as a pandemic. The COVID-19 outbreak in the United States began in mid-March 2020 and has continued through 2022 and subsequent to the fiscal year end. It is continuing to disrupt supply chains and affect production and sales across a range of industries. Management believes the pandemic has had a material effect on the Company’s operations, reducing revenue from both new and existing franchisees. The extent of the impact of COVID-19 on the Company’s future operational and financial performance continues to evolve and will depend on certain ongoing developments, including the duration and spread of the outbreak, impact on the Company’s customers and vendors all of which are uncertain and cannot be reasonably estimated. At this point, the full extent to which COVID-19 may impact the Company’s future financial condition or results of operations is uncertain.

(8) Subsequent Events

Management has reviewed and evaluated subsequent events through April 18, 2023, the date on which the financial statements were issued.

EXHIBIT E

LIST OF CURRENT AND FORMER FRANCHISEES



Current Franchisees as of December 31, 2022:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Email
Carter**	Beau	Mile High Sports Group Inc.	2996 East Nichols Circle	Centennial	CO	80122	bcarter@kidokinetics.com
Hadaway***	Angel	Angels Kidos LLC	12248 NW 133rd Street	Sunrise	FL	33323	ahadaway@kidokinetics.com
Rosier**	Malik	Orlando Kidos LLC	4544 Grove Park Drive	Tallahassee	FL	32311	mrosier@kidokinetics.com
Guillory**	Patrick	Guillory Athletics	3200 Sweetbay Magnolia Drive	Marietta	GA	30062	pguillory@kidokinetics.com
King*	John and Kimberly	Oldps9 Corp.	519 Siltstone Place	Cary	NC	27519	kim@kidokinetics.com
Lee**	Michelle	MC Kinetics LLC	99 S Park Ave #307	Rockville Center	NY	11570	mlee@kidokinetics.com
Krimmer***	Sean	EduSports LLC	8009 Chestershire Drive	West Chester	OH	45241	skrimmer@kidokinetics.com
Bronder*	Megan	Kidokinetics Pittsburgh LLC	204 Buffalo Ridge Road	McMurray	PA	15317	mbronder@kidokinetics.com
Siedschlag**	Natalie	Play More Do Good LLC	2520 Dibrell Trail Drive	Collierville	TN	38017	nsiedschlag@kidokinetics.com
Fuqua**	Shaleta	HOKM Inc.	1221 Rivercrest Dr.	Murfreesboro	TN	37129	nsiedschlag@kidokinetics.com
Whitehead*	Rebecca	Mariposa Catalyst Corp.	611 Centerpoint Lane	Nashville	TN	37209	rwhitehead@kidokinetics.com
Flynn**	Andrew	JAR ATX LLC	11920 Offaly Dr	Austin	TX	78754	aflynn@kidokinetics.com
Smithwick**	Jerry	Smithwick Enterprises LLC	2021 Christie Ln	Carrollton	TX	75007	jsmithwick@kidokinetics.com
Bradley***	Scott	SL&JLB Corporation dba Kidokinetics Dallas	14208 Regency Place	Dallas	TX	75254	scott@kidokinetics.com
Galvan***	Isabel	KKSA LLC	1605 W Elizabeth St.	Pecos	TX	79772	igalvan@kidokinetics.com
Gardner***	Mike	Mibecca Enterprises LLC	1213 Electra Lane	Sandy	UT	84094	mgardner@kidokinetic.com
Parsons**	Calvin	CJ Parsons LLC	9026 Annex Ln	Mechanicsville	VA	23116	cparsons@kidokinetics.com

*Owns one Franchise

** Owns two Franchises

*** Owns three Franchises



Franchisees with Unopened Outlets as of December 31, 2022:

Last Name	First Name	Entity Name	Address	City	State	Zip Code	Email
Mitchell**	Sean	Kritchell Corporation LLC	187 S Carter Ln	Louisville	CO	80027	smithcell@kidokinetics.com
Evans and Guidry**	Jason and Theo	Lonestar Venture Partners Inc.	1081 Crest Circle SE	Atlanta	GA	30062	jevans@kidokinetics.com
Stender and Guillory***	Corey and Patrick	Guillory Athletics	3200 Sweetbay Magnolia Drive	Marietta	GA	30062	pguillory@kidokinetics.com
McNeal*	Donell	5149 Enterprises, Inc.	9147 West Arabian Drive	Boise	ID	83709	dmcneal@kidokinetics.com
Gerbig***	Wes	Sheridanya Holdings Corporation	6337 Macatuck Drive	Indianapolis	IN	46220	wgerbig@kidokinetics.com
Raja**	Venkat	3Prodigy Inc.	3906 Victoria Ct.	Edison	NJ	08817	vraja@kidokinetics.com
Dorfman**	Pedro	Bibiceles LLC	7 W 20th St., apt 3F	New York	NY	10011	pdorfman@kidokinetics.com
Roller**	Jon	Rollerworks LLC	6075 Tyndale Lane	Medina	OH	44256	jroller@kidokinetics.com
Martin***	Kyle	PLAY630 LLC	1786 Bergenfield Road	Mount Pleasant	SC	29466	kmartin@kidokinetics.com
Mouton*	Ian	Rise and Thrive Greenville LLC	3500 South Carolina 11	Travelers Rest	SC	29690	imouton@kidokinetics.com
Sheeren***	Thomas	TESG Ventures LLC	23119 Prairie Pebble Court	Katy	TX	77494	thseeren@kidokinetics.com
Johnston****	Joseph	Avery Grant Company LLC dba Kidokinetics of Arlington	12487 Donahue Rd	Glen Allen	VA	23059	jjohnston@kidokinetics.com

*Owns one Franchise

** Owns two Franchises

*** Owns three Franchises

****Owns four Franchises

Former Franchisees as of December 31, 2022:

The name and last known address of every franchisee who had a Kidokinetics Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, 2022 to December 31, 2022, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

None

EXHIBIT F

FRANCHISE DISCLOSURE QUESTIONNAIRE



FRANCHISE DISCLOSURE QUESTIONNAIRE

(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)

As you know, Kidokinetics Franchise LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a Kidokinetics franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.

- | | | |
|----|------------|---|
| 1. | Yes__ No__ | Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided? |
| 2. | Yes__ No__ | Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided? |
| 3. | Yes__ No__ | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| 4. | Yes__ No__ | Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement? |
| 5. | Yes__ No__ | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals? |
| 6. | Yes__ No__ | Have you had the opportunity to discuss the benefits and risks of developing and operating a Kidokinetics Franchise with an existing Kidokinetics franchisee? |
| 7. | Yes__ No__ | Do you understand the risks of developing and operating a Kidokinetics Franchise? |
| 8. | Yes__ No__ | Do you understand the success or failure of your Kidokinetics Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors? |
| 9. | Yes__ No__ | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Florida, if not resolved informally or by mediation (subject to state law)? |



10. Yes___ No___ Do you understand that you must satisfactorily complete the initial training program before we will allow your Kidokinetics Franchise to open or consent to a transfer of the Kidokinetics Franchise to you?
11. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Kidokinetics Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes___ No___ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Kidokinetics Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes___ No___ Do you understand that the Franchise Agreement, including each attachment or exhibit to the Franchise Agreement, contains the entire agreement between us and you concerning the Kidokinetics Franchise?
15. Yes___ No___ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Date _____

Date _____



EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 030123

EXHIBIT G
STATE ADDENDA
AND AGREEMENT RIDERS



STATE ADDENDA AND AGREEMENT RIDERS

ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR KIDOKINETICS FRANCHISE LLC

The following modifications are made to the Kidokinetics Franchise LLC (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated _____, 20____ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Florida. When the term “**Supplemental Agreements**” is used, it means none.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

CALIFORNIA

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.

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in Florida. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement or Supplemental Agreements restricting venue to a forum outside the State of California. The Franchise Agreement may contain a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

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

Neither Franchisor nor any other person listed in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

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



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

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

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at www.dfpi.ca.gov.

Item 6 of the FDD is amended to state the highest interest rate allowed by law in California for late payments is 10% annually.

The following questions are hereby deleted from the Franchise Disclosure Questionnaire in Exhibit E of this Disclosure Document and are not to be completed by a franchise applicant: questions 7, 8 and 15. Should a franchise applicant answer the foregoing numbered questions, the franchisor will disregard the answers as if they had not been submitted and will not rely on any such representations inferred from the franchise applicant's answers.

Section 20 of the Franchise Agreement is revised to state: Franchisee acknowledges that Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Kidokinetics Business. Franchisee further acknowledges that, except for the representations made in Item 19 of the Franchise Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement have been made to Franchisee by Franchisor.

Section 22.4 of the Franchise Agreement is revised to state: Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has 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.

The FDD and Franchise Agreement are amended to state: 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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any



statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral:

The Department of Financial Protection and Innovation requires that the Franchisor defer the collection of all initial fees from California franchisees until the Franchisor has completed all its pre-opening obligations and franchisee is open for business.

HAWAII

The following is added to the Cover Page:

THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.

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

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

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

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed in Exhibit I of the FDD on the page entitled, "State Effective Dates."



2. States which have refused, by order or otherwise, to register these Franchises are:
None
3. States which have revoked or suspended the right to offer the Franchises are:
None
4. States in which the proposed registration of these Franchises has been withdrawn are:
None

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

ILLINOIS

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.

The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.



Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three years after the act or transaction constituting the violation upon which it is based, the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

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

Fee Deferral:

The Illinois Attorney General's Office has imposed the deferral requirement because of our financial condition. Item 5 and Item 7 of the FDD and Section 5.1 of the Franchise Agreement are hereby revised to state that payment of all initial fees, including the Franchise Fee, shall be deferred until after all of the Franchisor's initial obligations are complete and the Franchise is open for business.

See the last page of this exhibit for your signature.

INDIANA

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.

Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The "Summary" column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two years within the Territory.

The "Summary" column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.



The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.
4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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



IOWA

Any provision in the Franchise Agreement or Compliance Questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be cancelled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Kidokinetics Franchise LLC, 10428 West SR 84, Unit 1, Davie, FL 33324 not later than midnight of the third business day after the Effective Date.

I hereby cancel this transaction.

Franchisee: _____

By: _____

Print Name: _____

Its: _____

Date: _____

MARYLAND

AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: "The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law."



Representations in the Franchise Agreement are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the Franchise.

The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that all representations requiring prospective franchisees to assent to a release, estoppel, or waiver of liability are not intended to, nor shall they act as, a release, estoppel, or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

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

Fee Deferral

Item 5 and 7 of the FDD and the Franchise Agreement are revised to state: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all initial payments by franchisees that purchase multiple franchises shall be deferred until the first franchise opens.

FRANCHISOR:
KIDOKINETICS FRANCHISE LLC

FRANCHISEE:

Entity name (if any)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

MICHIGAN

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



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

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



of a Franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

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

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

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

MINNESOTA

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or



remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.

4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.
5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Sections 5.5.5 and 5.6.1 of the franchise agreement are amended by the addition of the following language: "These provisions are not enforceable under Minnesota law."
10. NSF checks are governed by Minnesota Statute Section 604.113, which puts a cap of \$30 on service charges. Section 5.6.3 of the franchise agreement is amended accordingly.
11. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Fee Deferral

Items 5 and 7 of the FDD and Section 5.1 of the Franchise Agreement are amended to state: Payment of the Initial Franchise Fee shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business.



NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including without limitation, actions affecting a license as a real estate broker or sales agent.



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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

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

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

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

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

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

NORTH DAKOTA

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any section of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.



Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 18 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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

OHIO

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials_____ Date_____

NOTICE OF CANCELLATION

_____ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten business days following the seller's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Kidokinetics Franchise LLC, 10428 West SR 84, Unit 1, Davie, FL 33324 not later than midnight of the fifth business day after the Effective Date.



I hereby cancel this transaction.

Franchisee:

Date: _____

By: _____

Print Name: _____

Its: _____

RHODE ISLAND

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including, but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

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

SOUTH DAKOTA

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

VIRGINIA

Item 17(h). The following is added to Item 17(h):

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



In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Kidokinetics Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and Item 17.h.

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

The following risk factor is added to the Special Risks to Consider About *This Franchise* page:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$103,000 to \$134,200. This amount exceeds the franchisor’s stockholders’ equity as of December 31, 2022, which is (\$830,568).

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

Fee Deferral

Item 7 of the FDD and Section 5.1 of the Franchise Agreement are revised to state: The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. In addition, all initial payments by franchisees that purchase multiple franchises shall be deferred until the first franchise opens.

WASHINGTON

ADDENDUM TO FRANCHISE AGREEMENT, FRANCHISE DISCLOSURE QUESTIONNAIRE, AND FRANCHISE DISCLOSURE DOCUMENT

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.



A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a non-competition 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 non-competition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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

(Signatures on following page)



APPLICABLE ADDENDA

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

☐	California	☐	Michigan	☐	Rhode Island
☐	Hawaii	☐	Minnesota	☐	South Dakota
☐	Illinois	☐	New York	☐	Virginia
☐	Iowa	☐	North Dakota	☐	Washington
☐	Indiana	☐	Ohio	☐	Wisconsin
☐	Maryland				

Dated: _____, 20____

FRANCHISOR:

KIDOKINETICS FRANCHISE LLC

By: _____

Title: _____

FRANCHISEE:

By: _____

Title: _____

Rev. 030123



EXHIBIT H

CONTRACTS FOR USE WITH THE KIDOKINETICS FRANCHISE

The following contracts contained in Exhibit H are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Kidokinetics Business. The following are the forms of contracts that Kidokinetics Franchise LLC uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.



EXHIBIT H-1

KIDOKINETICS FRANCHISE

SAMPLE GENERAL RELEASE AGREEMENT

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims ("Release") is made as of _____, 20__ by (Franchisee Name) ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Kidokinetics Franchise LLC, a Florida limited liability company ("Franchisor," and together with Releasor, the "Parties").

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement ("Agreement") pursuant to which Franchisee was granted the right to own and operate a Kidokinetics business;

WHEREAS, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

WHEREAS, as a condition to Franchisor's consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

NOW, THEREFORE, in consideration of Franchisor's consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. Representations and Warranties. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. Release. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the



franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party in connection with a third-party claim.

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.

i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.

(Signatures on following page)



IN WITNESS WHEREOF, Releasor has executed this Release as of the date first written above.

FRANCHISEE:

_____, a

By: _____

Printed Name: _____

Title: _____

FRANCHISEE'S OWNERS:

Date _____

Signature

Typed or Printed Name

Signature

Typed or Printed Name

Rev. 092122



EXHIBIT H-2

KIDOKINETICS FRANCHISE

SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Kidokinetics Franchise LLC, a Florida limited liability company, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Kidokinetics business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Kidokinetics business or the solicitation or offer of a Kidokinetics franchise, whether now in existence or created in the future.

“*Franchisee*” means the Kidokinetics franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kidokinetics business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Kidokinetics business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kidokinetics business, including “KIDOKINETICS,” and any other trademarks, service marks, or trade names that we designate for use by a Kidokinetics business. The term “Marks” also includes any distinctive trade dress used to identify a Kidokinetics business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of ours (or of one of our affiliates or franchisees) to transfer their



business to you or to any other person that is not then a franchisee of ours.

“Restricted Period” means the 24 months-year period after you cease to be a manager or officer of Franchisee’s Kidokinetics business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “Restricted Period” means the 12 months-year period after you cease to be a manager or officer of Franchisee’s Kidokinetics business.

“Restricted Territory” means the geographic area within: (i) a 20-mile radius from Franchisee’s Kidokinetics business (and including the premises of the approved location of Franchisee); and (ii) a 20-mile radius from all other Kidokinetics businesses that are operating or under construction as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “Restricted Territory” means the geographic area within a 10-mile radius from Franchisee’s Kidokinetics business (and including the premises of the approved location of Franchisee).

“System” means our system for the establishment, development, operation, and management of a Kidokinetics business, including Know-how, proprietary programs and products, Manual, and operating system.

2. Background. You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3. Know-How and Intellectual Property. You agree: (i) you will not use the Know-how in any business or capacity other than the Kidokinetics business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Kidokinetics business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

4. Unfair Competition During Relationship. You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Kidokinetics business by engaging in any Prohibited Activities.

5. Unfair Competition After Relationship. You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

6. Immediate Family Members. You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling,



child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

8. Breach. You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Kidokinetics franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

9. Miscellaneous.

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

(Signatures on following page)



EXECUTED on the date stated below.

Date_____

Signature_____

Typed or Printed Name_____

Rev. 120619



EXHIBIT H-3

KIDOKINETICS FRANCHISE

SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Kidokinetics Franchise LLC, a Florida limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

1. Definitions. For purposes of this Agreement, the following terms have the meanings given to them below:

“*Kidokinetics Business*” means a business that offers physical fitness programs for young children through an introduction to all sports and a variety of other related activities and services and other related products and services using our Intellectual Property.

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Kidokinetics franchisees to use, sell, or display in connection with the marketing and/or operation of a Kidokinetics Business, whether now in existence or created in the future.

“*Franchisee*” means the Kidokinetics franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Kidokinetics Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Kidokinetics Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Kidokinetics Business, including “KIDOKINETICS” and any other trademarks, service marks, or trade names that we designate for use by a Kidokinetics Business. The term “Marks” also includes any distinctive trade dress used to identify a Kidokinetics Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Kidokinetics Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

2. Background. You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.



3. Know-How and Intellectual Property: Non-disclosure and Ownership. You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Kidokinetics Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Kidokinetics Franchise LLC. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

4. Immediate Family Members. You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

5. Covenants Reasonable. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

6. Breach. You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Kidokinetics franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.



7. Miscellaneous.

a. Although this Agreement is entered into in favor of Kidokinetics Franchise LLC, you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Agreement will be governed by, construed, and enforced under the laws of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date _____

Signature

Typed or Printed Name

Rev. 032916



EXHIBIT H-4

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

Bank Account Information:

Bank Name		
Bank Mailing Address (street, city, state, zip)		
☐ Checking ☐ Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

Authorization:

Franchisee hereby authorizes Kidokinetics Franchise LLC (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____
Printed Name: _____
Its: _____
Federal Tax ID Number: _____

Rev. 032916

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.



EXHIBIT H-5

KIDOKINETICS FRANCHISE

SAMPLE APPROVAL OF REQUESTED ASSIGNMENT

This Approval of Requested Assignment ("**Agreement**") is entered into this ____ day of _____, 20____, between Kidokinetics Franchise LLC ("**Franchisor**"), a Florida limited liability company, _____ ("**Former Franchisee**"), the undersigned owners of Former Franchisee ("**Owners**") and _____, a [a/an Formation State] [corporation/limited liability company]" ("**New Franchisee**").

RECITALS

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated _____, 20____ ("**Former Franchise Agreement**"), in which Franchisor granted Former Franchisee the right to operate a Kidokinetics franchise located at _____ ("**Franchised Business**"); and

WHEREAS, Former Franchisee desires to assign ("**Requested Assignment**") the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor's current form of franchise agreement together with all exhibits and attachments thereto ("**New Franchise Agreement**"), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement ("**Franchisor's Assignment Fee**").

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee's signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor's Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee's rights to operate the Franchised Business are terminated and that from the date of this Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New



Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Kidokinetics franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida.



IN WITNESS WHEREOF, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

FRANCHISOR:

KIDOKINETICS FRANCHISE LLC

By: _____
Printed Name: _____
Title: _____

FORMER FRANCHISEE:

By: _____
Printed Name: _____
Title: _____

NEW FRANCHISEE:

By: _____
Printed Name: _____
Title: _____

Rev. 031821



EXHIBIT H-6

SOFTWARE LICENSE AGREEMENT

This SOFTWARE LICENSE AGREEMENT (“**Agreement**”) is entered into on this ____ day of _____, 20____ (“**Effective Date**”) by and between Kidokinetics Franchise LLC, a Florida limited liability company with an address at 10428 West SR 84, Unit 1, Davie, FL 33324 (“**Franchisor**”), and _____ a(n) _____ with an address at _____ (“**Franchisee**”) and its Guarantors _____, individually, and _____, individually.

BACKGROUND

- A. Simultaneously with the execution of this Agreement, Franchisor and Franchisee are entering into a franchise agreement (“**Franchise Agreement**”) pursuant to which Franchisor is granting Franchisee the right to operate a Kidokinetics® franchised business (“**Franchised Business**”) under Franchisor’s Marks and System.
- B. One of Franchisee’s obligations under the Franchise Agreement is to implement such Computer Systems, including all software and hardware, Franchisor requires.
- C. Franchisor’s affiliate has developed the KIDOLINK business management software, for which Franchisor has the contractual right to sublicense, to be utilized by Franchisee in connection with the Franchised Business (“**KIDOLINK Software**”). The KIDOLINK software provides assistance with the management of client leads and data, sales records and documentation, inventory control, marketing efforts, administrative matters, and customer service for Franchisee and Franchisee’s employees.
- D. Franchisor may also, from time to time, whether itself or through its designees develop customized software for Franchisee’s use in connection with the Franchised Business (“**Customized Software**”). Franchisee may, at the discretion of Franchisor, be required to purchase and use the Customized Software. Whether Franchisee is required to, or otherwise elects to, use the Customized Software, Franchisee agrees to abide by the terms of this Agreement with regards to any Customized Software. The KIDOLINK Software and Customized Software will be referred to collectively in this Agreement as the “**Proprietary Software**.”
- E. Guarantors agree to personally, and jointly and severally, guaranty Franchisee’s obligations and covenants under this Agreement and to be bound by each provision as though each were the Franchisee.
- F. Now, the parties desire to define the terms and conditions on which Franchisor will grant use of the KIDOLINK Software and Customized Software to Franchisee in accordance with the provisions of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:



1. KIDOLINK SOFTWARE

A. GRANT OF USE

- (a) **License Grant.** Franchisor grants to Franchisee a personal, limited, non-assignable, non-transferrable, non-exclusive license to use the KIDOLINK Software during the term of the Franchise Agreement, subject to the terms and conditions set forth in this Agreement.
- (b) **No Customization.** Franchisor prohibits Franchisee from customizing or authorizing customizations of the KIDOLINK Software
- (c) **Scope of Use.** Franchisee may use the KIDOLINK Software solely for Franchisee's internal needs in the operation of Franchised Business as a franchisee of Franchisor and will not make the KIDOLINK Software available to or permit the use thereof by any person or entity except to the extent and in the manner permitted under Subsections 1.A.(d) and (e) below.
- (d) **Limited Right to Copy.** Franchisee may not grant access, copy or allow copies of the KIDOLINK Software or any other proprietary information to be made, except to the extent necessary to exercise the use granted hereby and for back-up and archival purposes.
- (e) **No Reverse Engineering or Modifications.** Franchisee agrees not to reverse engineer, decompile or disassemble the KIDOLINK Software or any part of the KIDOLINK Software, nor will Franchisee change, modify or create derivative works from the KIDOLINK Software.
- (f) **Ownership.** Franchisee acknowledges that Franchisee has no ownership rights in the KIDOLINK Software
- (g) **Other Rights.** Franchisee has no other rights in the KIDOLINK Software except those rights expressly granted by this Agreement.
- (h) **Third-Party Access.** Franchisee must not make the KIDOLINK Software available to any third party unless required by Franchisor at its sole discretion.
- (i) **Updating to Current Version.** Franchisee must only use current versions of the KIDOLINK Software; provided, however, Franchisee may use prior versions if prior versions are necessary to support the current version. Current version may include an upgrade to a version requiring an additional fee after the effective date of this Agreement.

B. FEES

- (a) **Initial KIDOLINK Software License Fee.** Franchisee must pay to Franchisor \$3,000 for Franchisee's first Franchised Business and \$1,000 for Franchisee's second or greater Franchised Business as a one-time Initial Software License Fee, due on the execution of this Agreement (unless), for the use of the KIDOLINK Software.
- (b) **Monthly KIDOLINK Software License Fee.** Beginning in the first month Franchisee begins to operate the Franchised Business, Franchisee must pay to Franchisor a continuing Monthly Software License Fee via automatic bank draft for the right to use the KIDOLINK Software. Currently, the continuing Monthly Software License Fee is \$475 per month, which Franchisor reserves the right to increase by up to 10% in any calendar year.



C. TERMINATION

- (a) **Term.** Except as otherwise expressly set forth below, the parties intend that the term of the license granted hereby will be coextensive with the term of the Franchise Agreement and all renewals and extensions thereof.
- (b) **Automatic Termination.** The license granted hereby will terminate automatically upon the expiration, nonrenewal, or termination of the Franchise Agreement.
- (c) **Termination by Franchisor.** Franchisor or its designee may terminate the license to use the KIDOLINK Software, as granted herein, upon notice to Franchisee with immediate effect in the event that (i) Franchisee breaches any of its obligations under this Agreement or under the Franchise Agreement, (ii) the Franchise Agreement is terminated, expires, or is not renewed, or (iii) Franchisor requires Franchisee to cease using the KIDOLINK Software, or any or all portions of it, as specified by Franchisor. Unless notified to discontinue use, Franchisee agrees to continue to use the KIDOLINK Software and any updated versions of it as long as Franchisor requires it.
- (d) **Disabling of the KIDOLINK Software.** Franchisee understands that Franchisor may include a feature in the KIDOLINK Software that will cause the KIDOLINK Software to automatically cease to operate in whole or in part in the event Franchisee materially breaches this Agreement, the Franchise Agreement, or fails in a timely manner to (i) submit to Franchisor the reports required by Franchisor; (ii) pay to Franchisor the required fees under this Agreement; or (iii) pay to Franchisor the Royalty Fee or any other amounts due to Franchisor under the Franchise Agreement. **Franchisor will not be liable to Franchisee for any damages whatsoever that may result directly or indirectly from Franchisor's disabling of the functionality of the KIDOLINK Software pursuant to this Section.**
- (e) **Disposition of Copies.** Upon termination of the license to use the KIDOLINK Software granted herein Franchisee agrees to promptly return to Franchisor, or otherwise dispose of as Franchisor may instruct, all physical copies of the KIDOLINK Software and its associated documentation in Franchisee's possession or under Franchisee's control and will remove all copies thereof from Franchisee's computers and other electronic storage media. On Franchisor's request, Franchisee will provide Franchisor with written certification of its compliance with the foregoing.
- (f) **No Refunds.** Upon the expiration or termination of the license granted hereby, or if the KIDOLINK Software is disabled as described above, Franchisee will not receive any refund of any payments made to Franchisor.
- (g) **Ownership of Data.** Franchisee acknowledges and agrees that all data and information input and stored in the KIDOLINK Software is the sole and exclusive property of Franchisor and that such information is licensed to Franchisee for its use solely for the direct and customary operation of the Franchised Business and only during the term of this Agreement.

2. THIRD PARTY AND CUSTOMIZED SOFTWARE

A. **Purchase of Third Party and Customized Software License.** Franchisee agrees to pay to Franchisor, or its designee if indicated by Franchisor, any initial license fee for the purchase of one or more licenses to any software that is proprietary to a third party, but required by Franchisor for Franchisee to operate the Franchised Business.



B. **Recurring Fees.** If under the terms of use for any Customized Software Franchisee is required to pay to any third party a recurring fee, whether as a recurring license fee, training and support fee, or otherwise, Franchisor may, in its discretion, after notifying Franchisee in writing, elect to act as intermediary for payment purposes only, without any liability to Franchisor whatsoever, and to pay such recurring fee from Franchisee's payment of the initial and monthly Proprietary Software Fee, as defined in the Franchise Agreement and in Sections 4.A and 4.B below.

C. **License and User Agreements.** Franchisee further agrees to enter into all license and user agreements, and any other agreements Franchisor and/or its designee requires, in connection with the purchase of one or more licenses for, and/or the use of any, third-party software or Customized Software. Franchisee may be required to enter into such license or user agreements with Franchisor and/or Franchisor's designee(s).

3. **TRAINING AND SUPPORT; ACCOUNTANTS & OTHER PROFESSIONAL CONSULTANTS**

A. **Cooperation of Franchisee.** Franchisee agrees to cooperate with Franchisor in all matters relating to the installation and support of the Proprietary Software and shall complete such training of Franchisee's personnel with respect to the Proprietary Software as may be required by Franchisor.

B. **Training and Support.** Franchisor or Franchisor's designee will provide a limited amount of training and support to Franchisee which may be by telephone, webinar or any other means during Franchisor's normal business hours, via a written manual, the Internet or in any other manner chosen by Franchisor. The type and amount of such training and support shall be determined by Franchisor in its sole discretion.

C. **Maintenance, Upgrades and Fixes.** Franchisor or its designee may, in its discretion, modify, upgrade or create fixes, service releases and new versions of the Proprietary Software from time to time and provide them to Franchisee.

D. **Remote Access.** Franchisee permits Franchisor or its designee unrestricted remote access to Franchisee's network and each device containing any of the Proprietary Software. Such access may be to allow for the full functioning of the Proprietary Software, to allow Franchisor to install the Proprietary Software and modifications, fixes, service releases and new versions of the Proprietary Software, to provide training and support, and any other reason Franchisor may designate or deem necessary. Franchisee acknowledges and agrees that (i) Franchisee will install on its network reasonable security protection; (ii) remote access may reduce or disable the effectiveness of security protection; and (iii) neither Franchisor nor any party acting on behalf of Franchisor shall be liable for any claims, demands, damages, costs or expenses that arise or are in any way connected with the remote access to Franchisee's network described herein. Franchisee further understands and acknowledges that such remote access allows Franchisor to have full access to the data generated by Franchisee and to retrieve and use any such data without any limitation.

4. **FEES**

A. **Initial Software Fees.** Franchisee agrees to pay any future initial license fee, or the equivalent thereof, if applicable, for any Customized Software developed by Franchisor or its designee.

B. **Recurring Software Fees.** Franchisee may be required to pay to Franchisor a recurring software fee in connection with the future license of any Customized Software via automatic bank draft, or such other method Franchisor designates. The amount of such fees will be the then-current amount charged for the Customized Software by Franchisor to franchisees of Franchisor.

C. **Agreements With Other Professional Consultants.** Franchisee agrees to engage the services of other professional consultants from time to time as required or suggested by Franchisor to assist with the training, implementation, or deployment of hardware, software or other technology.



D. **Late Payments.** Any payment to be made by Franchisee under this Agreement that is not made within ten days after such payment is due will bear interest at the rate of 18% per annum, or the highest rate allowed by law, whichever is less.

5. CONFIDENTIALITY AND LIMITED ACCESS

A. **Nondisclosure.** Franchisee agrees to maintain the Proprietary Software, including its documentation and the data generated by the use of the Proprietary Software in confidence by using at least the same physical and other security measures that Franchisee uses for its own confidential information. Franchisee further agrees not to allow anyone to access or use the Proprietary Software or to see its documentation or the data it generates other than Franchisee's employees, agents, and representatives who have a need to have access to or to use the Proprietary Software in order to support Franchisee's authorized use thereof, provided that each such employee, agent, and representative shall have signed an undertaking to Franchisee, in a form satisfactory to Franchisor, acknowledging that he or she is bound by an obligation of confidentiality.

B. **Notice of Loss.** Franchisee shall immediately notify Franchisor upon discovering any loss or theft of any copy of the Proprietary Software or its documentation or any data generated by its use, or any unauthorized disclosure thereof by any of Franchisee's employees, agents or representatives.

6. REPRESENTATIONS; WARRANTIES; LIMITATION OF LIABILITY; INDEMNIFICATION

A. **Disclaimer of Warranty.** EXCEPT AS SPECIFICALLY PROVIDED HEREIN, NEITHER FRANCHISOR NOR ANY AFFILIATE OF FRANCHISOR MAKES ANY EXPRESS OR IMPLIED WARRANTY WHATSOEVER. FRANCHISOR AND ALL AFFILIATES OF FRANCHISOR EXPRESSLY DISCLAIM THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. FRANCHISOR SPECIFICALLY MAKES NO WARRANTIES AND DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY RELATING TO ANY SOFTWARE, COMPUTER PROGRAM, DATA, INTRANET, WEBSITE OR OTHER RELATED ITEMS PROVIDED OR RECOMMENDED BY FRANCHISOR. FRANCHISOR DISCLAIMS ANY EXPRESS OR IMPLIED WARRANTY THAT FRANCHISOR WILL CORRECT ANY OR ALL SOFTWARE DEFECTS.

B. **Specific Warranty Disclaimers.** WITHOUT LIMITING ANY DISCLAIMER OF WARRANTY IN SECTION 6.A, FRANCHISOR SPECIFICALLY DISCLAIMS ANY WARRANTY THAT FRANCHISOR'S SOFTWARE OR DOCUMENTATION:

- (a). will meet Franchisees' requirements;
- (b). will adhere to any quality standards;
- (c). will be uninterrupted, timely, secure, bug-free or error-free;
- (d). will be free from harmful code;
- (e). will produce effective, accurate or reliable results;
- (f). will meet Franchisees' expectations; or
- (g). will be free from technical or other mistakes, inaccuracies or typographical errors.

C. **Limitation of Liability.** THE LIABILITY OF FRANCHISOR TO FRANCHISEE WILL BE LIMITED TO DIRECT DAMAGES. IN NO EVENT WILL FRANCHISOR BE LIABLE FOR INCIDENTAL, SPECIAL, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF FRANCHISOR HAS PREVIOUSLY BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN ADDITION, FRANCHISOR SHALL HAVE NO LIABILITY FOR ANY ERRORS OR OMISSIONS IN ANY WAY RELATED TO WORK PERFORMED BY CONSULTANTS OR OTHER PROFESSIONALS USING SCHEDULING OR ANY CUSTOMIZED SOFTWARE, REGARDLESS OF ANY PERMISSION, APPROVAL OR ACCEPTANCE OF



ACCOUNTANTS OR OTHERS BY FRANCHISOR. FRANCHISOR SHALL ALSO HAVE NO LIABILITY FOR THE INADVERTENT INTERRUPTION, DISABLING, OR UPDATE OF THE PROPRIETARY SOFTWARE.

D. KIDOLINK Software and Franchisee's Right to Indemnification. If a third party claims that the MOBILINK Software infringes any U.S. patent, copyright, or trade secret, Franchisor may elect, in its sole discretion, to defend Franchisee against such claim at Franchisor's expense and pay all damages that a court finally awards, provided that Franchisee promptly notifies Franchisor in writing of the claim, and allows Franchisor to control, and Franchisee cooperates with Franchisor in, the defense or any related settlement negotiations. If such a claim is made or appears possible, Franchisor may, at its option, secure for Franchisee the right to continue to use the KIDOLINK Software, or modify or replace the KIDOLINK Software so that it is non-infringing. If neither of the foregoing options is available in Franchisor's judgment, Franchisor may terminate the license granted by this Agreement and require Franchisee to return the KIDOLINK Software without compensation. Franchisor has no obligation with respect to any claim based on a version of the KIDOLINK Software that is modified without Franchisor's authorization or is combined, operated or used with any product, data, or apparatus not specified or approved by Franchisor. **THIS SECTION 6.D. STATES THE ENTIRE OBLIGATION OF FRANCHISOR AND FRANCHISOR'S AFFILIATES TO FRANCHISEE WITH RESPECT TO ANY CLAIM OF INFRINGEMENT.**

E. Franchisor's Right to Indemnification. Franchisee must indemnify, hold harmless, and defend Franchisor, its affiliates, and their agents and employees, in accordance with this Section, against any loss arising from or in connection with, or resulting from, and will be limited to any claim that materials or content (including, any information, software, and data) furnished by Franchisee infringe or misappropriate any third-party copyright or trademark rights.

F. Tax and Accounting Disclaimer. Franchisee agrees, acknowledges and understands that use of the KIDOLINK Software is for the purposes of assisting Franchisee with maintenance of certain books, records and reports useful to Franchisee and which may be required pursuant to the Franchise Agreement between Franchisee and Franchisor. The KIDOLINK Software is not intended, and Franchisor specifically disclaims any representation or warranty regarding use of the KIDOLINK Software, to produce records or reports that comply with generally accepted accounting principles ("GAAP") or Internal Revenue Service ("IRS") policies and guidelines. It is Franchisee's sole responsibility to comply with any applicable requirements of law or otherwise relating to GAAP or IRS policies and requirements.

7. MISCELLANEOUS

A. Remedies. Franchisee acknowledges that any breach of the covenants set forth in Subsections 1.A.(b), (c), (d), (e) or (f) or Section 5 of this Agreement would cause irreparable damage to Franchisor that would be incapable of precise measurement and for which no adequate remedy would exist at law. Franchisee therefore agrees that injunctive relief shall be available for any such breach in addition to all other remedies that may be available.

B. Notices. All notices, requests, consents and other communications required or permitted by this Agreement shall be in writing and shall be delivered by hand, fax, overnight delivery service, or registered or certified first-class mail, to then-current address of the recipient known by the sender, to the attention of the person then holding the title of the person signing this Agreement on behalf of the recipient. Any such notice, request, consent or other communication shall be deemed given and be effective upon receipt at such address.

C. Entire Agreement; Amendments. This Agreement constitutes the entire understanding between the parties relating to the subject matter hereof, superseding all prior agreements, arrangements and understandings between the parties relating to its subject matter. This Agreement may not be amended or changed in any way unless such changes are in writing signed by the parties hereto.



D. **Waiver.** No delay, omission or failure to exercise any right or remedy provided for herein will be deemed to be a waiver thereof or acquiescence in the event giving rise to such right or remedy. No waiver will be binding unless contained in a writing signed by the party waiving its rights. Any waiver is limited to the specific situation in which it is given and no waiver of any breach or default under this Agreement will be construed as a waiver of any earlier or succeeding breach or default.

E. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Florida applicable to agreements made and to be performed entirely within the State of Florida, without regard to Florida's conflicts of law principles.

F. **Mediation and Arbitration.** Sections 8.1 (Arbitration) and 8.2 (Mediation) of the Franchise Agreement are hereby incorporated into this Agreement and made a part by reference, and the parties agree that any controversy or dispute arising out of or related to this Agreement will be governed exclusively by these dispute resolution Sections.

G. **Assignment.** Franchisee may not assign or transfer this Agreement or any rights hereunder without Franchisor's prior written consent. Franchisor may assign or transfer this Agreement and all of Franchisor's rights, duties, and obligations hereunder to any person, group, or entity that Franchisor chooses. Upon an assignment, Franchisor will be released from all of duties and obligations and Franchisee will look to the assignee for the performance of these duties and obligations.

H. **Costs, Expenses and Attorneys' Fees.** If an action is commenced between the parties to enforce any provision of this Agreement, the prevailing party will be entitled to reasonable costs and expenses, including attorneys' fees.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date written above.

FRANCHISOR
KIDOKINETICS FRANCHISE LLC
a Florida limited liability company

By: _____
Name: _____
Title: _____

FRANCHISEE

a/an _____

By: _____
Name: _____
Title: _____

GUARANTORS

_____, Individually
Date: _____

_____, Individually
Date: _____



EXHIBIT H-7

BUSINESS MANAGEMENT AGREEMENT

This Business Management Agreement (“BM AGREEMENT”) is made and entered into by and between: (i) the owner identified on the signature page of this BM Agreement (“Owner”) as of the date specified as the “Effective Date” on the signature page; and (ii) Kidokinetics Franchise LLC (“Manager”).

WITNESSETH:

WHEREAS, Owner has entered into a Franchise Agreement (the “Franchise Agreement”) with Kidokinetics Franchise LLC (“Franchisor”) pursuant to which Owner has agreed to open and operate a Kidokinetics Business at a location approved by Franchisor pursuant to the Franchise Agreement (the “Business”), a copy of the Franchise Agreement is attached to this BM Agreement as Exhibit A;

WHEREAS, Owner and Manager desire to enter into an agreement under which Manager shall act as agent to assist with the management of the Business for and on account of Owner and shall assist Owner in connection with its obligations under the Franchise Agreement, upon the terms and conditions in this Agreement.

NOW THEREFORE, the parties agree as follows:

1. AGREEMENT

1.1 Appointment. Owner appoints Manager as an independent contractor for the operation and management of the Business upon the terms set forth in this BM Agreement. Manager accepts the appointment and agrees to furnish the Management Services (as defined below) in connection with the operation of the Business.

1.2 Term. The term of this Agreement (“Term”) shall commence on the Effective Date and, unless sooner terminated pursuant to the provisions of this BM Agreement or applicable law, shall continue for a period of one (1) year. Thereafter, the Term shall automatically renew on a year-to-year basis (“Renewal Term”) unless Owner or Manager, as the case may be, provides written notice of non-renewal at least sixty (60) days prior to the expiration of the Term then in effect. Notwithstanding anything to the contrary contained in this BM Agreement, Owner may terminate this BM Agreement during any Renewal Term at any time by providing Manager with ninety (90) days’ prior written notice.

1.3 Scope of Authority. Manager shall perform the Management Services in accordance with this BM Agreement. Manager shall negotiate (for approval and execution by Owner) such agreements as it deems necessary, in the exercise of its commercially reasonable discretion, to perform the Management Services and otherwise fulfill Manager’s obligations under this BM Agreement.

2. OPENING OF THE KIDOKINETICS BUSINESS

2.1 Business Status upon Execution. The provisions in this Section 2 shall not apply if Owner’s Business is open prior to the Effective Date.

2.2 Technical Assistance. Manager shall make available its employees and those of affiliates to render technical assistance in connection with the selection and installation of the furnishings, fixtures and equipment necessary to operate the Business in accordance with Franchisor’s system standards, as set forth in the Franchise Agreement, Franchisor operating manuals and other information provided by Franchisor (“Franchisor’s Standards”) and the requirements of federal, state and local law.



3. DUTIES AND POWERS

3.1 Manager. During the term of this BM Agreement and each renewal term, the Manager shall have the following duties and powers:

(a) Consistent with the provisions of the BM Agreement, Manager shall have the right to supervise and direct the management and operation of the Business for the account of the Owner ("Management Services").

(b) Manager shall supervise and direct the management and operation of the Business in accordance with Franchisor's Standards and, subject to such standards, shall have the right to determine operating policies, standards of operation, prices, quality of service and other matters affecting customer opinion. All phases of promotion and marketing with respect to the Business shall be generally the responsibility of Manager.

(c) Within thirty (30) days before the opening of the Business under this BM Agreement and at least thirty (30) days before the beginning of each renewal term, Manager shall submit to Owner an annual budget in reasonable detail for such year setting forth the plan, in reasonable detail and in accordance with the requirements of the Franchise Agreement, for the staffing of each Business (including the training of the staff, hiring of a business director and other personnel, and employee benefits;), for the advertising, promotion and marketing of the Business, and for the purchase of inventory, operating supplies and other estimated expenditures during the operating year for repairs and maintenance; operating equipment and capital expenditures (which shall include replacements of fixtures and equipment); and all other anticipated operating expenses. Each such annual budget is referred to as an "Annual Plan."

(d) No capital expenditures shall be made by Manager until that portion of the Annual Plan has been approved by Owner and no amount shall be expended by Manager in excess of or other than pursuant to the approved Annual Plan, without the approval of Owner unless Manager determines, in the exercise of its commercially reasonable discretion, that reasonable expenditures are necessary for the operation of the Business which are in excess of the Annual Plan or that an emergency exists and that repairs are immediately necessary for the preservation or safety of the Business, to avoid the suspension of essential services to the Business, or to avoid danger to life or damage to property, in which case Manager may make such emergency repairs at Owner's cost, without the prior approval of Owner, but Manager shall notify Owner of such emergency repairs and the cost thereof as soon as possible thereafter. Owner shall respond within thirty (30) days from the receipt of the Annual Plan from Manager. If and to the extent that any expenditures exceed the Annual Plan budget amounts, Manager agrees to provide Owner with a prompt and reasonable explanation of such excess, in such detail as Owner reasonably requests.

(e) Manager shall have the power and responsibility to hire, promote, discipline, discharge and supervise all of the employees of the Business. All of such employees shall be and at all times shall remain the employees of Owner. Manager shall not be liable to such employees for their wages, compensation or other employee benefits. Manager will not discriminate against any employee or applicant for employment by Manager because of race, creed, color, age, sex or national origin. Manager will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, age, sex or national original.

(f) Manager shall negotiate and consummate, in the name of Owner, contracts or arrangements with inventory and other suppliers in accordance with the Annual Plan and to the extent necessary to the normal course of business of the Business. Contracts or arrangements which are not customary or within the normal course of business of the Business shall require the prior approval of the Owner.



(g) Manager shall have the right to enter into such contracts in the name of and at the expense of the Owner as may be deemed necessary or advisable for the furnishing of all services, operating supplies and other materials for the operation of the Business.

(h) Manager shall, during the term of this BM Agreement and each renewal thereof, in the name of and at the expense of the Owner, but subject to the limitations of the Annual Plan for each such year, make all other reasonable needed expenditures for the maintenance and operation of the Business.

(i) Manager shall apply for, obtain and maintain, in the name of and at the expense of the Owner, all licenses and permits required of the Owner or Manager in connection with the management and operation of the Business.

(j) Manager shall cause to be performed at Owner's expense all such acts and things to be done in and about the Business as shall be required by any statute, ordinance, law, rule regulation or order of any governmental agency, except such matters as in accordance with good business practice should be contested.

(k) Manager shall maintain and establish a commercial account or accounts (the "Operating Accounts") in Owner's name in a banking institution, and only authorized designees of Manager or Owner shall be empowered to sign checks on such accounts. There shall be deposited in the Operating Accounts all moneys furnished by Owner as working capital and all moneys received in connection with the operation of the Business. To the extent practicable, all expenditures required to be made in connection with the ownership, maintenance and operation of the Business (including the management fees of Manager hereunder) shall be paid out of the Operating Accounts. All funds in the Operating Accounts shall be the property of Owner. If additional funds are required at any time for payment of expenses, operating or capital, upon receipt and approval by Owner of a request for such funds from Manager, Owner shall, as soon as practical thereafter, but in no event later than fifteen (15) days after the receipt of such notice, advance or otherwise make available additional funds in the Operating Account to pay such expenses.

(l) Manager, through an outsourced third-party provider, on behalf of Owner, shall maintain in a form which is customary and consistent with good accounting principles, practices and procedures, books, records and accounts (which books, records and accounts shall be and remain the property of Owner) in which shall be entered each material financial transaction with respect to the operation of the Business, including, without limitation, all items of income and expense.

(m) Notwithstanding any provision of this BM Agreement to the contrary, Manager shall not, without the prior approval of Owner or as specifically provided in an Annual Plan: (a) execute any contract or make any expenditure, except as specifically provided in this Section; (b) convey or otherwise transfer, pledge or encumber any property or other asset of Owner; (c) retain attorneys on behalf of Owner; (d) institute or defend lawsuits or other legal proceedings on behalf of Owner; or (e) borrow money or execute any promissory note or other obligation or mortgage deed, security agreement or other encumbrances in the name of or on behalf of Owner.

3.2 Owner. During the term of this BM Agreement and each renewal term, the Owner shall have the following duties and powers:

(a) Owner shall promptly examine each Annual Plan submitted to it by Manager pursuant to and in accordance with this BM Agreement and, if such Annual Plan is reasonable and proper approve the same thirty (30) days after submission of the same by Manager to Owner.



(b) Owner shall cooperate with Manager in applying for, obtaining and maintaining all licenses and permits required in connection with the management and operation of the Business and shall execute and deliver any and all applications and other documents that may be necessary or proper in connection therewith.

(c) Owner shall comply with all statutes, ordinances, laws, rules, regulations and orders of any federal, state or local government and appropriate departments, commissions, boards and officers having jurisdiction in the premises, which are applicable to Owner and relate to the manner and use of the premises occupied by the Business, as well as with orders and requirements of the local board of fire underwriters or any other body which may hereafter exercise similar functions; provided that Owner, at its sole expense and without cost to Manager shall have the right to contest by proper legal proceedings the validity, so far as applicable to it, of any such statutes, ordinances, laws, rules, regulations or orders, provided such contest shall not result in a suspension of operations of any Business. Owner shall prosecute all such proceedings with due diligence.

(d) Owner will cooperate with Manager in the promotion and marketing of the Business.

(e) Owner shall provide and maintain in the Operating Accounts funds sufficient to pay payroll and other current liabilities of the Business (including the management fee hereunder) as they fall due and to replace operating supplies and inventory as they are consumed, so that the Business shall operate without interruption and efficiently, and Owner shall not make any withdrawals from the Operating Accounts inconsistent with such obligations. Owner shall be responsible for paying its employees at the Business; making proper withholdings from the employees' payroll for all taxes and other deductions required by law or authorized by the employees; and, preparing all reports, returns and other documents necessary to be filed with any federal, state or local government regarding such employees and their payroll.

(f) Owner shall designate the name and address of a representative who shall act for Owner in all dealings with Manager hereunder, including the giving of approvals to be given hereunder by Owner. Manager may, until Owner gives written notice to Manager to the contrary, rely upon any approval, decision, or other act of such representative as being the approval, decision or act of Owner. Owner may from time to time by written notice to Manager, change the name or address of such representative. Any concerns or disputes regarding the operation of the Business shall be brought to the attention of the Owner's designated representative for resolution.

(g) Owner will at all times be responsible for complying with the obligations of the Franchise Agreement notwithstanding anything to the contrary contained in this BM Agreement.

4. MANAGEMENT FEES.

4.1 Recruiting Fee. Owner shall pay to Manager upon execution of this agreement, a fee equal to ten thousand dollars (\$10,000) ("Recruiting Fee"). Manager shall use the Recruiting Fee for costs and expenses, including administrative expenses, associated with recruiting a business director for the Kidokinetics Business. If this BM Agreement is being executed pursuant to the second, third, or fourth Franchise Agreement for the purchase of three or four Kidokinetics Businesses purchased at the same time, no additional Recruiting Fee is due, provided Owner has paid the Recruiting Fee upon executing the BM Agreement under the first Franchise Agreement. Manager shall recruit one business director to manage up to four Kidokinetics Businesses purchased by Owner at the same time.

4.2 Monthly Fee. Manager shall be entitled to receive a basic fee from Owner, during the term of this BM Agreement and each renewal thereof, in an amount equal to two thousand dollars (\$2,000) per month ("Management Fee"). The Management Fee shall be paid on a monthly basis commencing upon



execution of this BM Agreement and shall thereafter be payable on or before the twentieth (20th) day of the month prior to the month for which it is due until notice of non-renewal or termination is provided under this Agreement. If this BM Agreement is being executed pursuant to the second, third, or fourth Franchise Agreement for the purchase of three or four Kidokinetics Businesses purchased at the same time, no additional monthly Management Fee is required. Manager shall provide Management Services for up to four Kidokinetics Businesses purchased at the same time for one monthly Management Fee .

4.3 Profit Remittance to Owner. Manager shall, in respect of each of Owner's fiscal years, acknowledge Owner's right to withdraw its profit ("Owner's Profit") for each such year, after payment of the Management Fees and Incentive Fee earned for such year, as provided in Section 4.2. In respect of each month during such year, Owner shall withdraw out of the Operating Accounts (but only to the extent thereof) as a monthly installment on Owner's total profit, an amount equal to the profit for the cumulative period ending with such month less all monthly installments of fees to Manager under Section 4.2, and less the amounts of profit previously withdrawn by Owner on account of such cumulative periods.

4.4 Incentive Fee. In addition to the Management Fee, Manager shall, subject to the provisions of Section 4.2, be entitled to receive as its incentive fee an amount equal to ten percent (10%) of the Profit (defined below), if any ("Incentive Fee"). Such Incentive Fee shall be payable quarterly based on the statement of profit and loss for such quarter, out of the Operating Account to the extent funds are available, and otherwise by the Owner within fifteen (15) days after the end of each quarter in which Manager furnishes Management Services. If Owner terminates this BM Agreement under Section 1.2, Manager shall be entitled to receive a pro rata share of the Incentive Fee calculated as of the last day Manager furnishes Management Services in connection with the operation of the Business.

4.5 Gross Sales and Profit. "Gross Sales" for any period during a year shall mean and include all sales of every kind and nature at or from the Business or made pursuant to the rights granted under the Franchise Agreement and this BM Agreement, including but not limited to the sales of all services and products related to the Kidokinetics Business, regardless of whether received in cash, coupon, from barter or exchange, in services in kind, or on credit or otherwise. It does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e. coupons) or (iv) properly documented employee discounts (limited to 3% of Gross Sales). Gross Sales include sales of gift cards and gift certificates at the time the funds are received funds from the purchase of such gift cards and gift certificates. "Profit" shall mean Gross Sales less all expenses for the operation of the Business (excluding Owner's Profit). For the purposes of this Section, "Profits" are calculated as the Gross Sales less all costs of goods sold and services provided and operating expenses (excluding Owner's Profit) for the operation of the Kidokinetics Business. For the avoidance of doubt, Profits shall be equal to the Kidokinetics Business's earnings before interest, taxes, depreciation and amortization.

5. BOOKS AND RECORDS. Manager shall keep full and adequate books of account and other records reflecting the results of operation of the Business. Such books and records shall be kept in all material respects in accordance with generally accepted accounting principles and Franchisor's Standards. The books shall be available for Owner's inspection at the Business or at another location as agreed to by Manager and Owner.

6. REPAIRS AND CHANGES.

6.1 Repairs and Maintenance. Owner shall, except as otherwise limited in this BM Agreement, maintain the Business in good repair and condition at the Owner's expense.

6.2 Other Repairs and Maintenance. Any alteration, addition or improvement shall, if mutually agreed upon, be made promptly and shall be paid for by Owner.



7. GENERAL COVENANTS OF MANAGER AND OWNER

7.1 Operating Expenses. Subject to the provisions of this BM Agreement, Owner shall bear all of the costs and expenses of maintaining and operating the Business, including, without limitation, the salaries and benefits of all of its employees at the Business.

7.2 Hours of Operation. The hours of operation of the Business shall be mutually agreed upon by Manager and Owner, consistent with Franchisor's Standards.

7.3 Right of Inspection and Review. Manager shall accord to Owner and the duly authorized officers, accountants, employees, agents and attorneys of Owner the right to enter upon any part of the Business (subject to the requirements of state and federal law) at all reasonable times during the term of this BM Agreement and any renewal thereof for the purposes of examining and inspecting the Business or examining and making extracts from the books and records of the Business operation that are maintained on the premises, or for any other purpose which Owner, in its discretion, shall deem necessary for advisable, but the same shall be done with as little disturbance to the operation of the Business as possible.

7.4 Payment of Taxes. Owner shall promptly pay all taxes, mortgages or other liabilities that can be a lien upon the property of the Business.

8. INSURANCE. Owner shall at all times during the term of this BM Agreement and any renewal thereof procure and maintain, with financially responsible insurance companies qualified to do business in the state where the Business is located, such insurance covering the property and business of the Business as is in accordance with the requirements of Franchise Agreement and Franchisor's Standards and covering the locations as is customary for the type of business operated by Owner. Owner shall also maintain coverage insuring it against loss from interruption of business in such amount as is sufficient to pay the Management Fee as projected in the Annual Plan during any period of time that a Business cannot be operated due to a covered loss. All insurance policies carried by Owner shall insure both Owner and Manager, with Manager named as co-insured as its interest may appear and, to the extent obtainable, have attached thereto an endorsement that the same shall not be canceled or changed without at least fifteen (15) days prior written notice to Manager. Owner shall furnish to Manager satisfactory evidence of such insurance and the premiums thereon.

9. DAMAGE OR DESTRUCTION TO A KIDOKINETICS BUSINESS. If a Business or any portion thereof shall be damaged at any time or times during the term of this BM Agreement or any renewal thereof by fire or other insured casualty, and if the building in which a Business is located has been damaged so that the cost of restoration is greater than 50% of the fair market value of such building (exclusive of land) immediately prior to the damage, then the Owner shall have no obligation to repair or rebuild the building. If Owner elects not to repair or rebuild the damaged building, the Manager's obligations under this BM Agreement to continue to manage the Business in such building shall terminate. Owner shall notify Manager of its decision within ninety (90) days following the occurrence of the loss.

10. RIGHT TO PERFORM; REIMBURSEMENTS; INDEMNIFICATION.

10.1 Right to Perform; Reimbursements. If either party shall fail, within the time and after due notice as specified in Section 11, to make any payment or to perform any act to be made or performed by such party pursuant to this BM Agreement, then the other party may, without further notice to or demand upon the defaulting party, and without waiving or releasing such defaulting party from any obligations under this BM Agreement, make such payment or perform such act. All sums so paid by such party and all necessary incidental costs and expenses incurred by such other party in connection with the performance of such acts, together with interest thereon at the Wall Street Journal Prime Rate at the time of such expenditure plus 3% per annum (but not to exceed the maximum interest rate allowed by law) from the date



of making such expenditure shall be payable to such other party upon demand. Any amounts payable by Manager may, at the option of Manager, be deducted from any payments then due or thereafter becoming due to Manager under this BM Agreement. With the exception of emergency cases, neither party shall have the right to make any payment or to perform any act if there is a bona fide dispute between the parties as to the necessity thereof and such dispute had been submitted to arbitration in accordance with Section 13.1.

10.2 Indemnity and Hold Harmless. Each party will indemnify and hold the other harmless from any liability or expenses resulting from a breach of this BM Agreement, including reasonable attorney fees incurred by a party to defend or prosecute any action or proceeding resulting from any breach. This agreement to indemnify and hold harmless will include any liabilities, claims, costs, demands or losses of any nature incurred by a party.

10.3 Manager's Performance. Nothing in this BM Agreement shall in any way be deemed to make the Manager a guarantor of the financial results of operation of any Business nor of the performance of any employee of the Business, their fidelity, honesty or turpitude.

11. DEFAULTS; TERMINATION.

11.1 Defaults. The following shall constitute events of default hereunder:

(a) The failure of either party to pay the other any amounts which may become due hereunder for a period of thirty (30) days after such amount is payable;

(b) The filing (except as hereinafter provided) by either party of a voluntary petition in bankruptcy or insolvency or a petition for reorganization under any bankruptcy law or a petition for the appointment of a receiver for all or a substantial part of the property of such party;

(c) The consent (except as hereinafter provided) by either party to an involuntary petition in bankruptcy or the failure to vacate, within sixty (60) days from the date of entry thereof, any order approving such involuntary petition;

(d) The entry (except as hereinafter provided) of an order, judgment or decree by any court of competent jurisdiction on the application of a creditor, adjudicating either party as a bankrupt or insolvent or approving a petition seeking reorganization or appointment of a receiver, trustee or liquidator or all or a substantial part of the property of such party, and such order, judgment or decree shall continue unstayed and in effect for a period of one hundred twenty (120) days;

(e) The failure of Owner to operate the Business for a period of five (5) consecutive days;

(f) The termination of the Franchise Agreement between Owner and Franchisor;

(g) The failure by either party to perform, keep or fulfill any of the other covenants, undertakings, obligations or conditions set forth in this BM Agreement and the continuance of such default for a period of thirty (30) days after notice of such failure.

If any of such events of default occur, the non-defaulting party may give to the defaulting party a notice of intention to terminate this BM Agreement after the expiration of a period of thirty (30) days from the date of such notice, and upon the expiration of such period this BM Agreement shall terminate. If, however, upon receipt of such notice, the defaulting party shall promptly and with due diligence cure the default, or take and continue to take action to cure such default with all due diligence if such default is not curable within such thirty (30) day period, then such notice shall be of no force and effect. The rights granted



hereunder shall not be in substitution for, but shall be in addition to, any and all other rights and remedies for breach of contract available to the non-defaulting party under this BM Agreement if a bona fide dispute with respect to any of the foregoing events of default has arisen between the parties to such dispute has been submitted to arbitration in accordance with Section 13.1. Nothing contained in this BM Agreement shall be construed to permit Owner to terminate the Franchise Agreement as a result of any default by Manager hereunder.

11.2 Early Termination. If Owner requests to terminate this BM Agreement during any Renewal Term, Owner shall provide Manager a 90 day written notice of termination and pay Manager any Management Fee owed and Incentive Fee under Section 4.2 during the 90 day period. Manager shall be entitled to receive a pro rata share of the Management Fee and Incentive Fee calculated as of the last day Manager furnishes Management Services in connection with the operation of the Business. Owner shall pay these fees within 10 days of termination of the BM Agreement.

11.3 Obligations Upon Termination. Upon termination of this BM Agreement, each party shall promptly pay to the other, as soon as the same is determinable after the effective date of termination, all amounts due such other party under the terms of this BM Agreement. On or before the effective date of termination, Manager shall deliver to Owner the originals of all books, plans, records, licenses, contracts and other records and documents pertaining to the Business and its operation which are in Manager's possession. Manager further agrees to do all other things reasonably necessary to cause an orderly transition of the management of the Business.

12. TRADE NAME AND LICENSE AGREEMENT. During the term of this RM, the Business shall at all times be known and designated as Kidokinetics Business. Owner represents and warrants to Manager that Owner has the legal right to use the name in accordance with the Franchise Agreement with Franchisor. At all times during the term of this BM Agreement and any renewal thereof the Business shall be operated in accordance with Franchisor's Standards.

13. ARBITRATION AND DISPUTE RESOLUTION.

13.1 Arbitration. The parties hereto acknowledge and agree that any dispute or controversy arising out of or relating to this BM Agreement will, at the request of either party, be settled by final and binding arbitration conducted in the city and state of our principal business address, which is currently in Davie, Florida, in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association or its successor organization (the "AAA") and otherwise as set forth below on an individual basis (not a class action):

(a) **Notice of Arbitration.** Either party may initiate the arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and must contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this BM Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

(b) **Selection of Arbitrator.** Arbitration will be conducted before a single arbitrator who is familiar with legal disputes of the type at issue and who has at least 10 years' experience as a lawyer or in the franchise business. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request the AAA or successor organization, to appoint a qualified arbitrator.



(c) Preliminary Conference. Within ten (10) days after the appointment of the arbitrator, the parties will meet with the arbitrator, in person or by telephone, for a preliminary conference. At the preliminary conference, the parties will establish the extent of and schedule for discovery, including the production of relevant documents, identification of witnesses, depositions, and the stipulation of uncontested facts. At this preliminary conference, the date for the hearing will be set. At the preliminary conference, the arbitrator will set forth the procedures to be followed at the hearing.

(d) Discovery. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position.

(e) Statement of Case. At least (5) days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

(f) Hearing. Unless otherwise mutually agreed by the parties, all arbitration proceedings will be held in the city in which we then have our principal place of business.

(g) Arbitrator's Decision. The arbitrator will issue a written decision within ten (10) days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages sustained by reason of any breach or wrongful termination of this BM Agreement, but will not have any authority to amend or modify the terms of this BM Agreement or to assess punitive damages or treble damages.

(h) Time Schedule. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

(i) Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

(j) Confidentiality. The entire arbitration proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purpose, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

13.2 Injunctive Relief. Nothing contained in this BM Agreement will bar either party from obtaining a temporary restraining order or preliminary injunctive relief against threatened or actual conduct that would cause either party irreparable loss or damages. Owner and Manager agree that either party may have such a temporary restraining order or injunctive relief, if warranted, pending a final determination on the merits of any disputed issue in arbitration, as provided in Section 13.1 above. The sole remedy of the



enjoined party, in the event of the entry of an injunction, will be the dissolution of the injunction, if warranted, after a hearing is held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived by this BM Agreement). Owner also agrees that the court may issue a temporary restraining order or preliminary injunction that is mandatory in nature if such order or relief is necessary to ensure the operation of any of the Business as a Kidokinetics Business pursuant to the terms of this BM Agreement and the Franchise Agreement. Any such action shall be brought as provided in Sections 13.3 and 13.4 below.

13.3 Governing Law. This BM Agreement, the relationship between Owner and Manager and any dispute between the parties and any of their affiliates, officers, directors, shareholders and employees shall be governed by and interpreted in accordance with the internal laws of the State of Florida.

13.4 Forum and Venue. Owner and Manager agree that any action for a preliminary injunction, to compel arbitration or to enforce an arbitrator's award shall be brought only in the Federal United States District Court for the Southern District Court of Florida, Broward County or the federal or state court for the jurisdiction in which we then have our principal place of business for any litigation relating to this BM Agreement. Any other cause of action which is not required to be arbitrated pursuant hereto, including but not limited to any action against any affiliates, officers, directors, shareholders and employees of the parties, shall be brought only in or the federal or state court for the jurisdiction in which we then have our principal place of business and the parties and their affiliates, officers, directors, shareholders and employees, hereby irrevocably consent to the jurisdiction of such courts and hereby waive any objection to the jurisdiction or venue or such courts.

13.5 Waiver of Punitive Damages. Except with respect to a party's obligation to indemnify the other pursuant to Section 10.2, the parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim shall be limited to recovery of any actual damages sustained by such party.

13.6 Limitation Of Claims. Notice of any and all claims arising out of this BM Agreement or the relationship between the parties must be made within one year from the occurrence of the facts giving rise to such claim.

13.7 Rights Of Parties Are Cumulative. The rights of the parties hereunder are cumulative and no exercise or enforcement by Owner or Manager, or any right or remedy hereunder shall preclude the exercise or enforcement by either party of any other right or remedy hereunder or which such party is entitled by law to enforce.

13.8 Costs and Attorney Fees. The party prevailing in a judicial or arbitration proceeding or appeal thereof shall be awarded its costs and expenses including, but not limited to, reasonable accounting, paralegal, expert witness and attorney fees and arbitrators' fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this BM Agreement.

14. GENERAL PROVISIONS.

14.1 Entire Agreement. This BM Agreement is the entire agreement between Owner and Manager, and no agreements, representations or warranties have been made other than those in this BM Agreement, except as appear on the Exhibits attached to this BM Agreement. This BM Agreement may not be modified except by a writing executed by Owner and Manager.



14.2 Status Reports. Recognizing that each party may find it necessary from time to time to establish to third parties such as accountants or the like, the then current status of performance hereunder, each party agrees, upon the written request of any other party, made from time to time by notice, to furnish promptly a written statement (in recordable form, if requested) on the status of any matter pertaining to this Agreement to the best knowledge and belief of the party making such statement.

14.3 Assignment. Neither party may, without the prior written approval of the other party, assign this BM Agreement or any rights therein. Any sale or transfer of controlling interest in either of the parties shall be construed as an assignment of that party's interest in this BM Agreement, unless the sale or transfer has received the prior written approval of the other party.

14.4 Benefits and Burdens. The terms, provisions, covenants, undertakings, agreements, obligations and conditions of this BM Agreement shall be binding upon and shall inure to the benefit of the parties to this BM Agreement and their respective successors and assigns, except that no assignment of an interest in this BM Agreement in violation of the provisions hereof shall vest any interest in the assignee or transferee.

14.5 Notices. Any notice, reports, and other information and documents permitted or required to be delivered under this BM Agreement will be in writing, and will be delivered to Manager at [Franchise Location Address], or to Owner at the address listed on the signature page hereof. Either party may modify its address periodically by written notice to the other party. Notices will be effective if in writing and delivered to the appropriate party by: delivery service, with proof of delivery; or by first class, prepaid certified or registered mail, return receipt requested. Notices will be deemed given on the date delivered or on the date of the first attempted delivery, if delivery is refused or unclaimed.

14.6 No Partnership or Joint Venture. Nothing contained in this BM Agreement shall constitute or be construed to create a partnership or joint venture between Owner and Manager.

14.7 Severability. If any one or more of the provisions in this BM Agreement or any application of the provisions of this BM Agreement is declared invalid or illegal or unenforceable by any court of competent jurisdiction, the validity, legality or enforceability of the remaining provisions of this BM Agreement will not be impaired by such declaration, and this BM Agreement will be construed as if such invalid, illegal or unenforceable provision was not contained in this BM Agreement.

14.8 Singular/Plural. The singular of any word shall include the plural and vice versa unless the BM Agreement requires otherwise.

14.9 Approvals. Whenever any party is requested to give its approval to a matter, such approval shall not be unreasonably withheld. If a party desires the approval of another party to any matter, such party shall give notice to such other party requests such approval, specifying in such notice the matter as to which approval is requested and reasonable detail respecting such matter. If such other party has not responded negatively to such notice within ten (10) days after receipt thereof (unless some other period is specified in this BM Agreement), such other party shall be deemed to have approved the matter referred to in such notice.

14.10 Further Instruments. Upon notice from Manager, Owner shall execute and deliver all appropriate supplemental agreements and other instruments and take any other action necessary to make this BM Agreement duly and legally effective, binding and enforceable as between the parties hereto and as against third parties.

(Signatures on following page)



IN WITNESS WHEREOF, this BM Agreement has been executed on the day and year first above written.

OWNER:

Entity name (if any): _____

By: _____

Printed Name: _____

Title: _____

By: _____

Printed Name: _____

Title: _____

Owner's Address for Notices:

MANAGER:

Kidokinetics Franchise LLC

By: _____

Printed Name: _____

Title: _____

Effective Date: _____



KIDOKINETICS FRANCHISE LLC

EXHIBIT I **STATE EFFECTIVE DATES**

State Effective Dates

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

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

State	Effective Date
California	Pending
Illinois	Pending
Maryland	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



EXHIBIT J

RECEIPT



RECEIPT
(Retain This Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Kidokinetics Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Under Iowa law, if applicable, Kidokinetics Franchise LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Kidokinetics Franchise LLC to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kidokinetics Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:	
Terri Braun, 10428 West SR 84, Unit 1, Davie, FL 33324, (954) 385-8511	
Dave Pazgan, 10428 West SR 84, Unit 1, Davie, FL 33324, (330) 760-2990	

Issuance Date: April 20, 2023

I received a disclosure document issued April 20, 2023 which included the following exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Franchise Operations Manual Table of Contents
Exhibit D	Financial Statements
Exhibit E	List of Current and Former Franchisees
Exhibit F	Franchise Disclosure Questionnaire
Exhibit G	State Addenda and Agreement Riders
Exhibit H	Contracts for Use with the Kidokinetics Franchise
Exhibit I	State Effective Dates
Exhibit J	Receipt

_____	_____	_____
Date	Signature	Printed Name

_____	_____	_____	Rev. 012417
Date	Signature	Printed Name	

PLEASE RETAIN THIS COPY FOR YOUR RECORDS.



**RECEIPT
(Our Copy)**

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_____	_____	_____
Date	Signature	Printed Name

_____	_____	_____	Rev. 012417
Date	Signature	Printed Name	

Please sign this copy of the receipt, date your signature, and return it to Kidokinetics Franchise LLC, 10428 West SR 84, Unit 1, Davie, FL 33324.

