# FRANCHISE DISCLOSURE DOCUMENT

**KidsPark, Inc.**
**a California corporation**
**812 S. Winchester Boulevard, #150**
**San Jose, California 95128**
**(408) 800-2479 (phone)**
**www.kidspark.com**
**tom@kidspark.com**

*KidsPark*® franchisees operate hourly, drop-in childcare centers, preschool programs and private parties for children from 2 to 12 years of age.

The estimated total investment necessary to begin operation of a *KidsPark*® center franchise is $293,250 to $516,500, including the initial fees of $30,000 (for 1 Center) that must be paid to the franchisor. These fees are non-refundable.

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, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Thomas Keefe at the above address and at (818) 287-1970.

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, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April ~~14~~11, ~~2023~~2024

## 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 direction. Item 7 lists the estimated 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 B includes financial statements. Review these statements carefully. |
| **Is the franchise system stable, growing, or shrinking?** | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| **Will my business be the only *KidsPark*® center in my area?** | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| **Does the franchisor have a relevant 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 *KidsPark*® franchisee?** | Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences. |
| **What else should I know?** | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in the 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 franchised business.

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

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

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

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

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

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisor 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 the following risks be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by face-to-face meeting and arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to meet and arbitrate with us in California than in your own state.

2. **Territory Exclusivity.** Your territory exclusivity may, at our option, depend, in part, upon your maintaining an enrollment at least equal to 1,000 families for each Center you operate after your 20th month of operating the Center.

3. **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 you and your spouse's marital and personal assets perhaps including your house, at risk if your franchise fails.

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

**DISCLOSURES REQUIRED BY MICHIGAN LAW**

**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.**

**(a) A prohibition on the right of a franchisee to join an association of franchisees.**

**(b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and 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 term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.**

**(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of the franchisor's intent not to renew the franchise.**

**(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.**

**(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.**

**(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:**

**(i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.**

**(ii) The fact that the proposed transferee is a competitor of the franchisor or 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 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.**

**Michigan law provides that a franchisor whose most recent statements are unaudited and which show a net worth of less than $100,000 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow. In the event that an escrow is so established, the escrow agent shall be a financial institution authorized to do business in the State of Michigan. The escrow agent may release to the franchisor those amounts of the escrowed funds applicable to a specific franchisee or subfranchisor upon presentation of an affidavit executed by the franchisee and an affidavit executed by the franchisor stating that the franchisor has fulfilled its obligation to provide real estate, improvements, equipment, inventory, training, or other items. This portion of the Michigan law does not prohibit a partial release of escrowed funds upon receipt of affidavits of partial fulfillment of the franchisor's obligation.**

**SHOULD THE PROSPECTIVE FRANCHISEE HAVE ANY QUESTIONS REGARDING THE NOTICE OF THIS FILING WITH THE ATTORNEY GENERAL, SUCH QUESTIONS SHOULD BE ADDRESSED TO:**

State of Michigan
Consumer Protection Division
Attention: Franchise Bureau
525 West Ottawa Street
G. Mennen Williams Building, 1st floor
Lansing, MI 48933
(517) 335-7567

# *KidsPark* ®

## Franchise Disclosure Document

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## Exhibits

Exhibit A – List of State Regulatory Authorities and Agents for Service of Process
Exhibit B – Financial Statements
Exhibit C – Franchise Agreement, with the following attachments:

1. Location and Protected Territory
2. Development Schedule
3. Continuing Guaranty

4a. Non-Compete, Non-Disclosure and Confidentiality Agreement (for Franchise Owners)

4b. Non-Compete, Non-Disclosure and Confidentiality Agreement (for Center Directors and Managers)

5. SBA Addendum
6. California Addendum
7. Washington Addendum to the Franchise Agreement, Statement of Prospective Franchisee and Related Agreements

Exhibit D – State Addenda to Disclosure Document
Exhibit E – List of Franchisees; Former Franchisees; and Franchisee Organizations
Exhibit F – Sample General Release
Exhibit G – Conditional Assignment of Telephone/Internet and Directory Listings
Exhibit H – Statement of Prospective Franchisee
Exhibit I – Current Form of Franchise Agreement Renewal Addendum
Exhibit J – State Effective Dates
Exhibit K – Receipt of Disclosure Document

## *Item 1: The Franchisor and any Parents, Predecessors, and Affiliates*

In this Franchise Disclosure Document the words "we," "us," "our" and similar terms refer to KidsPark, Inc., the franchisor of *KidsPark*® centers, whose principal business address is 812 S. Winchester Boulevard, Suite 150, San Jose, California 95128. The words "you" and "your" refer to the purchaser of the *KidsPark*® franchise.

Our agents for service of process are listed in Exhibit A to this Franchise Disclosure Document.

We are a corporation that was formed in California on May 31, 1988. As of the date of this document, we operate 1 *KidsPark*® center which ~~was opened in December, 1994, and~~ is located at 812 S. Winchester Boulevard, #120 ~~2858 Stevens Creek Boulevard, Suite 100~~, San Jose, California 95128. We began offering franchises for *KidsPark*® centers in June, 2003. As of the date of this document, operating and granting franchises for *KidsPark*® centers are our only business activities. We have not offered franchises in any other line of business.

We had no predecessors during the 10-year period before the close of our last fiscal year. We do not have a parent company. We have no affiliates that offer franchises in any line of business or provide products or services to our franchisees.

*KidsPark*® centers are hourly drop-in flexible childcare centers that feature supervised activities for children from 2 to 12 years of age. *KidsPark*® centers operate days, evenings and weekends. *KidsPark*® centers also offer preschool education programs and fun private parties. They are not substitutes for day care centers but, rather, are designed to allow parents time to run errands, shop, keep appointments, dine, attend entertainment activities, and so forth. *KidsPark*® centers will occupy approximately 3,500-4,000 square feet of space and will be open 7 days a week, from 14 to 16 hours a day except on Sunday when the hours of operation will be shorter. There tends to be an increase in a center's business on school holidays.

As a general description of the competition, the field of hourly childcare is normally filled by babysitters, babysitting services, and similar care givers, including family members.

*KidsPark*® centers are normally situated in strip shopping centers, street storefronts, or in other commercial locations near regional destinations and/or high-density housing.

There are laws concerning childcare in all states, such as the requirement for childcare permits and background checks. You must meet your state's childcare requirements. You are required to engage professional legal and other business input to establish and maintain full compliance with applicable laws and regulations at all times.

If your Franchise Agreement grants you the right to open more than one *KidsPark*® center, your center-opening schedule and your development area will be specified on Exhibit 2 to the Franchise Agreement.

## *Item 2: Business Experience*

Debra Milner – Chair of the Board of Directors, Chief Executive Officer, and Chief Financial Officer

Ms. Milner is the Founder of KidsPark, Inc., and has served as the Board Chair, CEO and CFO since our formation in 1988.

Thomas Keefe – Executive Director, Franchising and Support

Mr. Keefe has been the Executive Director of Franchising and Support of KidsPark, Inc. since May, 2019. From December, 2017 to May, 2019, he was the Executive Director of Sylvan Learning Centers in Hunt Valley, Maryland, which specializes in supplemental education, tutoring and test prep for elementary through high school aged children. From July, 2014 through December, 2017, he was Executive Director of Franchise Development for Mathnasium in Los Angeles, California, which offers a supplemental education program focused on math for elementary through high school students.

Robert B. Campbell – Secretary and Director

Mr. Campbell has been a director of KidsPark, Inc. since June, 2003. He has been the principal of RBC Consulting, a business and franchise consulting firm located in Folsom, California, since its formation in 2003. From 1986 until he formed RBC Consulting, Mr. Campbell was employed by The Gymboree Corporation, based in Burlingame, California, the last 7 years of which he was President of Gymboree Play Programs, Inc., a wholly-owned subsidiary that provides and franchises children's activity, fitness, and music programs. In addition, since 2007, he has been an owner of sBarkles, LLC, a retailer of pet supply products in Folsom, California.

Philip Schlein – Director

Mr. Schlein has been a director of KidsPark, Inc. since August, 1998. He is a retired partner with U. S. Venture Partners, a venture capital firm located in Menlo Park, California.

Steven B. Kaplan – Director

Mr. Kaplan joined KidsPark Board of Directors June 2014. He has been retired for over 5 years, but previously was Senior Vice President of Real Estate at Gap Inc., located in San Bruno, California from August 1977 to May, 2000. He also is past Chairman of the board of the Museum of Craft and Design in San Francisco, California.

## *Item 3: Litigation*

No litigation or other dispute resolution is required to be disclosed in this disclosure document. See California Addendum to Disclosure Document in Exhibit D.

### *Item 4: Bankruptcy*

No bankruptcies are required to be disclosed in this disclosure document.

### *Item 5: Initial Fees*

You will pay an initial franchise fee of $4,000 for each *KidsPark*® Center your Franchise Agreement grants you the right to open.

In addition to the initial franchise fee, you will pay the following fees. These fees are discounted for additional Centers, as stated:

- An Initial Support Fee, which includes site review and consultation, assistance with obtaining a childcare license, and pre-opening marketing. The Initial Support Fee is $10,000 for your first Center. If your Franchise Agreement grants you the right to open more than one Center, the Initial Support Fee is $6,000 for each Center after the first Center.
- A Center Design Fee, which includes the customized floor plan, specifications, and inventory list. The Center Design Fee is $5000 for each Center.
- A Pre-Opening Training Fee, which includes online and in-person training in our *KidsPark* system. (See Item 11 for additional information about our training program.) The Pre-Opening Training Fee is $8,000 for your first Center. If your Franchise Agreement grants you the right to open more than one Center, the Pre-Opening Training Fee is $3,000 for each Center after your first Center.
- An Opening Support Fee, which includes on-site training and a compliance visit at the time of your Center opening. The Opening Support Fee is $3,000 for your first Center. If your Franchise Agreement grants you the right to open more than one Center, the Opening Support Fee is $3,000 for each Center after your first Center.

The total combined fees for 1 Center are $30,000; the total combined fees for each additional Center authorized under the same Franchise Agreement are $21,000. All fees are payable in full when you sign the Franchise Agreement.

Once you are an existing *KidsPark*® franchisee, if you desire to purchase a franchise for a subsequent *KidsPark*® center and if we approve your application, you will pay an initial franchise fee of $4,000, plus an Initial Support Fee of $8,000, a Center Design Fee of $5,000, a Pre-Opening Training Fee of $4,000, and an Opening Support Fee of $3,000 for total combined fee of $24,000 for each subsequent Center we approve. These fees will be payable in full when you sign each Location and Protected Territory Exhibit.

We currently offer a discount of $3,000 off the initial franchise fee, for the first Center only, to honorably discharged veterans of the U.S. Armed Forces who otherwise meet our qualifications. You will be required to produce a copy of your official paperwork reflecting your veteran and/or discharge status.

All of the initial fees are uniform and non-refundable.

***Item 6: Other Fees***

**OTHER FEES**

The following chart lists the other fees you must pay us in connection with your *KidsPark*® franchise.

| **Type of Fee** (See Note 1) | **Amount** | **Due Date** | **Remarks** |
|---|---|---|---|
| Monthly Royalty | 5% of your gross receipts | Monthly by the 15th day of the month based on your gross receipts for the prior month, with report | "Gross receipts" is defined in Section 9.06 of the Franchise Agreement and means, with certain exceptions, the proceeds received from your sales and services, less any discounts actually provided to customers |
| Administrative Fee for Late Payment or late reports (See Note 3) | $100~~50~~ for each late payment~~s~~ or report~~s~~, which are due on the 15th of the month; $150~~00~~ for any payment~~s~~ or report~~s~~ received after the 20th of any month; plus a late charge of 1.5% per month | With late payment or report ~~on due date~~ | See Sections 9.01 and 11.07 of Franchise Agreement |
| Advertising Fund Fee (See Note 2) | An amount we specify up to 3% of your monthly gross receipts. Currently the fee is $250 per month. | Monthly by the 15th day of the month. | |
| Fee for Advertising and/or Promotional Items | As we determine | As we determine | We can require you to purchase advertising and/or promotional items from us or suppliers we designate. You will reimburse us for our shipping costs, and we have the option to charge you handling fees |

| **Type of Fee**<br>(See Note 1) | **Amount** | **Due Date** | **Remarks** |
|---|---|---|---|
| Additional Training Fee<br>(See Note 4) | $500 per day | As we require | For owner and director training in addition to the training we provide as part of our initial services. We may waive this fee. |
| Extra Visit Fee<br>(See Note 4) | $500 per day plus our out of pocket expenses | As we require | This fee is only payable if you notify us that your *KidsPark*® center is ready for opening but we determine that it is not, which prevents our representative from completing his/her services on opening or forces him/her to have to return later to perform those services |
| Special Visit Fee | Reimbursement of our out of pocket expenses and/or a per diem for the salary and expenses of our representatives | As agreed upon between us | Only payable if you request a special visit by our representatives over and above those we normally provide |
| Renewal Fee | $2,000 | As billed | |
| Relocation Fee | $10,000 | Upon signing the Franchise Agreement or Amendment governing the operation of your relocated *KidsPark*® center | |

| **Type of Fee** (See Note 1) | **Amount** | **Due Date** | **Remarks** |
|---|---|---|---|
| Transfer Fee | $10,000 | Upon approval of the transfer | Payable upon the cumulative transfer of 50% or more of the interests in the franchise. If more than 2 *KidsPark*® centers are being transferred to the same transferee as part of the same transaction, you will pay the full transfer fee for one center and ½ of the transfer fee for each additional center being transferred. If the transfer is to an existing *KidsPark*® franchisee, the fee is 25% of our full $10,000 then-current transfer fee. |
| Meeting Fee | As we determine | As we determine | We have the right to charge reasonable fees for attendance at our national or regional meetings and training seminars |
| Fees Payable to Us to Cover Taxes Assessed by Your State | Amount charged by the state or other authority | As incurred | If amounts you pay to us are reduced by taxes, fees or other assessments on amounts you pay to us by your state, then you must pay us an additional amount to cover the tax, fee or assessment |
| Fee for Negotiating New Development Area | Reimbursement of our expenses associated with the undeveloped areas | As incurred | We are entitled to recover our costs associated with the undeveloped areas if you and we are unable to agree on a new Development Schedule |

NOTES:

1. These fees are payable to us and are not refundable. We may elect to waive and/or credit, reduce or defer payment of any and all fees and charges of any kind related to a franchise and/or franchisee on a case-by-case basis as we consider appropriate and as permitted by law. We may negotiate different fee amounts and other terms with you as we consider appropriate.

2. The Advertising Fund is discussed in Item 11 of this document. We can charge the Advertising Fund for the time, expenses, and overhead of our employees who work on advertising, promotion, and public relations activities designed to benefit the *KidsPark*® system. Rather than trying to determine the exact amount of these expenses, we can charge the Advertising Fund for these services in an amount equal to 10% of the amount collected by the fund.

3. The Royalty Fee and Status Reports are due monthly in accordance with the procedures specified in the Franchise Agreement.

4. These fees are adjustable by any increase in the Consumer Price Index between the date of your Franchise Agreement and the date of the event that gives rise to the fees.

## *Item 7: Estimated Initial Investment*

### YOUR ESTIMATED INITIAL INVESTMENT

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|
| Initial Franchise Fee, Initial Support Fee, Center Design Fee, Pre-Opening Training Fee, and Opening Support Fee (See Note 1) | $30,000 | Lump sum | On signing the Franchise Agreement. | Us |
| Premises lease (See Note 2) | $15,750 to $36,000 | Lump sum | Monthly | Landlord |
| Leasehold improvements (See Note 3) | $80,000 to $180,000 | Typically, progress payments | As arranged with contractors | Contractors |
| Architect Fees (See Note 4a) | $12,000 to $20,000 | Typically, progress payments | As arranged with Architect or Fixture Company | Architect or Fixture Company |
| Fixtures (See Note 4b) | $70,000 to $120,000 | 2 installments | Prior to delivery | Designated supplier |
| Start-up Inventory & Furniture (See Note 5) | $13,500 to $20,000 | As arranged with suppliers | As arranged with suppliers | Suppliers |
| Computer System (See Note 6) | $3,000 to $5,000 | As arranged with supplier | As arranged with suppliers | Supplier |

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|
| Marketing & Grand Opening/Open House (See Note 7) | $5,000 to $15,000 | As arranged with providers | As arranged with providers | PPC, web ads, direct mail, sign companies, etc. |
| Utility deposits, business licenses, insurance and other prepaid expenses | $8,000 to $15,000 | As arranged with provider | As needed | Utility companies, government agencies, etc. |
| Travel and living expenses while attending training course (See Note 8) | $1,000 to $3,500 | As arranged | As arranged | Hotel and rental car companies, restaurants, etc. |
| Additional funds and working capital - first 3 months of operation. (See Note 9) | $55,000 to $72,000 | As arranged | As arranged | Employees, vendors |
| **Total Investment:** (See Note 10) | $293,250 - $516,500 | | | |

NOTES:

1. This estimate is for a single Center. See Item 5 for more information about the services included in this fee, which is not refundable. All other expenses in this Item 7 are for a single Center, or for your first Center if your Franchise Agreement authorizes you to open more than one Center. If your Franchise Agreement authorizes you to open more than one Center, you must open each subsequent Center 24 months after opening the previous one. If you fail to do so, we have the right to terminate the Franchise Agreement or reduce your territory rights.

2. A *KidsPark*® center will occupy approximately 3,100 – 4,000 square feet of space. Rents range from approximately $2.25 to $4.50 per square foot. We have included in the range provided amounts for estimated NNN lease commitments for the first month's rent and a one-month security deposit. We have made no allowance in this chart for rent that you may have to pay before your *KidsPark*® center is open for business. The need for rent payments before opening will depend on the terms of your lease and how fast your center is ready for opening. In addition to base rent, you may also have to pay additional charges to your landlord such as shopping center insurance, taxes, assessments, common area maintenance, heating, ventilating and air conditioning, and other charges. This chart does not include any sums for purchase of real property, as it is not anticipated that you will purchase real property.

3. These costs are based on the landlord providing a "vanilla shell" (with no major demolition required), which contains a completed storefront, including a door, a rear exit, ceiling, ceiling lighting, an ADA compliant bathroom, finished concrete floor ready for floor treatment, electrical to space, HVAC ducting throughout, a fire sprinkler space, and demising and/or fire walls finished and ready for paint. The estimates above assume standard leasehold improvements,

including building permits, additional demising and/or fire walls, plumbing, electric, flooring, painting, playhouse, tiered theater seating, indoor climbing structure, lighting adjustments, additional rest rooms, alarm system to code and so forth. Non-Standard leasehold improvements may include additional restroom requirements, food handling areas and outdoor play build out. These additional, non-standard improvements are estimated to increase your investment by $30,000 - $60,000. Your landlord may provide or contribute to the cost of some of your leasehold improvements. Building permits, sewer hook-up fees, business licenses, and fire safety insurance and other permits should run between $8,000 and $15,000 but may be more or less depending on the requirements in your area.

4a. This estimate is for the architect's fees required to complete the plans and specifications we give you for your building. When a local architect is used, they must follow KidsPark's current Design Criteria Manual.

4b. This is the estimate for the front desk/lobby area, kitchen cabinets and center cabinets, indoor climbing structure and theater seating that are used to define activity areas and provide storage. All fixtures must follow KidsPark's current Design Criteria Manual. The estimate includes installation.

5. Start-up inventory and furniture include toys, tables, chairs, logoed apparel, certain resale items and program supplies. The amount of inventory needed by your *KidsPark*® center will vary depending on the volume of business that is expected.

6. You must purchase at least one computer (desktop or laptop) for your Point-of-Sale system, a tablet computer for electronic registration and sign in/out procedures, an office printer (inkjet or laser), a credit card processing machine from 360 Payments which has been integrated into our Point-of-Sale system -or interface, and a cash drawer. You may, but are not required to, purchase a receipt printer. We do not specify a brand or supplier for these items. We recommend (but do not require) a 2nd computer with similar capacities, to be installed in the center director's office, which can be a laptop networked to the front desk computer. These computers must have word processing and spreadsheet capabilities of the type usually found in a software office suite, and QuickBooks Pro or QuickBooks Online, or other accounting software we may specify. The computer/tablets and software are those normally available from most computer and software retailers; we currently require Chrome based products, including Google Sheets and Docs. Currently, we do not require you to purchase maintenance and/or upgrade contracts on your computer or software.

7. Marketing and Initial Open House include interior and 1 exterior signage, initial collateral, pre-opening advertising and costs associated with the Open House to announce your opening. The building may offer you an opportunity to add a 2nd exterior sign, which would increase your signage costs accordingly.

8. You will have some additional costs for travel and living expenses including lodging, meals, etc., during initial training. The operations training course normally is held at our home office and our *KidsPark*® center in San Jose, California for approximately 5 days.

9. This is an estimate of the additional cash you may need over the revenue of your *KidsPark*® center to fund its first 3 months of operation, not including any wages or income to the owner. We base these amounts on our experience opening the *KidsPark*® centers we operate and those

that we have franchised. These figures are based on our best estimates and you may have additional cash needs during this period and beyond.

10. No allowance has been made in this chart for any principal or interest expenses required before the opening of your *KidsPark*® center. The need for this type of expense will vary with the terms of any financing you get in connection with your *KidsPark*® center.

11. The refundability of payments is up to the individual contractors, vendors, and other providers with whom you deal.

## *Item 8: Restrictions on Sources of Products and Services*

Because we want to create a public image for and enhance consumer acceptance of *KidsPark*® centers and protect our proprietary names and marks, we control the appearance of your *KidsPark*® center and the goods and services you provide under the *KidsPark*® name. For this reason, your center must comply with our appearance and other requirements. You are allowed to use only the equipment, décor, furniture, fixtures, signs, and other items we specify or otherwise approve. If we require you to carry or use specific items, we usually designate those items by referring to them by model number and their manufacturers or suppliers. You must use our current method and/or designated supplier for fabrication of fixtures, theater seating and indoor climbing structure.

We do not anticipate that any of your purchases and leases of goods and services for establishing or continuing operations of your *KidsPark*® center will be from us or an affiliate although we have the right to be a supplier of goods to our franchised *KidsPark*® centers. We have derived no revenue based on required purchases or leases in the past. If we become a supplier of goods, we will derive revenues from your purchases of the items we sell you. None of our officers owns any interest in any supplier.

We can require you to carry the resale merchandise we specify. Unless we agree otherwise, you can only sell resale merchandise from your *KidsPark*® center and not over the Internet, by mail order, or by alternate methods of distribution.

As discussed above, we must review and approve your location before you can lease or otherwise acquire it. We may require you to use our designated realtor. We must approve your final plans and specifications prior to their use.

You must purchase at least one computer (desktop or laptop) for your Point-of-Sale system, a tablet for electronic registration and sign in/out procedures, an office printer (inkjet or laser), a credit card processing machine from 360 Payments which has been integrated into our Point-of-Sale system or interface, and a cash drawer. You may, but are not required to, purchase a receipt printer. We do not currently specify a supplier or manufacturer, but do specify that the computer(s) use Google Chrome Docs and Sheets, and QuickBooks Pro or QuickBooks Online is our currently specified accounting software, but is subject to change by us. You also must purchase high-speed Internet from the provider of your choice.

You must use the accounting and center management software we require and use the accrual accounting method. As of the date of this document, we provide center management software to you at no additional cost. See Item 11 for more information on the computer system and software you are required to use in your *KidsPark*® center.

We make available to you various advertising and promotional material. As of the date of this document, we do not mark up the cost of these items but you will normally be required to reimburse us for shipping. We can also opt to charge you for handling.

Required purchases or leases are estimated to make up 32% of your total initial investment, and 0% of your ongoing annual operating expenses.

We do not have a purchasing cooperative. However, we hope to be able to negotiate beneficial terms from the principal suppliers to *KidsPark*® centers.

We evaluate new suppliers based on our supplier criteria at the time. Those criteria are made available in writing to franchisees and suppliers who request it. Our supplier criteria and the specifications and standards for items that we will approve are developed and changed based on our ongoing experience. We can withdraw our approval of any supplier or item of equipment, décor, furniture, fixtures, merchandise and other items when we decide that it is justified. We normally can complete our product review and approval process within 30 days after we receive all required information about the product, service, or supplier being considered, including, if we so require, receiving samples of the items for which approval is being sought. If we incur expenses in connection with evaluating suppliers or goods, we can charge the concerned supplier or manufacturer for those costs.

We do not charge suppliers for doing business with *KidsPark*® centers, but our suppliers may give us an advertising, marketing, or promotional allowance. If a supplier gives us an advertising, marketing, or promotional allowance based on purchases made by our franchisees, we will put that money into the Advertising Fund, discussed in Item 11 below, or, if the Advertising Fund has not yet been formed, we will use the money for advertising the *KidsPark*® system. In the fiscal year ended December 31, ~~2022~~2023, we did not receive any advertising, marketing, or promotional allowances from suppliers.

No special benefits are given to franchisees that purchase merchandise or other items from any special source.

We can designate the minimum types and amounts of insurance you must carry. We make no representation that the minimum coverages we require will be adequate for your business; you are encouraged to discuss your insurance needs with a qualified broker. We can also modify our minimum insurance requirements from time to time in our sole discretion, and you will be required to comply with any new requirements. As of the date of this disclosure document the Franchise Agreement requires the following insurance coverage for each of your *KidsPark*® Centers:

| | |
|---|---|
| Commercial General Liability for bodily injury, including child abuse and molestation coverage | $2,000,000 per occurrence (or higher if required by your lease) |
| Personal Property "All Risk" comprehensive protection on replacement cost basis | Replacement Value |
| Automobile Liability for owned, hired and non-owned autos | $1,000,000 |
| Workers Compensation | As required by state law |
| Employer's Liability | As required by state law |

We strongly recommend, but don't currently require, that you obtain Employment Practices Liability Insurance with a limit of at least $1,000,000.

***Item 9: Franchisee's Obligations***

**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 | Item in Disclosure Document |
|---|---|---|
| a. Site selection and acquisition/lease | Sections 3 & 5 | Items 5, 6, 7, & 11 |
| b. Pre-opening purchases/leases | Sections 6 & 8 | Items 6 & 8 |
| c. Site development and other pre-opening requirements | Sections 5, 6, 7, & 8 | Items 6, 7, & 11 |
| d. Initial and ongoing training | Sections 7 & 8 | Item 11 |
| e. Opening | Sections 6-8 & 10 | Item 11 |
| f. Fees | Sections 3-5, 7-9, 11, 15, & 16 | Items 5, 6, & 17 |
| g. Compliance with standards and policies/operating manual | Sections 5, 6, 8, & 10-14 | Items 8 & 11 |
| h. Trademarks and proprietary information | Sections 2, 8, & 14 | Items 13 & 14 |
| i. Restrictions on products/services offered | Sections 5 & 8 | Item 16 |
| j. Warranty and customer service requirements | Section 8 | Items 11 & 15 |
| k. Territorial development and sales quotas | Sections 3, 5, 9.01(f) & 10 | State Cover Page, Items 5, 6, 11 & 12 |

| Obligation | Section in Franchise Agreement | Item in Disclosure Document |
|---|---|---|
| l. Ongoing product/service purchases | Sections 6, 8, & 10 | Item 8 |
| m. Maintenance, appearance, and remodeling requirements | Sections 6 & 8 | Item 8 |
| n. Insurance | Sections 6 & 12 | Items 7 & 9 |
| o. Advertising | Sections 9 & 10 | Items 6 & 11 |
| p. Indemnification | Section 13 | Items 6, 8, & 13 |
| q. Owner's participation/ management/staffing | Sections 7 & 8 | Items 11 & 15 |
| r. Records and reports | Sections 8, 9, & 11 | Items 6 & 17 |
| s. Inspections and audits | Sections 8 & 11 | Items 6, 8, & 11 |
| t. Transfer | Section 15 | Item 17 |
| u. Renewal | Section 4<br>Renewal Addendum | Item 17<br>Exhibit I |
| v. Post-termination obligations | Sections 8, 16, & 17 | Item 17 |
| w. Non-competition covenants | Sections 15 & 17 | Item 17 |
| x. Dispute resolution | Section 18 | Items 6 & 17 |
| y. Other: Relocation | Sections 4 & 5 | Items 6, 12, & 17 |
| z. Other: Guaranty of franchisee obligations (Note 1) | Preface & Exhibit 3 | |
| Note 1: All individual owners of a business entity franchisee and any spouse or domestic partner of each owner must agree to guaranty all obligations of the entity "franchisee" under the Franchise Agreement. | | |

### *Item 10: Financing*

We do not offer or provide any type of direct or indirect financing for our franchisees. We do not guaranty your notes, leases, or other obligations.

### *Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training*

**Except as listed below, KidsPark, Inc. is not required to provide you with any assistance.**

*Pre-Opening Assistance*

Before you open your *KidsPark*® center we will:

1. Consult with you on the location for your *KidsPark*® center. The Franchise Agreement describes the various time periods within which you are allowed to seek a location for

your *KidsPark*® center. (Franchise Agreement Section 5) We are available to consult with you on the telephone concerning the characteristics a location must have to obtain our approval. (Franchise Agreement Section 5.02). When you have found a location you believe is appropriate for your *KidsPark*® center, you must provide us with the details of the site. (Franchise Agreement Section 5.04). We will not unreasonably withhold or delay our approval of any location you have found although the Franchise Agreement does not contain any specific time limit within which we must consider and approve or disapprove your location. (Franchise Agreement Section 5.04). When we evaluate a site we look at the residential units in the area, the area's demographics and traffic patterns, the location's visibility, accessibility, size, layout, parking, and similar factors. It is your responsibility to find a site for your *KidsPark*® center. You cannot lease or otherwise acquire the site until we approve the location and lease terms. (Franchise Agreement Sections 3.02, 5.01, and 5.05) If you do not find a site that we have approved in your designated area within 90 days from the date of the Franchise Agreement, we may, but are not obligated to, extend the time period by an additional 90 days during which you may search for a site in the designated area. During any 90 day extension we have granted to you for site selection, however, we can then allow other *KidsPark* franchisees to, and can ourselves, seek and take locations for *KidsPark* centers in that area. The taking of sites in your designated area by us or by others may reduce or eliminate the acceptable locations available to you in the area. If you have not found a site that we have approved after the 90-day extension period ends, we can allow you to continue to look for a site or we can terminate your Franchise Agreement, but in either case we will retain all fees paid to us.

2. Advise you that we recommend you have certain qualifications in order to successfully operate the business. These qualifications include general business knowledge, marketing expertise, ability to work with government agencies, good communication, bookkeeping, computer, management, leadership, organizational and follow-through skills. If you do not have these skills, additional personnel will be required to assist with operating the business.

3. Give you a detailed floor plan for the design of your *KidsPark*® center. (Franchise Agreement Section 6.01)

4. Consult with you on the telephone regarding the design and construction of your center. (Franchise Agreement Section 6.05)

5. Provide you with the specifications for the equipment, décor, furniture, fixtures, signs, and other items we require you to use in your *KidsPark*® center. (Franchise Agreement Section 6.03). We do not provide these items but will help you locate and order them. (Franchise Agreement Section 6.04)

6. Train up to 2 individual franchisees or owners (if the franchisee is a corporate entity) and your center director in the operation of a *KidsPark*® center. (Franchise Agreement Section 7.01)

7. Provide a member of our staff to help you with the setup of your *KidsPark*® center. (Franchise Agreement Section 7.07)

8. Assist you with obtaining the childcare permits required by law for the operation of your *KidsPark*® center. (Franchise Agreement Section 7.09)

9. Consult with you on your Grand Opening/Open House promotion. (Franchise Agreement Section 10.01)

*Time to Open*

It typically takes between 5 and 9 months from the time you sign your lease until your first *KidsPark*® center opens and approximately 18 months from the time you sign your Franchise Agreement until your first center opens. Factors that can affect this time include the time needed to secure a location, lease, and financing for the project, the time needed to obtain plans and building permits, requirements of local laws and other governmental requirements including those pertaining to childcare, the availability of labor and materials, the time required to complete your leasehold improvements and the installation of your equipment, fixtures, and decor, the hiring and training of your employees, and so forth. We may, at our option, terminate the Franchise Agreement or reduce your rights in your territory for any of the following reasons: 1) you do not sign your lease within 12 months of signing either the Franchise Agreement or the Location & Protected Territory Exhibit for any subsequent center, 2) you do not open your first KidsPark center within 18 months after signing the Franchise Agreement, 3) if you purchase multiple centers, and do not open your 2nd and any subsequent center within 24 months of the opening of your immediately prior center, 4) your enrollment is not at least equal to 1,000 families for each Center you operate after your 20th month of operating the Center.

*Continuing Assistance*

During the operation of your *KidsPark*® center we provide the following services:

1. You have the use of our method of operation and our manuals (whether provided online or otherwise), curriculum and other materials for the operation of your *KidsPark*® center. These manuals and materials are confidential and remain our property. We can change the policies, practices, procedures, and other directives in our manuals when we see fit and you have to comply with the changes. You must return our manuals or any other materials when we ask for them. (Franchise Agreement Sections 8.01 to 8.03)

2. We will provide continuing assistance and advice to you on the telephone concerning the operation of your *KidsPark*® center. (Franchise Agreement Section 8.17)

3. We will send a representative to visit your center periodically to inspect your center and to assist you with its operation. (Franchise Agreement Section 8.18)

4. We will administer the national, regional and/or local cooperative advertising programs. (Franchise Agreement Sections 9.02 through 9.04)

5. You have the use of the service marks, trademarks, commercial symbols, proprietary programs, software, and the other property we license you to use during the term of your Franchise Agreement. (Franchise Agreement Sections 14.01 and 14.02)

6. We will maintain the *KidsPark*® Internet web site, although we can transfer this responsibility to a third-party provider. (Franchise Agreement Section 10.06)

7. We may offer refresher courses, seminars, conventions, meetings, or similar programs for *KidsPark*® center owners and/or their management. (Franchise Agreement Section 17.10)

8. We publish an annual calendar of national events your center must participate in and an annual Preschool Curriculum your center must implement.

*Advertising*

We have established a cooperative advertising program, called "the Advertising Fund," to which you can be required to contribute up to 3% of your gross receipts. Currently, the Advertising Fee is $250 per month. We administer this fund to develop advertising, promotional, merchandising, display, and public relations materials and programs for *KidsPark*® centers on a local, regional, or national basis. (Franchise Agreement Sections 9.02 through 9.04) We intend that all *KidsPark*® franchisees contribute to the Advertising Fund on the same basis and at the same rates as you. Our company-owned *KidsPark*® centers will contribute to this fund on the same basis as do our franchisees. (Franchise Agreement Section 9.04)

During the fiscal year ended 12/31/~~22~~23, Marketing Fund expenditures were made as follows:

| | |
|---|---|
| Ad Placement | ~~40~~42% |
| Direct Marketing | 29% |
| Support Systems | 19% |
| Administration | ~~4~~10% |
| Total | 100% |

We are not obligated to spend any of the Advertising Fund money in any particular region even if the money comes from that area. (Franchise Agreement Section 9.04) During the fiscal year ended 12/31/23, we spent 91.667% of fees collected during the year. We are not required to spend all the money received by the Advertising Fund within any particular time period. (Franchise Agreement Section 9.04) Funds not spent during the year in which they are received are carried over from year to year until they are used. We have sole discretion over how and when the funds collected will be spent. We do not use the Advertising Fund to solicit

the sale of franchises. Upon request, we will send an annual report to you showing the receipts and expenses of the Advertising Fund. These reports do not have to be audited. (Franchise Agreement Section 9.02)

We can charge the Advertising Fund for the time, overhead, and expenses of our employees to the extent they do work related to the fund's activities. In the alternative, we can charge the fund for these costs in an amount equal to 10% of the money collected by the fund, regardless of whether the actual costs incurred are more or less than the 10% amount. (Franchise Agreement Section 9.04)

We can publish or broadcast the material developed by the Advertising Fund in any media we select, including the Internet, newspapers, magazines, radio, television, direct mail, billboards, and so forth. The coverage of the concerned media can be local, regional, or national in scope. (Franchise Agreement Section 9.04)

As of the date of this document, all of our advertising has been developed by our employees and by outside advertising agencies and consultants. We anticipate that this will continue to be the case in the future.

We have the right to establish national and regional advertising councils to advise us on our advertising, promotion, and public relations activities. We have the right to prescribe the rules for these councils should they be formed. (Franchise Agreement Section 9.05)

Continuous local advertising and promotion are important to the success of your *KidsPark*® center, so you must spend at least 2% of your gross receipts on the local advertising and promotion of your center on a quarterly basis. Your local advertising expenses must amount to at least $9,000 per year, adjusted by any increase in the Consumer Price Index. We may waive this requirement if your center continues to attract an annual average of at least 40 new family registrations a month and the center maintains a minimum total enrollment of 1,400 families after the initial 20 months of your operations. If we have formed the Advertising Fund, one half of the amounts you pay to that fund can be credited against your local advertising requirements. (Franchise Agreement Section 10.02)

You must have a local presence on designated social media web sites and an Internet directory or in another electronic media. We can specify the appearance and content of your Internet presence and you will follow our policies and procedures concerning your use of the Internet.

*Computer System*

You have to use the computer system and business operations software that we specify. (Franchise Agreement Section 8.22) You must purchase at least one computer (desktop or laptop) for your Point-of-Sale system, a tablet computer for electronic registration and sign in/out procedures, an office printer (inkjet or laser), a credit card processing machine from 360 Payments which has been integrated into our Point-of-Sale system or interface, and a cash drawer.

You may, but are not required to, purchase a receipt printer. We do not specify a brand or supplier for these items. We recommend a 2nd computer with similar capacities, to be installed in the center director's office. These computers must run Chrome browser, have word processing and spreadsheet capabilities of the type usually found in a software office suite, and QuickBooks Pro or QuickBooks Online or other accounting software we may specify. The computer/tablets and software are those normally available from most computer and software retailers. You are free to choose the brand; we currently require Chrome based products, including Google Sheets and Docs. We do not require you to purchase maintenance and/or upgrade contracts on your computer or software.

Your center management software will be the *KidsPark® Center Management System* that is our proprietary management software. This software maintains your customer database and accounts receivable in addition to performing other management and operating functions such as recording child and staff attendance, inventory control, invoice printing, conducting and recording sales transactions, as well as providing reports on center usage, sales, and other information. You can opt in to our integrated external credit card process if you elect to use our designated national credit card processor. We provide you with this software at no cost. We presently do not charge a maintenance fee for updating and providing support for this software although we have the right to do so in the future. We have used this software since August, 2005.

In addition to the hardware and software we require, you must purchase high-speed Internet, through any major provider, to support the number of devices you are using in your center.

Once your computers, peripherals, and Internet connection have been installed and approved by us, you cannot alter, add to, or remove the hardware or software that are part of the system without our prior consent. You may be required to use other computer hardware and software during the term of your Franchise Agreement. You will be allowed a reasonable time to amortize the cost of the hardware and software you are using prior to being required to change these items. (Franchise Agreement Section 8.22)

At all times we must have remote and on-site access to your computer system and the information and reports it contains. (Franchise Agreement Section 8.22) There are no contractual limitations on our right to access the information in your system.

You must comply with the then-current Payment Card Industry Data Security Standard and any revision to it adapted by the PCI Security Standards Council, LLC (the "PCI Council") or any successor organization with respect to any payment system you select to implement in your *KidsPark®* center and must adopt enhancements and security requirements and other requirements established by the PCI Council for merchants accepting payment by credit or debit cards.

*Operations Manuals*

We will electronically provide you with our operations, curriculum, marketing resources and staff training guides. We may revise, update, or delete any of these materials from time to time in our

sole discretion, and you will be required to comply with all changes. The modules included in the training are KidsPark Center Management System, Hourly Program, Preschool Curriculum, Party Process, Center Operations and Supplies, Staff Management, specified accounting software, and other applications that Franchisees must use.

The online Training Modules include Management and Center Computer Systems, Program Curriculum Implementation, Staff Hiring and Recommended Policies, Recommended Operation Policies and Procedures. This total section equates to 326 pages.

The online Preschool Curriculum Resources includes Lesson Plans, Activity Descriptions, Events Plans, Implementation Instructions, Supply Lists, and Marketing Tools. This total section equates to 640 pages.

The Program Resource section includes National, Hourly, Holiday and Transition event ideas and documentation. This section equates to 250 pages.

The Resource Library contains Center Forms, Center Signs, Branded Graphics to include in Marketing handouts, Coloring Sheets and Marketing Collateral samples. This section equates to 75 pages.

We may also require that you have your employees sign confidentiality agreements on a form that we require, similar in form to that attached as Exhibit 4b to the Franchise Agreement.

*Training*

We typically begin training introducing you to topics via webinar so you are familiar with concepts and procedures before your training at our Corporate Office in San Jose, California. There will be up to five days of training at our office where you will get hands-on training in the corporate training center to reinforce knowledge and give you practice. The on-site training course typically is conducted no more than 45 days prior to the center opening. Then, before or after your center opens, a Corporate representative visits your center for additional coaching and review.

In addition to KidsPark specific training, we will address your state and local childcare licensing regulations. We also use the National Association for the Education of Young Children Practices. Our principal instructors are Debra Milner, who has over 31 years of experience both in the field and with us, and Melissa Peters, who has over 16 years of experience both in the field and with us. Additional trainers may include other franchisees we consider qualified by their success and multiple (over 2) years of experience with KidsPark as well as Center Directors at the franchisor-owned Centers who have 2-7 years of experience in the field or with us.

Our training program will be customized based on your management and business experience. Our training program is discussed in Section 7 of the Franchise Agreement.

## TRAINING PROGRAM

| Subject | Hours of Classroom Training | Hours of On-The Job Training | Location |
|---|---|---|---|
| Site Development | 8 | 0 | Webinar |
| Program Implementation | 10 | 16 | Webinar, San Jose, California corporate office, your center |
| Marketing | 6 | 5 | Webinar, San Jose, California corporate office, your center |
| Center Management | 15 | 15 | Webinar, San Jose, California corporate office, your center |
| Systems | 20 | 10 | Webinar, San Jose, California corporate office, your center |

Before the opening of your *KidsPark*® center, you and your center director must satisfactorily complete our training course. (Franchise Agreement Section 7.03) If you already own a *KidsPark*® center and have completed our training course, we will train one center director in connection with each of your subsequent centers. (Franchise Agreement Section 7.01)

Unless we agree otherwise, if a partnership, limited liability company, corporation, or other entity owns your *KidsPark*® center, at least 1 owner, but no more than 2 owners, of the entity must attend and complete our training course to our reasonable satisfaction. (Franchise Agreement Section 7.01) Only a person who has successfully completed our training course can supervise the operation of your center. (Franchise Agreement Section 7.01) If anyone you designate to attend training, including you, is not, in our business judgment, successfully progressing in and/or does not successfully complete any or all phases of, our initial or other required training, you will be in default of this Agreement and we can, in our business judgment, do any of the following (singularly or in combination):

a.) delay the opening of your center;
b) require you (or your director, as needed) to repeat training, upon payment of additional training fees;
c) allow you to designate one substitute director, who must successfully complete training, upon payment of additional training fees;
d.) provide additional onsite support and training, at a cost to you of $500 per day;
e) terminate this Agreement upon notice and opportunity to cure. (Franchise Agreement Section 7.02)

You pay us a Pre-Opening Training fee to attend our initial training course. The Pre-Opening Training Fee is $8,000 for your first Center. If your Franchise Agreement grants you the right to open more than one Center, the Pre-Opening Training Fee for each additional Center is $3,000. If you are approved to open additional Centers, the Pre-Opening Training Fee for each additional Center will be $4,000. You must pay the salary, travel, and living expenses of yourself and your directors who attend our training course. (Franchise Agreement Section 7.02)

You must also pay us an Opening Support Fee for each Center, which includes the on-site training and compliance visit at the time of your Center opening. The Opening Support Fee is $3,000.

You also must pay us an additional training fee if you are required to repeat training or if you send additional directors to take some or all of our training course at a later time in order to comply with our System standards and requirements. Currently, our additional training fee is $500 per day per trainee; however, we will waive this fee for training up to 1 new director per year if your director quits or is terminated. That fee is subject to adjustment by any increase in the Consumer Price Index between the date of your Franchise Agreement and the date of the training. (Franchise Agreement Section 7.04) You may also have to pay our special visit fee if we send someone to your *KidsPark*® center to conduct that training for you or your director. (Franchise Agreement Section 8.19)

If we sponsor conventions, courses, seminars, programs, or other meetings for our franchisees or their directors, you and the directors (as applicable) must attend those meetings, up to a maximum of 2 times in any 12-month period. In addition, if we sponsor any regional training seminars or other meetings in the region in which your *KidsPark*® center is located, you are required to attend those meetings and to send your directors to those meetings. (Franchise Agreement Section 7.10) We can charge a reasonable fee for any of these conventions, courses, seminars, or meetings. You must pay your own expenses and those of your directors for travel, lodging, salaries, and the other costs incurred in attending these events. (Franchise Agreement Section 7.10)

***Item 12: Territory***

Your *KidsPark*® franchise is granted only for the specific location we approve. As a condition of approving your location, we must mutually agree on any protected territory that will be granted in connection with your center. Except under the circumstances discussed below regarding mergers and the like, a protected territory is an area in which we agree not to open another company-owned or franchised business substantially similar to your *KidsPark*® center. We have the right to open and franchise *KidsPark*® centers at any other location even if those centers compete with you or otherwise adversely affect your business.

We may, at our option, terminate the Franchise Agreement or reduce your rights in your territory for any of the following reasons: 1) you do not sign your lease within 12 months of signing either the Franchise Agreement or the Location & Protected Territory Exhibit for any subsequent center, 2) you do not open your first KidsPark center within 18 months after signing the Franchise Agreement, 2) if you purchase multiple centers, and do not open your 2nd and any subsequent center within 24 months of the opening of your immediately prior center, 4) you do not maintain an enrollment at least equal to 1,000 families per Center after your 20th month of operating the Center.

If your Franchise Agreement grants you the right to open more than one *KidsPark*® center, we will not open a company-owned *KidsPark*® center or franchise *KidsPark*® centers to others in your development area as long as you retain your exclusive development rights. If you have satisfactorily opened the number of *KidsPark*® centers required by your Development Schedule and want to continue to have exclusive development rights in your development area, we must mutually agree on the number of additional *KidsPark*® centers you must open and the time within which you must open them in order for you to retain those rights. If we do not reach agreement on a new Development Schedule, we will have the right to franchise *KidsPark*® centers to third persons and to open company-owned centers in your development area.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we control. By granting you a protected territory we are not precluded from owning or being the franchisor of competing units owned, operated and/or franchised by any person or entity with whom or which we merge, by whom or which we are acquired, or which we acquire or otherwise become affiliated after the date of your Franchise Agreement. However, no affiliate will own, operate, or franchise facilities in your protected territory using the *KidsPark*® names or marks.

You have no options, rights of first refusal or similar rights to acquire or open another *KidsPark*® center without our consent. If we do consent to your opening an additional *KidsPark*® center, you must sign the Franchise Agreement we are using at that time for new *KidsPark*® franchises and pay the franchise fee required by that agreement. When you purchase the additional *KidsPark*® center(s), if you have a current Franchise Agreement in effect and you are in good standing, you may be eligible ~~to~~ for reduced initial fees. (See Item 5)

You can relocate your *KidsPark*® center only with our prior written consent and the payment of the relocation fee described in Item 6 above. As a condition of giving you our consent to relocate, you must sign a general release of all claims against us so that we do not have any unresolved disputes between us when you relocate.

We can solicit national or regional accounts from businesses and other entities even if their facilities are located within your protected territory or development area. If we establish a national or regional accounts program, you must honor the discount we establish for those accounts. A "national or regional account" is an arrangement we may make with businesses or other entities in which we agree to discount the rates charged by *KidsPark*® centers for those affiliated with the designated business or entity.

We, our affiliates, and others that we authorize can market goods bearing the *KidsPark*® names and marks, names or marks similar or related to them, or other names and marks to independent retail outlets, at wholesale, by means of catalogs, mail order, by electronic means, including over the Internet, or by other alternative sources of distribution even if those sales are made to outlets or to people located in your protected territory. You will not be entitled to any compensation or other benefit as a result of those sales. Unless we agree otherwise, you are allowed only to sell *KidsPark*® merchandise at your center and not in catalogs, by mail order,

over the Internet, or by any other alternate means of distribution. Your customers can come from inside or outside your protected territory. You can be listed on Internet directories, other media that we specify and our website. These forms of franchisee advertising outside of a protected territory are permissible although we may require certain disclaimer or notification be added in certain cases. However, you cannot specifically direct other types of advertising or promotional activities into the protected territories of other *KidsPark*® franchisees, the areas reserved for *KidsPark*® centers that we own or that are owned by our affiliates, or any areas where our trademark rights are limited. This restriction pertains to advertising including direct mail, billboards, and other advertising activities where the areas into which the advertising is directed can be controlled. You may mail to customers located in another franchisee's protected territory if the customer is already enrolled at your center.

The Franchise Agreement does not prevent us or our affiliates from providing goods or services under different names or marks in your protected territory, although we will not own or operate a business substantially similar to your *KidsPark*® center in your protected territory or development area except as discussed above regarding mergers and the like.

### *Item 13: Trademarks*

Appearing on the front page of this disclosure document is the principal design mark we will license you to use in connection with your *KidsPark*® center. You will also be licensed to use the word marks *KIDSPARK* and *HAPPY KIDS. HAPPY PARENTS*. We have obtained registration of these marks on the Principal Register of the United States Patent & Trademark Office (USPTO), as follows. All required affidavits have been filed.

| Mark | Registration Number | Registration Date | Status |
|---|---|---|---|
| KIDSPARK | 4394525 | September 3, 2013, renewed April 13, 2023 | Registered* |
| | 4394526 | September 3, 2013, renewed April 13, 2023 | Registered* |
| HAPPY KIDS. HAPPY PARENTS. | 3870615 | November 2, 2010, renewed October 16, 2020 | Registered |

* Pursuant to USPTO Concurrent Use Proceeding No. 94002544 and a Concurrent Use Agreement dated March 8, 2013 between us and Macalester-Groveland Community Council d/b/a KidsPark, 320 South Griggs Street, St. Paul, Minnesota 55105, our right to use (or license others to use) the mark *KIDSPARK* excludes Minnesota and the area just to the east of Minnesota. More specifically, we have the right to use the mark anywhere in the United States

except in the state of Minnesota and the adjacent portion of western Wisconsin bordered by the cities of Hurley, Phillips, Longwood, Nekoosa and Portage, ending at the southern border of Minnesota. The Concurrent Use Agreement has no expiration date, but if Macalester-Groveland Community Council stops using the mark for more than a year, the agreement terminates and our rights to the mark would then include the entire United States. The agreement can only be modified in writing by both parties. Neither we nor any franchisee of ours can advertise, establish a center or render services in this Minnesota/western Wisconsin area using the mark *KIDSPARK* or any similar mark (although our website, which can be accessed from anywhere, is not prohibited). Unless you plan to open a *KidsPark*® center in or near this area, you should not be affected by this agreement.

You should make a reasonable effort to check the area in which you propose to open your *KidsPark*® center to make sure there are no confusingly similar names or marks being used in that region.

There are no presently effective determinations of the USPTO, the TTAB, the trademark administrator of any state, or any court relevant to your use of the licensed mark in any state, except as stated above.

There are no pending interference, opposition, or cancellation proceedings, or any litigation involving the marks other than as disclosed in this Item.

We are aware of no superior prior rights or infringing uses that could materially affect your use of the licensed marks in the states in which this franchise is offered other than as disclosed in this Item.

In order to protect us from any liability arising from the operation of your *KidsPark*® center, even though we license you to use our names, marks, and symbols in the operation of your business, you are not allowed to use the name "KidsPark" or any similar name in the name of the corporation, limited liability company, or other business entity that owns your *KidsPark*® franchise or in the name of any other entity in which you have an interest.

If your use of any of the names, marks, or symbols we license to you is ever challenged you must notify us immediately of the facts of the challenge and we will decide what action to take, if any. We will defend you and will pay all of the fees and costs in any action resulting from that challenge and will also pay any damages for which you are held liable in the action as long as you have used the licensed names, marks, and symbols as required by your Franchise Agreement, have notified us promptly of the claim, and cooperate with us in any proceedings involving the licensed names, marks, or symbols.

You must also notify us immediately if you learn of anyone using any names, marks, or symbols that are similar to those used in connection with *KidsPark*® centers. It is up to us whether to take action against anyone making improper use of our names, marks, or symbols.

If we take legal, administrative, or other action in any matter concerning our intellectual property, you agree to join as a party to the action, or to allow the action to be brought solely in your name, but only as, and only if, we require. We have the right to control any legal or administrative action concerning our names, marks, and symbols.

If for any reason we decide to change our principal names or marks, you agree to use our new names or marks and to discontinue using the old names or marks as we direct. If we require you to stop using any of the names, marks, or symbols we license to you, we will reimburse you for the reasonable out of pocket costs you incur in replacing items which bear the affected names, marks, or symbols as long as you comply with our directives concerning their disposition. If we require you to use any additional names, marks, or symbols in connection with your *KidsPark*® center, you must pay the cost of using these additional items.

You agree in the Franchise Agreement not to apply for registration of any of the licensed names, marks, or symbols or to contest their ownership. You also agree not to assist anyone else in doing so.

You acquire no rights in the licensed names, marks, or symbols because of your use of them. All of the rights and goodwill associated with the licensed names, marks, or symbols belong to us.

### *Item 14: Patents, Copyrights, and Proprietary Information*

Our manuals and other material contain information that we consider to be trade secrets. We claim trade secret and copyright protection for these manuals and materials although we have not filed any copyright applications concerning them. You have to follow our directions in protecting our manuals and other trade secret material from unauthorized disclosure. You must use our proprietary material only as we direct.

We can require that you have your employees sign confidentiality agreements in which they promise to keep all of our proprietary information confidential and to follow our directions regarding its use.

### *Item 15: Obligation to Participate in the Actual Operation of the Franchise Business*

The Franchise Agreement does not require you to participate as a Childcare Center Director or Teacher in the actual on-site operation of your *KidsPark*® center. Your primary roles are administration and marketing. The Franchise Agreement requires you to use your best efforts to produce the maximum volume of sales from your *KidsPark*® center in a manner consistent with the terms of the Franchise Agreement and to devote an amount of time to your *KidsPark*® center adequate for that purpose or at least 30 hours a week. You must be active in the marketing and administration of your center even if you are not its day to day on-site manager. You are the face of your franchise and must actively market KidsPark to generate at least 40 new family enrollments each month. You must respond to calls and emails from us and/or your customers within 24 hours. Your sales entries in QuickBooks or other accounting software specified by us

from time to time, must be current within 5 days. It is also your responsibility to train all of your *KidsPark*® center's personnel. We will train your center director on standard KidsPark operating procedures.

Your on-premises center director is not required to have an ownership interest in any entity that owns your *KidsPark*® franchise but he or she must complete the center director's portion of our training course to our reasonable satisfaction. If he or she does not, then you will be in default of the Franchise Agreement. Your center director, and those of your other employees with access to trade secrets and confidential information, must sign a confidentiality agreement in which they agree not to disclose any of our trade secrets or confidential information and, if we require and except as prohibited by law, a noncompetition agreement in which they agree not to work for a competing business while they work for you and for 2 years afterward. We do this to prevent those who learn our proprietary method of operation and systems from using that knowledge to the detriment of the *KidsPark*® system.

We do not dictate qualification guidelines relating to the employees that you hire to work in your center. As a licensed childcare center, you will need to follow your state's regulations for center staff credentials, background checks and any other applicable legal requirements for staffing and operating your center.

If a partnership, limited liability company, corporation, or other entity will own your *KidsPark*® center, an owner of the entity must successfully complete our training course and be the managing agent of the business unless we agree otherwise. The managing agent cannot be a person who was the principal operator of a *KidsPark*® center that had its Franchise Agreement terminated because of a default, nor a person to whom we have any other reasonable basis to object.

### *Item 16: Restriction on What the Franchisee May Sell*

As discussed in Item 8, you can provide, sell, and display only the services and merchandise we have approved. You must provide all of the goods and services we specify. We can change the types of goods and services we require you to provide in your *KidsPark*® center. If we so require, you must carry the minimum quantity of the merchandise that we specify.

There are no restrictions on the customers to whom you can sell authorized goods and provide authorized services. However, you can only provide your services and sell goods at your center location unless we otherwise allow in writing. You cannot sell any items at wholesale, by means of catalogs, mail order, electronically, or by means of any other alternate method of distribution.

You are not permitted to direct advertising into or within the protected territories of other *KidsPark*® franchisees or the areas reserved for *KidsPark*® centers that we own or those owned by our affiliates. This restriction pertains to advertising including direct mail, billboards, and other advertising activities where the areas into which the advertising is directed can be controlled.

See also Item 9 for other provisions of the Franchise Agreement that may apply.

***Item 17: Renewal, Termination, Transfer, and Dispute Resolution***

The following table lists certain important provisions of the Franchise Agreement. You should read these provisions in the Franchise Agreement attached to this Disclosure Document as well as any applicable State Addenda that may amend these provisions.

**THE FRANCHISE RELATIONSHIP**

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Sections 4.01 and 16.03 | Although effective when we sign the franchise agreement, your franchise term is for 10 years beginning from the commencement date of your lease or sublease term. |
| b. Renewal or extension of the term | Section 4.02 | Your franchise is renewable for one additional period of 10 years if you meet all requirements. |
| c. Requirements for franchisee to renew or extend | Sections 4.02 - 4.06 | You must be in good standing under your Franchise Agreement and have not received 3 or more notices of default that concern material violations of the Franchise Agreement during the last 3 years of the term. You must give written notice no less than 9 months before your term ends, but not more than 12 months; you must sign our then-current form of Franchise Agreement which may contain terms that are materially different from those of your current contract; you may have to update your center; you must sign any then current form of Renewal Addendum or extension amendment we require; you must sign a general release of all claims against us; you must pay a renewal fee of $2,000. |
| d. Termination by franchisee | Section 16.06 | If we breach the Franchise Agreement and fail to cure within 60 days after notice plus additional time as reasonably may be needed, you may pursue all rights allowed by applicable law. Subject to state law. |
| e. Termination by franchisor without cause | None | Not applicable |
| f. Termination by us with cause | Sections 16.01-16.05 | We can terminate your Franchise Agreement only for cause. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| g. "Cause" defined - curable defaults | Sections 16.01 & 16.03 - 16.05 | You have limited time periods to cure various types of defaults: You have 5 days to reopen your center if you fail to operate when it is required to be open; you have 10 days after notice to cure any failure to pay fees or other sums when due; or if a final judgment against you remains unsatisfied for 30 days unless bonded against. Except for defaults that allow us to terminate your Franchise Agreement immediately and those listed above, you will be given 20 days after notice to cure any other defaults under your Franchise Agreement. If in our opinion 20 days is insufficient to cure the default, we will give you additional time to correct the default. If without fault you lose the right to occupy your business location, you can relocate your *KidsPark*® center if you reopen it in another approved location within 90 days.<br>If you do not complete the correction of any default within the required time period, we can terminate your Franchise Agreement without further notice. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| h. "Cause" defined - non-curable defaults | Sections 16.01 & 16.02 | Failure to complete our training course successfully; bankruptcy; mutual agreement to terminate; making a material misrepresentation in the acquisition of the franchise; engaging in conduct that reflects in a materially negative manner on your *KidsPark*® center or the *KidsPark*® system; if an owner of the franchise pleads guilty to or is convicted of a felony or any criminal conduct relevant to the franchise; failure to comply with federal, state or local laws; committing 3 or more defaults in any 12 month period; seizure of your business; understatement of revenues by 5% or more for any period; intentional underreporting of revenues; operation of your center in a way that results in imminent danger to public health or safety; abandonment of or failure to operate your center; an attempt to make an unapproved transfer; failure to transfer the interest of a deceased or legally incompetent person within the time allowed; termination of another franchise or other agreement between us because of your default; advising us of your unwillingness or inability to go forward with any of your obligations under your Franchise Agreement; losing your lease because of your default; failure to find an acceptable location within 90 days of signing the Franchise Agreement; failure to sign a lease within 12 months of signing Franchise Agreement; failure to open your first center within 18 months of signing Franchise Agreement; inability to agree on a protected territory within a reasonable time; failure to meet your development obligations if you agree to open multiple Centers; or failure to maintain an enrollment of at least 1,000 families for each Center you operate after your 20th month of operating the Center. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| i. Franchisee's obligations on termination/ nonrenewal | Sections 16.07-16.12 | When your Franchise Agreement ends you must: pay all amounts due to us and our affiliates; stop using the licensed names, marks, symbols and other proprietary property; modify your center so that it does not look like a *KidsPark*® center; return all manuals and other materials; cancel fictitious business name; notify all suppliers, customers, utilities, landlords, creditors and concerned others that you are no longer a *KidsPark*® franchisee; assign us your telephone number and listing and any Internet names and addresses; not identify yourself as having been associated with us; assign your lease to us if we request; and sell us some or all of your center's assets. If you breach your Franchise Agreement we have all other remedies available to us at law and in equity, and you agree to pay us the monthly royalty fee and advertising fees that would have otherwise become due, until we have established another company-owned or franchised *KidsPark*® center in your protected territory, as well as all other damages caused to us by your default. |
| j. Assignment of contract by franchisor | Section 15.22 | We can transfer the Franchise Agreement, our assets or any interest in us, without notice to you or your approval. |
| k. "Transfer" by franchisee - defined | Section 15.01 | Any full or partial transfer of the franchise, the property used in your center, or any ownership interest in any entity owning the franchise or the concerned property. |
| l. Franchisor approval of transfer by franchisee | Section 15.02 | We must approve any transfer before it can be completed. A transfer to a transferee that will operate other than as a KidsPark Center is prohibited. |
| m. Conditions for franchisor approval of transfer | Sections 15.03 - 15.16 & 15.21 | The proposed transferee must meet our then-current standards; all information on the transferee and the terms of the transfer must be provided to us for approval; you must submit a transfer application; you and your transferee must sign all documents we require; upon the transfer of 50% or more of the ownership of the franchise, a new Franchise Agreement on our then-current form must be signed; your transferee must complete our training course to our satisfaction; you must pay our transfer fee of $10,000; you must sign a general release of all claims against us and our affiliates; you cannot compete with *KidsPark*® centers; if an entity owns the franchise, a new managing agent may have to be appointed and complete our training course. More lenient conditions will apply to a transfer to a business entity controlled by you. You cannot make partial transfers of your center; if you own more than one *KidsPark* center, you cannot transfer some but not all of your centers. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| n. Franchisor's right of first refusal to acquire franchisee's business | Sections 15.23 – 15.27 | With some exceptions, we can purchase any interest you propose to transfer on substantially the same terms and conditions to which you have agreed. |
| o. Franchisor's option to purchase franchisee's business | Sections 16.08 - 16.10 | When your Franchise Agreement ends, we can purchase those of your business assets as we choose at their fair market value on payment terms set forth in the Franchise Agreement. We can also have you assign your lease to us. |
| p. Death or disability of franchisee | Sections 15.28 – 15.32 | Your interest in the franchise and in any entity that owns the franchise is transferable by will or intestate succession upon your death or by your court-appointed guardian if you are declared to be legally incompetent. Your estate must sell your interest in the franchise to an approved transferee within 6 months after your executor or administrator is appointed. All of our other transfer conditions apply unless the transfer is to a spouse or child in which case special provisions apply. |
| q. Non-competition covenants during the term of the franchise | Sections 17.01 – 17.05 | You cannot have an interest in, be employed by, or help a similar business during the term of your Franchise Agreement. You cannot solicit *KidsPark*® customers to leave *KidsPark*® during the term of your Franchise Agreement. You cannot use any of our methods, materials, confidential information or trade secrets, except in your *KidsPark* center, during the term of your Franchise Agreement. |
| r. Non-competition covenants after the franchise is terminated or expires | Sections 17.02 – 17.05 | You cannot have an interest in, be employed by, or help a competing business for 2 years after your Franchise Agreement ends within 10 miles of any *KidsPark*® center in operation or under construction (subject to state law). You cannot solicit *KidsPark*® customers to leave *KidsPark*® for 2 years after your Franchise Agreement ends. You cannot use any of our methods, materials, confidential information or trade secrets after your Franchise Agreement ends. |
| s. Modification of the agreement | Sections 8.03, & 19.01 - 19.03 | The Franchise Agreement can be modified only by a written agreement signed by both of us. We can modify our manuals and all other aspects of the *KidsPark*® system and you must comply with those changes. |

| Provision | Section in Franchise Agreement | Summary |
|---|---|---|
| t. Integration/ merger clause | Section 34 | Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside the Disclosure Document and Franchise Agreement may not be enforceable. |
| u. Dispute resolution by face to face meeting and arbitration | Section 18.01 | Except for certain types of claims, all disputes between us must first be discussed in a face-to- face meeting and, if not settled, referred to binding arbitration. All legal proceedings must be brought on an individual, rather than class basis. |
| v. Choice of forum | Section 18.04 | All dispute resolution must be in the county of our headquarters, currently in San Jose, California. Subject to state law. |
| w. Choice of law | Section 26.01 | With certain exceptions, California law applies. The laws of the state where your center is located govern the non-competition provisions and certain other terms. Subject to state law. |

Certain states have statutes which may supersede the Franchise Agreement in your relationship with us, including the areas of termination and renewal of your franchise. The State Addenda in Exhibit D, to the extent applicable, may also describe certain state laws that may supersede the Franchise Agreement in your relationship with us.

### *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 disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The following tables show the results for all KidsPark centers that were open for 12 months during the calendar year ended December 31, ~~2022~~2023.

**Some outlets have earned this amount. Your results may differ. There is no assurance you will earn as much.**

| ~~17~~ 20 Franchised Centers (See Note 1) | ~~2022~~2023 Gross Revenues |
|---|---|
| | $921,381~~1,015,590~~ |
| | $878,911~~821,258~~ |
| | $714,534~~593,584~~ |
| | $658,287~~560,224~~ |
| | $644,593~~538,763~~ |
| | $573,197~~506,855~~ |
| | $572,708~~501,070~~ |
| | $565,575~~486,229~~ |
| | $523,155~~477,895~~ |
| | $490,834~~466,139~~ |
| | $444,109~~438,615~~ |
| | $442,501~~414,780~~ |
| | $439,548~~414,288~~ |
| | $393,873~~371,652~~ |
| | $354,815~~358,772~~ |
| | $344,156~~355,689~~ |
| | $326,418~~345,324~~ |
| | $325,236~~312,162~~ |
| | $306,242~~303,537~~ |
| | $294,56~~281,504~~ |

| Corporate Center | $797,474~~$592,304~~ |
|---|---|

Notes:

The above table includes data for 20 KidsPark franchised centers in descending order based on annual Gross Revenues.

| | ~~2022~~ 2023 Gross Revenues |
|---|---|
| **Highest for franchised locations** | $921,381~~1,015,590~~ |
| **Average for franchised locations** | $510,732~~478,196~~ |
| **Median for franchised locations** | $467,471~~452,377~~ |
| **Lowest for franchised locations** | $294,565~~281,504~~ |
| **Number/ percentage of franchisees that achieved or exceeded the average** | ~~8~~ 9 of 20 (~~40~~45%) |

We believe that the number of families serviced by a center in our System is one of the primary factors in the likelihood of success for that center. We also believe that the primary way to maximize the number of families serviced is through consistent, high quality marketing, events and community outreach. All of the centers presented above offer substantially the same products and services to their clients but each sets its own pricing for services. There is a significant difference in

childcare fees and average family size depending on the region. At this time, there is a substantial difference in hours of operation due to local/regional hiring challenges. Our ability to increase our revenues is dependent on staffing for longer hours. Depending on the location, there is also a significant difference in childcare fees, average family size, and childcare teacher pay rates.

Information above that is related to franchised centers is based upon unverified reports to us from 3rd party franchisees. The term "Gross Revenues" as used above, generally means the proceeds from all sales made and/or services rendered at, from or in connection with a center, not including discounts, merchandise returned for a credit; sales and other taxes paid to taxing authorities; sales of center (non-merchandise) assets, like trade fixtures; sales of merchandise bought from us or an affiliate of ours. The average figures above for Gross Revenue are calculated by adding the Gross Revenue of all Centers in the applicable grouping indicated and then dividing that sum by the number of Centers in that grouping. Similarly, the "median" figures above for Gross Revenue are the data point in the center of all data points in the grouping. If the data set contains an even number of data points, the median is the sum of the two numbers in the middle, divided by two.

The financial performance representation figures presented above do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from the gross revenue figures to obtain the net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your center. Franchisees listed in this disclosure document may be one source of this information. You should also take into account that Company-owned center does not incur other charges that you may incur under the Franchise Agreement.

The assumptions on which this information is based are set forth in this Item. Written substantiation of the data used in preparing this information will be made available to you upon reasonable request.

Other than the preceding financial performance representation, KidsPark, Inc. 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 Tom Keefe at KidsPark, Inc., 812 S. Winchester Boulevard, #150, San Jose, California 95128 and at (818) 287-1970, or Debra Milner at KidsPark, Inc., 812 S. Winchester Boulevard, #150, San Jose, California 95128 and at (408) 206-3404, the Federal Trade Commission, and the appropriate state regulatory agencies.

### *Item 20: Outlets and Franchisee Information*

The name of each of our current franchisees, including those who have signed franchise agreements but are not yet open, and the address and telephone number of each of their outlets as

of the end of our last fiscal year (unless another date is stated on the list) is in Exhibit E. Our fiscal year ends on December 31 of each year.

**Table No. 1**
**Systemwide Outlet Summary**
**For years ~~2020~~ 2021 to 202~~2~~3**

| Outlet Type | Year | Outlets Operating at the Start of the Year | Outlets Operating at the End of the Year | Net Change |
|---|---|---|---|---|
| Franchised | **~~2020~~** | ~~18~~ | ~~19~~ | ~~+1~~ |
| | **2021** | 19 | 21 | +2 |
| | **2022** | 21 | 20 | -1 |
| | **2023** | 20 | 20 | 0 |
| Company-Owned | **~~2020~~** | ~~2~~ | ~~2~~ | ~~0~~ |
| | **2021** | 2 | 1 | -1 |
| | **2022** | 1 | 1 | 0 |
| | **2023** | 1 | 1 | 0 |
| Total Outlets | **~~2020~~** | ~~20~~ | ~~21~~ | ~~+1~~ |
| | **2021** | 21 | 22 | +1 |
| | **2022** | 22 | 21 | -1 |
| | **2023** | 21 | 21 | 0 |

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

| State | Year | Number of Transfers |
|---|---|---|
| Total | **~~2020~~2021** | 0 |
| | **~~2021~~2022** | 0 |
| | **~~2022~~2023** | 0 |

**Table No. 3**
**Status of Franchised Outlets***
**For years ~~2020~~ 2021 to ~~2022~~2023**

| State | Year | Outlets Operating at Start of Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reason | Outlets Operating at End of Year |
|---|---|---|---|---|---|---|---|---|
| **Arizona** | **~~2020~~** | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | **2021** | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | **2022** | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | **2023** | 2 | 0 | 0 | 0 | 0 | 0 | 2 |

| State | Year | Outlets Operating at Start of Year | Outlets Opened | Termina-tions | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reason | Outlets Operating at End of Year |
|---|---|---|---|---|---|---|---|---|
| California | ~~2020~~ | ~~7~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~7~~ |
| | 2021 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2022 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| | 2023 | 7 | 0 | 0 | 0 | 0 | 0 | 7 |
| Florida | ~~2020~~ | ~~3~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~4~~ |
| | 2021 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2022 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| | 2023 | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Kansas | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Nebraska | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Pennsylvania | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Tennessee | ~~2020~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ |
| | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| Texas | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | 2021 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| | 2022 | 3 | 0 | 0 | 0 | 0 | 1 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| Washington | ~~2020~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~1~~ |
| | 2021 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| TOTALS | ~~2020~~ | ~~18~~ | ~~1~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~19~~ |
| | 2021 | 19 | 2 | 0 | 0 | 0 | 0 | 21 |
| | 2022 | 21 | 0 | 0 | 0 | 0 | 1 | 20 |
| | 2023 | 20 | 0 | 0 | 0 | 0 | 0 | 20 |

* This table does not reflect activity involving franchisees who signed franchise agreements, but never opened a center before the franchise relationship ended. Those franchisees, if any, are, however, reflected in our Exhibit E for our most recently completed fiscal year.

**Table 4**
**Status of Company-Owned Outlets**
**For years ~~2020~~ 2021 to ~~2022~~2023**

| State | Year | Outlets Operating at Start of the Year | Outlets Opened | Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets Operating at End of the Year |
|---|---|---|---|---|---|---|---|
| California | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | 2021 | 2 | 0 | 0 | 1 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |
| Totals | ~~2020~~ | ~~2~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~0~~ | ~~2~~ |
| | 2021 | 2 | 0 | 0 | 1 | 0 | 1 |
| | 2022 | 1 | 0 | 0 | 0 | 0 | 1 |
| | 2023 | 1 | 0 | 0 | 0 | 0 | 1 |

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

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlet in the Next Fiscal Year |
|---|---|---|---|
| Florida | 1 | 0 | 0 |
| Georgia | 1 | 0 | 0 |
| Missouri | 1 | 0 | 0 |
| Washington | 1 | ~~1~~0 | 0 |
| **Totals** | ~~1~~4 | ~~1~~0 | 0 |

The name and last known city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee within the most recently competed fiscal year who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement or who has not communicated with us within 10 weeks of the date of this disclosure document, if any, is in Exhibit E.

If you buy this franchise, your contact information may be disclosed to other buyers and in this disclosure document which may be publicly available during the term of the franchise, and after you leave the franchise system.

We have no former or current franchisees who, during the last 3 years, signed provisions restricting their ability to speak openly about their experience with the *KidsPark*® system.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the *KidsPark*® system. There are no independent franchisee organizations that have asked to be included in this Disclosure Document.

If we sell a previously franchised business that we now control, detailed 5-year ownership and transfer information will be provided separately from this disclosure document.

### *Item 21: Financial Statements*

Attached as Exhibit B to this document are our audited financial statements as of December 31, ~~2020~~2021, December 31, ~~2021~~ 2022 and December 31, ~~2022~~2023.

### *Item 22: Contracts*

The following agreements and other documents are attached as exhibits to this Disclosure Document:

Exhibit C – Franchise Agreement, with the following attachments:
- 1: Location and Protected Territory
- 2: Development Schedule
- 3: Continuing Guaranty
- 4a: Non-Compete, Non-Disclosure and Confidentiality Agreement (for Franchise Owners)
- 4b: Non-Compete, Non-Disclosure and Confidentiality Agreement (for Center Directors and Managers)
- 5: SBA Addendum
- 6. California Addendum
- 7. Washington Addendum to the Franchise Agreement, Statement of Prospective Franchisee and Related Agreements

Exhibit D – State Addenda
Exhibit F – Sample General Release
Exhibit G – Conditional Assignment of Telephone/Internet and Directory Listings
Exhibit H – Statement of Prospective Franchisee
Exhibit I – Current Form of Franchise Agreement Renewal Addendum

### *Item 23: Receipt*

The last page of this Disclosure Document contains a detachable Receipt form that you must date, sign, and return to us immediately upon your receipt of this document.

# EXHIBIT A

**To**

## *KidsPark*® Franchise Disclosure Document

# LIST OF STATE REGULATORY AUTHORITIES AND AGENTS FOR SERVICE OF PROCESS IN CERTAIN STATES

# STATE REGULATORY AUTHORITIES

**California**:
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

One Sansome Street, Ste. 600
San Francisco, CA 94104

2101 Arena Blvd.
Sacramento, CA 95834

1350 Front Street, Room 2034
San Diego, CA 92101-4233

1-866-ASK-CORP

**Hawaii:**
Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

**Illinois:**
Office of the Attorney General
500 South Second Street
Springfield, IL 62706

**Indiana:**
Indiana Securities Division
Secretary of State
302 West Washington Street, Room E-111
Indianapolis, IN 46204

**Maryland:**
Office of the Attorney General
Division of Securities
200 Saint Paul Place
Baltimore, MD 21202-2020

**Michigan:**
Consumer Protection Division
Franchise Section
Michigan Department of Attorney General
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48913

**Minnesota**:
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, MN 55101

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

**North Dakota:**
Office of Securities Commissioner
600 East Boulevard, 5th Floor
Bismarck, ND 58505

**Oregon**
Director
Department of Consumer & Business Services
Division of Finance & Corporate Securities
P.O. Box 14480
Salem, OR 97309-0405
(503) 378-4140

**Rhode Island:**
Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex 69-1
Cranston, RI 02920-4407

**South Dakota:**
Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, SD 57501
(605) 773-3563

**Virginia:**
State Corporation Commission
Division of Securities and
Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219

**Washington:**
Department of Financial Institutions
Securities Division
P. O. Box ~~9033~~41200
Olympia, Washington ~~98507-9033~~98504-1200
360-902-8760

**Wisconsin:**
State of Wisconsin
Office of the Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, WI 53705

## AGENTS FOR SERVICE OF PROCESS

**The Franchisor has not appointed the agent(s) identified below unless it has registered in that state, as noted on the page following the State Cover page.**

**California:**
California Commissioner of Financial Protection and Innovation
Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

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

**Illinois:**
Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706

**Indiana:**
Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

**Maryland:**
Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

**Michigan:**
Department of Attorney General's Office
Consumer Protection Division
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, Michigan 48913

**Minnesota:**
Commissioner of Commerce
85 7th Place E.
St. Paul, Minnesota 55101

**New York:**
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001
(518) 473-2492

**North Dakota:**
Commissioner of Securities
600 East Blvd., 5th Floor
Bismarck, North Dakota 58505

**Rhode Island:**
Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, Rhode Island 02920

**South Dakota:**
Director
Division of Insurance
Securities Regulation
124 S. Euclid, Second Floor
Pierre, South Dakota 57501
(605) 773-3563

**Virginia:**
Clerk of the State Corporation Commission
1300 East Main Street, 1st Floor
Richmond, Virginia 23219

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

**Wisconsin:**
Administrator
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705

# EXHIBIT B

**To**

# *KidsPark*® Franchise Disclosure Document

# KIDSPARK, INC. FINANCIAL STATEMENTS

# KIDSPARK, INC.
San Jose, California

## FINANCIAL STATEMENTS
DECEMBER 31, 2023, 2022 and 2021

# Rojas & Associates, CPAs

1300 S Street, Sacramento, California 95811 www.rojascpa.com

Phone - 916-362-4040


## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of KidsPark, Inc.
San Jose, California

### Qualified Opinion

We have audited the financial statements of KidsPark, Inc. (a California corporation), which comprise the balance sheets as of December 31, 2023, 2022 and 2021, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, based on our audit, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of KidsPark, Inc. as of December 31, 2023, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Qualified Opinion

KidsPark, Inc. has not recorded the cost of share-based payments or made certain related footnote disclosures. In our opinion, accounting principles generally accepted in the United States of America require the company to calculate and record the compensation cost of share-based payments to employees and make substantial footnote disclosures. The effects of this departure have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 KidsPark, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 KidsPark, Inc.'s ability to continue as a going concern for twelve months.

**Auditors' 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 KidsPark, Inc.'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 KidsPark, Inc.'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.

ROJAS & ASSOCIATES, CPAS

Rojas & Associates, CPAs

Sacramento, California
April 11, 2024

**KIDSPARK, INC.**
**San Jose, California**

**BALANCE SHEETS**
**DECEMBER 31, 2023, 2022 AND 2021**

ASSETS

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Current assets | | | |
| Cash | $ 507,025 | $ 568,733 | $ 502,948 |
| Receivables | 154,375 | 148,852 | 142,799 |
| Income taxes receivable | 919 | 919 | 127,262 |
| Employee retention credit receivable | 0 | 0 | 209,935 |
| Prepaid expenses | 3,730 | 16,330 | 14,795 |
| Prepaid income taxes | 21,217 | 125,640 | 0 |
| Total current assets | 687,266 | 860,474 | 997,739 |
| Property and equipment | | | |
| Leasehold improvements | 195,963 | 94,866 | 94,866 |
| Furniture and equipment | 122,224 | 39,433 | 39,433 |
| Construction in progress | 0 | 259,040 | 81,785 |
| | 318,187 | 393,339 | 216,084 |
| Less accumulated depreciation | 31,302 | 133,955 | 133,441 |
| Property and equipment, net | 286,885 | 259,384 | 82,643 |
| Other assets | | | |
| Intangible assets, net of amortization | 7,375 | 0 | 0 |
| Operating lease right-of-use assets | 1,164,410 | 152,064 | 0 |
| Deferred tax asset, net | 160,700 | 101,500 | 44,900 |
| Deposits | 16,532 | 23,689 | 25,239 |
| Total other assets | 1,349,017 | 277,253 | 70,139 |
| TOTAL ASSETS | $2,323,168 | $ 1,397,111 | $ 1,150,521 |

See accompanying notes to financial statements.

**KIDSPARK, INC.**
**San Jose, California**

**BALANCE SHEETS (CONTINUED)**
**DECEMBER 31, 2023, 2022 AND 2021**

LIABILITIES AND STOCKHOLDERS' EQUITY

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Current liabilities | | | |
| Accounts payable | $ 0 | $ 16,525 | 30,218 |
| Other payables | 7,773 | 8,676 | 14,250 |
| Accrued expenses | 40,554 | 39,344 | 37,816 |
| Operating lease right-of-use liabilities | 94,894 | 13,452 | 0 |
| Deferred revenue | 55,500 | 4,900 | 44,817 |
| Income tax payable | 0 | 0 | 39,441 |
| National marketing fund | 17,417 | 24,012 | 14,607 |
| Customer deposits | 2,980 | 8,440 | 11,554 |
| Total current liabilities | 219,118 | 115,349 | 192,703 |
| Long-term liabilities | | | |
| Deferred revenue | 32,150 | 36,250 | 25,150 |
| Operating lease right-of-use liabilities | 1,091,364 | 141,027 | 0 |
| Total long-term liabilities | 1,123,514 | 177,277 | 25,150 |
| TOTAL LIABILITIES | 1,342,632 | 292,626 | 217,853 |
| Stockholders' equity | | | |
| Preferred stock Series A, no par value, ($86,000 preference in liquidation), 172,000 shares authorized | 46,000 | 46,000 | 46,000 |
| Preferred stock Series B, no par value, ($60,000 preference in liquidation), 48,000 shares authorized | 5,000 | 5,000 | 5,000 |
| Preferred stock Series C, no par value, ($500,000 preference in liquidation), 375,000 shares authorized | 100,000 | 100,000 | 100,000 |
| Common stock, no par value, 10,000,000 shares authorized | 76,106 | 76,106 | 76,106 |
| Notes receivable from issuance of stock | ( 44,000) | ( 44,000) | ( 44,000) |
| Retained earnings | 797,430 | 921,379 | 749,562 |
| TOTAL STOCKHOLDERS' EQUITY | 980,536 | 1,104,485 | 932,668 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $ 2,323,168 | $1,397,111 | $1,150,521 |

See accompanying notes to financial statements.

**KIDSPARK, INC.**
**San Jose, California**

**STATEMENTS OF INCOME**
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | | | |
| Center childcare | $ 767,563 | $ 580,641 | $ 550,357 |
| Franchise income | 43,500 | 64,817 | 46,275 |
| Franchise royalties | 491,255 | 472,998 | 390,800 |
| Other franchise fee income | 66,275 | 53,595 | 0 |
| Paycheck protection program | 0 | 0 | 301,658 |
| Employee retention credit | 0 | 0 | 209,935 |
| Grant revenue | 0 | 0 | 40,000 |
| State child care stipend | 39,477 | 117 | 17,286 |
| Other income | 677 | 0 | 3,470 |
| Total revenue | 1,408,747 | 1,172,168 | 1,559,781 |
| Cost of goods sold | | | |
| Center costs | 38,486 | 31,248 | 26,864 |
| Franchise costs | 280,208 | 245,215 | 323,796 |
| Center payroll expense | 390,212 | 294,044 | 232,139 |
| Total cost of goods sold | 708,906 | 570,507 | 582,799 |
| Gross profit | 699,841 | 601,661 | 976,982 |
| Expenses | | | |
| Center expenses | | | |
| Occupancy expense | 231,783 | 154,031 | 179,459 |
| Advertising and marketing | 14,926 | 11,968 | 6,188 |
| Merchant services | 10,703 | 9,285 | 6,651 |
| Depreciation and amortization | 32,927 | 514 | 798 |
| Total center expenses | 290,339 | 175,798 | 193,096 |
| Franchise expenses | | | |
| Advertising and marketing | 60,000 | 53,595 | 0 |
| Franchise development | 24,191 | 45,608 | 39,661 |
| Total franchise expenses | 84,191 | 99,203 | 39,661 |
| General and administrative | 503,844 | 214,097 | 214,568 |
| Total expenses | 878,374 | 489,098 | 447,325 |
| Income (loss) from operations | ( 178,533) | 112,563 | 529,657 |
| Interest income | 19,417 | 3,454 | 1,445 |
| Income (loss) before taxes | ( 159,116) | 116,017 | 531,102 |
| Income tax expense (benefit) | ( 35,167) | ( 55,800) | ( 109,609) |
| Net income (loss) | ($ 123,949) | $ 171,817 | $ 640,711 |

See accompanying notes to financial statements.

# KIDSPARK, INC.
## San Jose, California

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | Class A Convertible Preferred Stock | | Class B Convertible Preferred Stock | | Class C Convertible Preferred Stock | | Common Stock | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount | Notes Receivable | Retained Earnings | Stockholders' Equity |
| **Balance December 31, 2020** | 92,000 | 46,000 | 4,000 | 5,000 | 50,000 | 100,000 | 1,089,125 | 76,106 | (44,000) | 108,851 | 291,957 |
| **Net income (loss)** | - | - | - | - | - | - | - | - | - | 640,711 | 640,711 |
| **Balance December 31, 2021** | 92,000 | 46,000 | 4,000 | 5,000 | 50,000 | 100,000 | 1,089,125 | 76,106 | (44,000) | 749,562 | 932,668 |
| **Net income (loss)** | - | - | - | - | - | - | - | - | - | 171,817 | 171,817 |
| **Balance December 31, 2022** | 92,000 | 46,000 | 4,000 | 5,000 | 50,000 | 100,000 | 1,089,125 | 76,106 | (44,000) | 921,379 | 1,104,485 |
| **Net income (loss)** | - | - | - | - | - | - | - | - | - | (123,949) | (123,949) |
| **Balance December 31, 2023** | **92,000** | **46,000** | **4,000** | **5,000** | **50,000** | **100,000** | **1,089,125** | **76,106** | **(44,000)** | **797,430** | **980,536** |

See accompanying notes to financial statements

**KIDSPARK, INC.**
**San Jose, California**

## STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Net income (loss) | ($ 123,949) | $ 171,817 | $ 640,711 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | |
| Depreciation and amortization | 32,927 | 514 | 798 |
| Change in operating lease right-of-use assets and liabilities | 19,433 | 2,415 | 0 |
| Forgiveness of Paycheck Protection Program loan | 0 | 0 | ( 301,658) |
| Deferred income taxes | ( 59,200) | ( 56,600) | ( 21,800) |
| (Increase) decrease in | | | |
| Accounts receivable | ( 5,523) | ( 6,053) | ( 65,478) |
| Income tax receivable | 0 | 126,343 | ( 127,262) |
| Employee retention credit receivable | 0 | 209,935 | ( 209,935) |
| Prepaid expenses | 12,600 | ( 1,535) | ( 14,767) |
| Prepaid income taxes | 104,423 | ( 125,640) | 0 |
| Deposits | 7,157 | 1,550 | ( 9,707) |
| Increase (decrease) in | | | |
| Accounts payable | ( 16,525) | ( 13,693) | 28,084 |
| Other payable | ( 903) | ( 5,574) | 5,006 |
| Accrued expenses | 1,210 | 1,528 | 5,576 |
| Deferred revenue | 46,500 | ( 28,817) | ( 18,275) |
| Income tax payable | 0 | ( 39,441) | 38,641 |
| Customer deposits | ( 5,460) | ( 3,114) | ( 10,362) |
| National marketing fund | ( 6,595) | 9,405 | 14,607 |
| Net cash provided by (used in) operating activities | 6,095 | 243,040 | ( 45,821) |

See accompanying notes to financial statements.

**KIDSPARK, INC.**
**San Jose, California**

## STATEMENTS OF CASH FLOWS (CONTINUED)
## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Cash flows from investing activities | | | |
| Purchase of fixed and intangible assets | ( 67,803) | ( 177,255) | ( 81,785) |
| Net cash used in investing activities | ( 67,803) | ( 177,255) | ( 81,785) |
| Cash flows from financing activities | | | |
| Disbursement of paycheck protection program loan | 0 | 0 | 119,100 |
| Net cash provided by financing activities | 0 | 0 | 119,100 |
| Net increase (decrease) in cash | ( 61,708) | 65,785 | ( 8,506) |
| Cash, beginning of year | 568,733 | 502,948 | 511,454 |
| Cash, end of year | $ 507,025 | $ 568,733 | $ 502,948 |
| Supplemental disclosure | | | |
| Cash payments made for income taxes | $ 5,810 | $ 41,160 | $ 0 |
| Non-cash transactions | | | |
| Addition of right-of-use operating assets & liabilities | $1,114,101 | $ 167,714 | $ 0 |

See accompanying notes to financial statements.

## NOTE 1. NATURE OF OPERATIONS

KidsPark, Inc. (the "Company"), a California corporation formed in 1988, provides hourly childcare services on a drop in basis, preschool education programs and private parties in a strategically located San Francisco Bay Area facility (the "Center"). The primary markets for the Company's services include both dual and single career families, single parents and relocated families.

The Company began to offer franchises in June 2003, under which franchisees have the right to operate a "KidsPark" facility within a specified geographic area using the "KidsPark" name and trademark. Under the franchise agreement, the Company will provide assistance in the establishment of the franchise operation and will also provide certain training, promotion and other operational support. At December 31, 2023, the Company has 20 franchises in operation and one corporate location in operation. In 2023, the Company moved its Center to a new location within the Bay Area.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand and cash in demand deposit and money market accounts. These accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. Cash and cash equivalents exceeding this threshold were $257,025 at December 31, 2023.

Accounts Receivable:

The Company extends credit to its customers in the normal course of business. An allowance for credit losses is estimated and recorded as necessary based on the Company's historical bad debt experience and management's judgment of projected future losses. There was no allowance for credit losses at December 31, 2023, 2022 or 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property and equipment with a value of over $1,000 which is expected to benefit the Company for multiple years is capitalized. Property and equipment are recorded at cost. Depreciation is computed using straight-line and accelerated methods over useful lives ranging from three to ten years. Depreciation expense related to fixed assets for the years ended December 31, 2023, 2022 and 2021 was $31,302, $514, and $798, respectively. Repairs and maintenance are expensed as incurred.

Intangible Assets:

Intangible assets are recorded at cost. Amortization is computed using the straight-line method over the estimated useful lives of three years. Gross intangible assets at December 31, 2023, 2022 and 2021 were $9,000, $0 and $0, respectively. Amortization expense related to intangible assets for the years ended December 31, 2023, 2022 and 2021 was $1,625, $0 and $0, respectively.

Adoption of New Accounting Standards:

*ASU No. 2016-13*

In June 2016, the Financial Accounting Standards Board ("FASB") established Topic 326: *Measurement of Credit Losses on Financial Instruments*, by issuing Accounting Standards Update ("ASU") 2016-13, which provides financial statement users with improved information about expected credit losses on financial assets and commitments to extend credit. The amendments affect trade receivables, loans, debt securities, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and certain other financial assets that have the contractual right to receive cash. Topic 326 was subsequently amended by ASU 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance on troubled debt restructurings for creditors, and amends the guidance on "vintage disclosures" to require disclosure of current-period gross write-offs by year of origination.

A modified-retrospective transition approach is required, via a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective.

The Company adopted the new standards effective January 1, 2023. The adoption of these standards did not have a material effect on any reported results.

*ASU No. 2016-02*

In February 2016, the FASB established Topic 842, Leases, by issuing Accounting Standards Update (ASU) No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. We adopted the new standard effective January 1, 2022 as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2022.

The new standard provides a number of optional practical expedients in transition. We have elected the 'package of practical expedients', which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We do not elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being applicable to us.

The new standard also provides practical expedients for an entity's ongoing accounting. We elect the short-term lease exemption for lessees related to our real estate leases. For those leases that qualify, we will not recognize ROU assets or lease liabilities, and this includes not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

*ASU No. 2021-09*

In November 2021, the FASB published ASU 2021-09, Leases (Topic 842): Lessors - Discount Rate for Lessees That Are Not Public Business Entities, which provides nonpublic business entity lessees with a practical expedient to elect, as an accounting policy, to use a risk-free rate as the discount rate by class of underlying asset. ASU 2021-09 requires the use of the rate implicit in the lease when readily determinable regardless of the election. We adopted the new standard effective January 1, 2022 as our date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2022.

We have elected the practical expedient to use a risk-free rate as the discount rate for our real estate leases.

The adoption of these standards did not have a material effect on any reported results.

*ASU No. 2019-12*

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which modifies ASC 740 to simplify the accounting for income taxes. We adopted the new standard effective January 1, 2022. The adoption of this standard did not have a material effect on any reported results.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition:

The Company's revenue is primarily derived from three sources. Revenue from childcare services includes revenue from services performed at the centers and is recognized in accordance with ASC 606, *Revenue from Contracts with Customers*, as services are rendered. Additionally, the Company also receives monthly royalties from its franchisees. The revenue from royalties is recognized when it is earned based on the terms of the franchise and license agreements, in accordance with ASC 606.

The Company also receives revenue from the initial sale of a franchise. Upon execution of franchise agreements, the franchisee is required to pay a pre-determined initial fee to the Company. All initial fees are non-refundable. The actual franchise fee included in the initial fees is recognized over the term of the agreement. The remaining initial fees are considered earned as performance obligations are satisfied as defined in the agreement.

The Company signed three franchise agreements during 2023, and one franchise agreement during 2022 and 2021. Total deferred revenue at December 31, 2023, 2022 and 2021 was $87,650, $41,150 and $69,967. Accounts receivable from contracts with customers at December 31, 2023, 2022 and 2021 was $154,375, $148,852 and $142,799.

The following summarizes the Company's performance obligations and disaggregation of revenue:

*Performance Obligations:*

For childcare services, performance obligations are satisfied as services are rendered. For performance obligations related to franchise revenue, franchisees have the right to access the intellectual property over the term of the franchise agreement, therefore the Company recognizes the franchise fee revenue on a straight-line basis throughout the term of the contract.

*Disaggregation of Revenue from Contracts with Customers:*

Revenue from performance obligations satisfied at a point in time consists of childcare services and royalties. Revenue from performance obligations satisfied over time consists of franchise income. These amounts are presented separately in the statement of income. Contracts and services are with franchisees and customers in California, Texas, Florida, Washington, Arizona, Pennsylvania, North Carolina, Tennessee, Missouri, Kansas and Georgia.

Customer Deposits:

The Company offers discounts to customers who want to prepay for a certain amount of hours of childcare. The money received from these customers is recorded as a customer deposit until the customer requires childcare and uses their credit. The Company also received money for prepaid childcare from several Bay Area nonprofit organizations. These nonprofit organizations provide coupons to needy families for childcare with the Company.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based Compensation:

The Company is required by generally accepted accounting principles to account for the compensation cost from share-based payment transactions with employees in accordance with the fair-value-based methodology.

The Company does not comply with this method and does not record the cost of share-based compensation in accordance with its provisions. See Note 8.

Income Taxes:

The Company complies with generally accepted accounting principles to account for deferred taxes.

Deferred income taxes are provided to reflect timing differences between book and taxable income which are primarily related to accrual to cash conversion and depreciation. These deferred taxes are measured by applying currently enacted tax laws.

Advertising:

Advertising costs are expensed when the advertisement first occurs. Advertising and marketing expenses for the years ended December 31, 2023, 2022 and 2021 were $74,926, $65,563 and $6,188, respectively.

Fair Value of Financial Instruments:

The carrying value of cash, receivables and accounts payable approximates fair value due to the short maturity of these instruments. None of the financial instruments are held for trading purposes.

Reclassification of Prior Year Amounts:

Selected financial information as of December 31, 2022 and 2021, and for the years then ended have been reclassified to conform with the current year presentation.

NOTE 3. INCOME TAXES

The net deferred tax liability (asset) is as follows:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net deferred tax liabilities (assets) | ($ 160,700) | ($ 101,500) | ($ 44,900) |

NOTE 3. INCOME TAXES (CONTINUED)

The provision for income taxes for the years ended December 31, 2023, 2022 and 2021 consist of the following:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Current year tax | $ 23,233 | $ 800 | ($ 87,809) |
| Current year deferred tax | ( 59,200) | ( 56,600) | ( 21,800) |
| Income tax expense benefit | ($ 35,167) | ($ 55,800) | ($ 109,609) |

The Company complies with generally accepted accounting principles to account for uncertainty in income taxes. In evaluating the Company's tax provision and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances. The Company's income tax filings are subject to audit by various taxing authorities.

The Company has a net operating loss carry forward of $102,186 for federal income tax purposes and $436,015 for state income tax purposes. The net operating loss can be carried forward for twenty years.

The net operating losses expire as follows:

| | Federal | State |
|---|---|---|
| 2040 | $ 0 | $ 290,440 |
| 2041 | 0 | 25,408 |
| 2042 | 102,186 | 120,167 |
| Total | $ 102,186 | $ 436,015 |

NOTE 4. LEASES

The Company leases its corporate office in San Jose, California under a long-term operating lease agreement which runs from January 2022 to December 2031. In addition to the minimum monthly rent, the Company is obligated for its proportionate share of the property's total triple net lease charges, as determined by the corporate office's percentage share of the total square footage of the property. Total variable payments under this lease for the years ended December 31, 2023 and December 31, 2022 were $16,836 and $15,061. The Company has two consecutive five year options to extend the lease term. The rent at the beginning of the option term would be 103% of the preceding month's rent, with additional 3% increases per year. The option terms are not recognized as part of the right-of-use assets and liabilities.

In October 2021, the Company entered into a long-term operating lease agreement for a corporate owned center in San Jose, California to commence at the time when the corporate center is opened. The Company opened the center in February 2023. In addition to the minimum monthly rent, the Company is obligated for its proportionate share of the property's total triple net lease charges, as

NOTE 4. LEASES (CONTINUED)

determined by the center's percentage share of the total square footage of the property. Total variable payments under this lease for the year ended December 31, 2023 were $41,940. The Company has two consecutive five year options to extend the lease term. The rent at the beginning of the option term would be 103% of the preceding month's rent, with additional 3% increases per year. The option terms are not recognized as part of the right-of-use assets and liabilities.

The Company leased a corporate owned center in San Jose, California under an operating lease agreement which was considered month-to-month. Total expense under this lease for the years ended December 31, 2023 and 2022 was $20,000 and $120,000.

Rent expense under operating lease agreements, including common area maintenance fees, was $179,459 in 2021.

Total cash-basis occupancy costs were $214,765, $154,031, and $179,459 during the years ended December 31, 2023, 2022, and 2021, respectively.

The following table provides supplemental balance sheet classification information related to leases:

| | Operating Leases December 31, 2023 | Operating Leases December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Lease assets | $1,164,410 | $ 152,064 |
| **Liabilities** | | |
| Current portion of operating lease liabilities | $ 94,894 | $ 13,452 |
| Noncurrent operating lease liabilities | 1,091,364 | 141,027 |
| Total lease liabilities | $1,186,258 | $ 154,479 |

The following table provides the components of lease cost:

| | Year Ended December 31, 2023 | Year Ended December 31, 2022 |
|---|---|---|
| Operating lease costs | $ 143,386 | $ 18,285 |

NOTE 4. LEASES (CONTINUED)

Maturities of lease liabilities are listed below. Amounts in the table include options to extend lease terms that are reasonably certain of being exercised:

| | Operating Leases |
|---|---|
| **Fiscal Year** | |
| 2024 | $ 136,923 |
| 2025 | 140,353 |
| 2026 | 144,176 |
| 2027 | 152,865 |
| 2028 | 159,475 |
| Thereafter | 673,978 |
| Total lease payments | $1,407,770 |
| Less amount representing interest | 221,512 |
| Present value of operating lease liabilities | $1,186,258 |

The following table provides the weighted-average lease term and discount rate for leases:

| | December 31, 2023 |
|---|---|
| Weighted-average remaining lease term (years) | 9.03 |
| Weighted-average discount rate | 3.7% |

NOTE 5. PAYCHECK PROTECTION PROGRAM

The Company applied for and received loans from SBA in the amounts of $182,558 and $119,100 in May 2020 and February 2021, respectively. The loans bore interest at a rate of 1% per annum. The loans were forgiven in full, including principal and interest, during January 2021 and August 2021, respectively.

NOTE 6. COMMON STOCK

At December 31, 2023, un-issued shares of common stock are reserved for the following purposes:

| | Shares |
|---|---|
| For issuance upon conversion of Series A Preferred Stock | 92,000 |
| For issuance upon conversion of Series B Preferred Stock | 4,000 |
| For issuance upon conversion of Series C Preferred Stock | 50,000 |
| For issuance upon exercise of stock options | 306,750 |
| | 452,750 |

NOTE 6. COMMON STOCK (CONTINUED)

In 2014, the Company issued 105,000 shares of common stock in exchange for $25,200 in notes receivable. Interest is accruing at an annual interest rate of 3.09% and was due and payable in full as of October 2023. In April 2024, the Company extended the term of one of the notes for an additional five years at substantially the same terms. This note in the amount of $9,600 is due and payable in full in October 2028. The other note in the amount of $15,600 is expected to be repaid in full during 2024.

In 2019, the Company issued 20,000 shares of common stock in exchange for a note receivable of $18,800. Interest is accruing at an annual interest rate of 2.38% and will be due and payable in full in July 2028.

As of December 31, 2023, total interest of $10,129 is accrued under these notes.

NOTE 7. PREFERRED STOCK

The Company is authorized to issue 1,000,000 shares of preferred stock, of which 172,000 are designated as Series A Preferred Stock ("Series A), 48,000 are designated as Series B Preferred Stock ("Series B"), and 375,000 are designated as Series C Preferred Stock ("Series C"). Conversion is automatic in the event of a public offering of the Company's common stock. Each share of preferred stock is convertible into one share of common stock and has voting rights equal to the number of common shares into which it is convertible.

Each share of Series B and Series C preferred stock is entitled to a noncumulative annual dividend, when and if declared by the Board of Directors, of $.04 per share and $.16 per share, respectively. Holders of Series A are entitled to receive noncumulative dividends when and if declared by the Board of Directors at the rate determined by the Board upon declaration.

NOTE 8. STOCK OPTION PLAN

The Amended and Restated 1989 Stock Option Plan (the "Plan") is intended to promote the interest of KidsPark, Inc. By providing eligible persons in the Company's employment or service with the opportunity to acquire a proprietary interest or otherwise increase their proprietary interest in the Company as an incentive for them to continue in such employment or service. The plan is divided into two separate programs. The first program is the Option Grant Program, under which eligible persons may, at the discretion of the Board, be granted options to purchase shares of common stock. The second program is the Stock Issuance Program, under which eligible persons may, at the discretion of the Board, be issued shares of common stock directly, either through the immediate purchase of such shares or as a bonus for services rendered to the Company.

NOTE 8. STOCK OPTION PLAN (CONTINUED)

Under either plan, the stock option price or stock purchase shall be fixed by the Board but shall not be less than eighty-five percent of the fair market value per share of common stock on the issue date. However, the exercise or purchase price shall not be less than one hundred-ten percent of the fair market value per share of common stock on the option grant or purchase date if the option holder is at least a 10% stockholder. Unexercised options expire upon the earlier of ten years and one day from the date of grant or ninety days after termination as an employee of the Company. The expiration of options for employees who cease employment due to disability or death is twelve months.

Shares of common stock under the Stock Issuance Program may, at the discretion of the Board, be fully and immediately vested upon issuance or may vest in one or more installments over the participant's period of service or upon attainment of specified performance objectives. The Board may not impose a vesting schedule upon any issuance which is more restrictive than twenty percent per year vesting, with initial vesting to occur not later than one year after issuance date. Total shares authorized under the plan are 370,000, of which 63,250 shares have been exercised and 306,750 shares remain available under the plan. During 2023, there were no options exercised. There are 145,000 shares of options outstanding as of December 31, 2023.

Generally accepted accounting principles require the Company to calculate and record the compensation cost of share-based payments (stock options) to employees. The Company is also required to disclose significant information concerning the value of unexercised stock option grants. The Company has not complied with these requirements due to the significant effort necessary to do so.

NOTE 9. GENERAL AND ADMINISTRATIVE EXPENSES

The total general and administrative expense presented on the statement of operations for the year ended December 31, 2023 of $503,844 includes $272,025 of discretionary bonuses paid to employees of the Company. There were no such bonuses paid during the years ended December 31, 2022 and 2021.

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through April 11, 2024, the date of this report, and has determined that there were no material subsequent events that required recognition or additional disclosure in these financial statements.

# SUPPLEMENTARY INFORMATION

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
of KidsPark, Inc.
San Jose, California

We have audited the financial statements of Kids Park, Inc. as of and for the years ended December 31, 2023, 2022 and 2021, and issued our report thereon dated April 11, 2024, which expressed a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Income for Centers is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audits, except for the effects on the supplementary information of not recording the cost of share-based payments as explained in the auditors' report under the Basis for Qualified Opinion section, the information is fairly stated in all material respects in relation to the financial statements as a whole.

ROJAS & ASSOCIATES, CPAs

Sacramento, California
April 11, 2024

**KIDS PARK, INC.**
**San Jose, California**

**STATEMENT OF INCOME FOR CENTER**
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Revenue | | | |
| Center childcare | $ 767,563 | $ 580,641 | $ 550,357 |
| Cost of goods sold | | | |
| Center costs | 38,486 | 31,248 | 26,864 |
| Center payroll expense | 390,212 | 294,044 | 232,139 |
| | 428,698 | 325,292 | 259,003 |
| Gross profit | 338,865 | 255,349 | 291,354 |
| Expenses | | | |
| Center expenses | | | |
| Occupancy | 231,783 | 154,031 | 179,459 |
| Advertising and marketing* | 14,926 | 11,968 | 6,188 |
| Merchant services | 10,703 | 9,285 | 6,651 |
| Total expenses | 257,412 | 175,284 | 192,298 |
| Income before depreciation and amortization | 81,453 | 80,065 | 99,056 |
| Depreciation and amortization* | 32,927 | 514 | 798 |
| Net income for center | $ 48,526 | $ 79,551 | $ 98,258 |

*This is the portion attributed to the San Jose Corporate-owned center.

See accompanying independent auditors' report.

# EXHIBIT C

**To**

# *KidsPark*® Franchise Disclosure Document

# FRANCHISE AGREEMENT

# *KidsPark*®

## FRANCHISE AGREEMENT

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5. SBA Addendum
6. California Addendum
7. Washington Addendum to the Franchise Agreement, Statement of Prospective Franchisee and Related Agreements

# *KidsPark*®
## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is entered into on _____ by _____, a(n) _____, whose address is _____ _____, identified in this Agreement by words such as "you" and "your," and KidsPark, Inc., a California corporation, whose address is 812 S Winchester Boulevard, Suite 150, San Jose, California 95128, identified in this Agreement by words such as "we," "us" and "our."

This Agreement is made with reference to the following facts, warranties, representations, and purposes:

A. We have developed a system of *KidsPark*® centers, drop-in child care centers preschool programs and private parties catering to parents of children 2 through 12 years of age. *KidsPark*® centers provide child care and activities on an hourly basis making it easy for parents to plan their activities without having to make prior child care arrangements or to modify their plans if their child care arrangements fall through. We grant licenses to operate *KidsPark*® centers using the procedures, format, practices, trade secrets, and other proprietary and nonproprietary information and material we provide and otherwise specify.

B. In this Agreement the words "licensed assets" refer to all of the trademarks, trade names, service marks, logotypes, other commercial symbols, processes, operating procedures, formats, trade dress, equipment specifications, trade secrets, trade practices, copyrights, patents, supplier lists, customer lists, manuals, forms, advertising and promotion material and practices, merchandising techniques, communications, training material, goodwill, and all other tangible and intangible property pertaining to this franchise that we license to you now as well as that which we may license to you in the future.

C. You represent and warrant that you have fully and truthfully set forth all of the information we have requested in your application, financial disclosure forms, and all other written and oral communications between us, and that each and every owner in your business and/or in the entity that will own this franchise has been disclosed to us in writing and has provided all information we have requested, and, if we require, has signed or guaranteed this Agreement.

***E. If we or anyone claiming to act for us has made any promises or representations concerning the sales volumes that are likely to be experienced, the profits likely to be made, the likelihood of success, or any other matter in connection with this franchise or your KidsPark® center other than those promises and representations that are in this Agreement or in the Franchise Disclosure Document we gave, you are instructed to make sure they are set forth in writing in this Agreement.***

WHEREFORE, as consideration for the mutual promises set forth in this Agreement, and based on the above recitals, facts, representations, warranties, and purposes, as well as for other

good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, and with the intent to be legally bound, we mutually agree as follows:

**1. Incorporation of Recitals and "Business Judgment" Definition.**

1.01 The facts, warranties, representations, purposes, and the other statements set forth above are true and are incorporated into this Agreement by reference.

1.02 As used in this Agreement, the term **"business judgment"** means that we are allowed to exercise our judgment however we consider appropriate in our sole and absolute discretion and without any limitation. You and we agree that when we may exercise business judgment, we must and do have the unrestricted right to make decisions and/or take (or refrain from taking) actions, except that we will not do so arbitrarily. We have this right even if a particular decision/action may have negative consequences for you, a particular franchisee or group of franchisees. You understand and agree that the exercise of business judgment is critical to our role as franchisor of the KidsPark system and to our goals for its continuing development. This is a defined term for the purposes of this Agreement and is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

**2. Grant of Franchise.**

2.01 When signed by all parties, this Agreement grants you a nonexclusive license to use the licensed assets for the term and in the manner set forth in this Agreement but only as long as you are in compliance with all of the terms and conditions of this Agreement.

2.02 The franchise granted by this Agreement is only for the *KidsPark*® center or centers described on Exhibit 1 to this Agreement. This franchise does not extend to the use of any of the licensed assets for any other purpose, at any other location or locations, or in any other manner. You agree to use the licensed assets only as allowed by this Agreement.

2.03 We have the sole right to use, and to permit others to use, the licensed assets. You do not have any rights in or to any of the licensed assets other than the rights licensed to you by this Agreement.

2.04 All goodwill connected in any way with the licensed assets, your *KidsPark* center, and the *KidsPark*® system, belongs solely and exclusively to us. Any goodwill accruing by virtue of the operation of your *KidsPark* center will belong to us. You will have no claim against us for the value of that goodwill while this Agreement is in effect or thereafter.

2.05 If an entity owns any interest in this franchise, you agree to place a legend on the share or ownership certificates of the entity stating that transfer of the shares or ownership interests may be affected by this Agreement and this Agreement may be violated by an improper transfer of those shares or ownership interests.

2.06 ***You should obtain legal advice regarding this Agreement and any other related contracts in order to fully understand your rights and obligations prior to signing.***

**3. Franchise Fees and Site Approval.**

3.01 *Initial Fees*

(a) If this Agreement covers a single *KidsPark*® center, you agree to pay us the following fees in full upon the signing of this Agreement, for a total sum of $30,000:

(i) A franchise fee in the amount of $4,000;
(ii) An Initial Support Fee in the amount of $10,000;
(iii) A Center Design Fee in the amount of $5,000;
(iv) A Pre-Opening Training Fee in the amount of $8,000; and
(v) An Opening Support Fee in the amount of $3,000.

(b) If this Agreement grants you the right to open more than one *KidsPark* center, in addition to the fees stated in Section 3.01(a) for the first center, you agree to pay us the following fees in full upon the signing of this Agreement, for each center after the first Center, for a total sum of $21,000 per additional center:

(i) A franchise fee in the amount of $4,000;
(ii) An Initial Support Fee in the amount of $6,000;
(iii) A Center Design Fee in the amount of $5,000;
(iv) A Pre-Opening Training Fee in the amount of $3,000; and
(v) An Opening Support Fee in the amount of $3,000.

(c) As long as this Agreement is in effect and you are in compliance with it and otherwise in good standing as an existing *KidsPark* franchisee, you may be eligible to purchase a franchise for one or more additional *KidsPark* centers. You will pay us the following fees in full upon the signing of the subsequent franchise agreement, for a total sum of $24,000 per additional center:

(i) A franchise fee in the amount of $4,000;
(ii) An Initial Support Fee in the amount of $8,000;
(iii) A Center Design Fee in the amount of $5,000;
(iv) A Pre-Opening Training Fee in the amount of $4,000; and
(v) An Opening Support Fee in the amount of $3,000.

(d) All initial fees are entirely non-refundable.

3.02 *Finding a Location for a Single KidsPark Center*

(a) You must exert best efforts to timely locate a site for your *KidsPark*® center. If this Agreement covers a single *KidsPark*® center, upon signing this Agreement and paying the required franchise fee you will have the right to locate your *KidsPark* center in the following area, called your "designated area":

(b) You will have the exclusive right for 90 days from the date of this Agreement to find a location for your *KidsPark* center that meets our approval within your designated area. During the 90-day period, we will not grant a franchise to another, nor take for ourselves or an affiliate, the right to seek a location for a *KidsPark* center in your designated area. See Section 5 below for how to apply for approval of a site.

(c) If you do not find an acceptable location in your designated area within 90 days from the date of this Agreement, we may, but are not obligated to, extend the time period by an additional 90 days during which you may search for a site in this area; however, we can then allow other *KidsPark* franchisees to, and can ourselves, seek and take locations for *KidsPark* centers in that area. The taking of sites in your designated area by us or by others may reduce or eliminate the acceptable locations available to you in the area. If you have not found an acceptable location after two 90-day extensions, we can allow you to continue to look for a site or we can terminate your Franchise Agreement, but in either case we will retain the all fees paid to us.

(d) Once we have approved your proposed location, you agree to use best efforts to diligently pursue the development and opening of your center. You must obtain a fully-executed lease for the space within 60 days of our approval of the site and must apply for your building and any other necessary permits within 60 days of obtaining a fully-executed lease for the location. You must open for business within 150 days after obtaining your building permit. If you fail to meet these or any other development or opening time periods set forth herein, we will have the right to terminate your Franchise Agreement or reduce your rights in your territory, at our option. However, if, in our business judgment, you are prevented from obtaining a fully-executed lease, from completing the construction of your center, or from opening by causes beyond your control, other than your financial inability to proceed, we may allow you a reasonable additional period within which to complete the project.

3.03 *Development of Multiple KidsPark Centers*

(a) If this Agreement grants you the right to open more than one *KidsPark* center, your Development Schedule and your development area are set forth on Exhibit 2 to this Agreement. You must open each center by the date specified on that schedule or you will lose your right to open any centers not then open or under active construction. The site selection and leasing requirements for each center are as set forth in Section 5 of this Agreement.

(b) If you default under your Development Schedule, we will have the right to terminate your Franchise Agreement or reduce your rights in your territory and can retain all fees you have paid to us as consideration for holding your development area from the market and granting you development rights.

(c) While this Agreement is in effect, its terms will govern all of the centers you open pursuant to the development rights granted by this Agreement. Separate Franchise Agreements will not be signed for each center.

(d) Since we charge a reduced franchise fee for your second and subsequent centers, we can, in our discretion, reduce or eliminate the initial services we provide in connection with the opening of those centers.

**4. Term of the Franchise and Renewal Options.**

4.01 (a) Although effective on the date we sign, the initial term of this Agreement is 10 years beginning on the date your lease or sublease term commences. If the term of your lease, including options, is for more than 10 years, the term of this Agreement may be extended so that it will expire on the date that your lease is due to expire but the term of any such extension will not exceed 1 year. If you do not give us notice of your intention to renew this franchise as described in Section 4.02 below, and we do not notify you of our intention not to renew your franchise at least 6 months prior to its scheduled expiration, the term of this Agreement will continue on a month to month basis subject to termination by either party upon 30 days prior written notice to the other party or such other notice period as may be required by applicable law.

(b) If you have acquired your location by other than a lease or sublease, the term of this Agreement will begin on the date you open your *KidsPark* center for business but in any event within 12 months from the date of this Agreement.

(c) If this Agreement covers more than one *KidsPark* center, the term of this Agreement shall be extended to cover the initial lease term of each center covered by this Agreement but the term will not be over 10 years for each *KidsPark* center. If the term of the lease of any *KidsPark* center covered by this Agreement including any renewals and extensions of the lease term, expires prior to the end of the 10-year term of this Agreement covering that center, this Agreement will end for that center at the same time as your lease of that center ends unless you relocate the center as provided by this Agreement.

4.02 (a) This franchise is renewable after the expiration of the initial term for one additional period of 10 years. **You must give us notice in writing of your intention to renew no less than 9 months nor more than 12 months prior to the scheduled expiration date of the term then in effect.** The renewal of this franchise will cover all of your *KidsPark* centers with the renewal term for each center beginning when the term covering that center expires.

(b) If you are in default under this Agreement at the time you give us notice of your desire to renew your franchise or at the time the renewal term is to begin, we can refuse to renew your franchise. Also, if you have been given 3 or more notices of default concerning violations of material provisions of this Agreement during the last 3 years of the term of this Agreement then ending, we can refuse to renew your franchise.

4.03 (a) As a condition of our approving the renewal of your franchise, we can require you to sign the form of Franchise Agreement we are using for new *KidsPark* franchises at the time the renewal is to take effect. If no new franchises are then being offered, the form of Franchise Agreement that will be used will be one that we specify in our reasonable discretion at the time.

(b) The form of Franchise Agreement in effect at the time of renewal may contain material changes in the terms of the Agreement then in effect including changes to provisions concerning payments and other significant matters.

(c) After we receive the notice of your desire to renew your franchise, we will send you the form of Franchise Agreement that will govern the renewal term for your review at least 60 days prior to the expiration of the initial term. You must agree to sign the required form of Franchise Agreement within 30 days of your receipt of that agreement or you will be deemed to have withdrawn your request to renew your *KidsPark* franchise and this Agreement will terminate at the expiration of the term then in effect.

(d) As a condition of renewal, you will have to sign a general release of all claims against us so that we do not start the renewal term with unresolved issues between us.

4.04 You will not be required to pay a new initial franchise fee upon renewal, but you are required to pay the renewal fee of $2,000.

4.05 As a condition of the renewal of this franchise, we can require you to update your *KidsPark* center, your equipment, and your signs and to take other action we may reasonably require in order to bring your *KidsPark* center up to the standards of *KidsPark* centers opened closest in time to the commencement of your renewal term. We agree to notify you of these requirements and the time within which they must be accomplished at the time we provide you with a copy of the Franchise Agreement that will be used for your renewal term. By signing the new Franchise Agreement, you agree to comply with our modernization requirements within the time periods we have specified and at your sole expense.

4.06 If any renewal not otherwise permitted by this Agreement is mandated by operation of law, to the extent allowed by the applicable law, rule, regulation, statute, ordinance, or order, the renewal period or periods and the terms of that renewal will be governed by the provisions of the Franchise Agreement we are using for new *KidsPark* franchisees at the time the relevant renewal period is due to start. If we are not offering new *KidsPark* franchises at that time, the renewal period or periods and the new franchise terms will be governed by the provisions governing renewal terms set forth in the Franchise Agreement that we were using at the time we stopped offering new *KidsPark* franchises.

**5. Location and Protected Territory.**

5.01 (a) As used in this Agreement, the word "lease" also means a sublease or other agreement or document by which you are allowed to occupy your *KidsPark* center location including a deed or other document by which you own it.

(b) You must exert best efforts to locate a site and execute a lease for your center(s). Your site must be approved by us before you sign a lease or make any other commitment related to a site. Our approval of your site must be obtained within ninety (90) days of the date of this Agreement. We may, but are not obligated to, waive or extend this timeframe

in our business judgement. During any 90-day extension we have granted to you for site selection, however, we can then allow other *KidsPark* franchisees to, and can ourselves, seek and take locations for *KidsPark* centers in that area. The taking of sites in your designated area by us or by others may reduce or eliminate the acceptable locations available to you in the area. If you fail to locate a site that we have approved after two extensions, we may terminate this Agreement and you will not be entitled to a refund of any fees paid by you. Once you have found a site we have approved and signed a lease for your site, we will describe the location on Exhibit 1 to this Agreement.

(c) If this Agreement covers more than one *KidsPark* center, Exhibit 1 will be amended to identify the location and any protected territory that has been approved by us for each center covered by this Agreement.

5.02 (a) We will consult with you regarding the general criteria for your *KidsPark* center location. However, we have no responsibility to find a location for you. It is your responsibility to find a location for your *KidsPark* center within the required time period.

(b) Sometimes the protected territories granted in connection with locations approved for other franchisees or that we maintain for company-owned *KidsPark* centers may overlap the designated area in which you are authorized to look for a site. If such a protected territory has been granted to another franchisee or retained for a company-owned *KidsPark* center location before you find a location we approve, you will not be able to locate your *KidsPark* center within that protected territory even though it is partially in your designated area.

5.03 (a) If you have been granted the right to open more than one *KidsPark* center, the area within which you have the exclusive right to open your centers and the time within which you must open each center are listed on Exhibit 2. As long as you are in compliance with our then-current requirements and standards for site selection and territory designation, we will not authorize other *KidsPark* franchisees to seek or take locations in that area and we will not do so ourselves during the period you are allowed to develop your centers in that area.

(b) Each *KidsPark* center you open pursuant to your development schedule will be assigned a protected territory as discussed below. We require that each of your centers maintains an enrollment at least equal to 1,000 families, after the 20th month of operation of the Center, in order for you to remain in good standing and retain the protected territory rights for that center. If you lose your exclusive right to open *KidsPark* centers in your development area, each center that you operate at that time in good standing under this Agreement will be allowed to continue to operate and its protected territory will be honored unless the minimum enrollment requirements are not met and we enforce such minimums, in our business judgment.

(c) If you open more than one *KidsPark* center as described herein and on your Development Schedule in Exhibit 2, you must continuously own and operate all of those centers during the term of this Agreement in order for your exclusive rights in your Development Area to remain in effect. If any *KidsPark* center that you are required to operate is closed, we will not terminate your exclusive development rights if, within 60 days of the closing, you replace the

closed center by opening a new *KidsPark* center in your development area at a location we approve as provided in this Agreement.

(d) Unless your development rights are earlier terminated in accordance with this Agreement or you and we have signed a new Development Schedule for an additional center, your development rights will end upon the expiration of thirty (30) days after the last Required Opening Date listed on your Development Schedule, whether or not that center is actually opened. Upon expiration or termination of your development rights, we will have the right to franchise *KidsPark* centers in your former development area, open those centers ourselves, or allow our affiliates to do so. We will continue to honor any protected territories that may have been granted to you in connection with any of the *KidsPark* centers you opened pursuant to your Development Schedule subject to the terms of this Agreement.

5.04 (a) As noted in Section 3 above, when you find a location that you like for your *KidsPark* center, you must provide us with the details of the site to assist us in deciding whether to approve the location. You should provide us with demographic data regarding the site and the region in which it is located and any other information that we request. In addition, factors such as traffic patterns, the layout of the proposed space, the visibility and accessibility of the proposed location, as well as the other physical attributes of the location, a layout of the shopping center or other building in which it would be located with the location of your proposed *KidsPark* center indicated, and similar data should be provided to us if reasonably obtainable. If we request additional information for our evaluation of the proposed site, you agree to use your best efforts to provide the requested information promptly. All costs in connection with obtaining the information set forth above and supplying it to us are solely your responsibility.

(b) We agree not to unreasonably withhold or delay our consent to your proposed location.

(c) If we approve the proposed location for your *KidsPark* center we will notify you promptly of that approval. If we do not approve the site, we agree to notify you promptly of our objections and, if applicable, the steps we would require you take to make the site acceptable to us.

(d) If this Agreement covers more than one *KidsPark* center, the foregoing procedure concerning approval of your site will apply to each of your proposed locations.

5.05 (a) You must provide the terms of your proposed lease to us for our approval prior to you signing the lease. We must approve the lease form and leasing terms in writing before you may enter into the lease unless we waive this requirement in writing.

(b) At our option, we can provide you with our comments on the lease terms. We are not responsible for any errors or omissions we may make in our comments on the lease, or, if we assist you in negotiating the terms of the lease, in our negotiation of the lease terms. We strongly urge that you obtain the advice of competent legal counsel related to your proposed lease to understand your rights and obligations.

(c) You agree to provide us with a copy of your fully-executed lease within 5 days of its execution.

5.06 (a) If you desire a protected territory in connection with your *KidsPark* center, we must mutually agree on any protected territory to be granted in connection with the proposed location within a reasonable time as a condition of the continuation of this Agreement. If, within a reasonable time, not to exceed 14 days from our receipt of your request for approval of your proposed location, we do not agree on a protected territory we can terminate this Agreement or we can agree that there will be no protected territory, but in either case we will retain all fees paid to us.

(b) We base the boundaries of any protected territory on the population within those borders and the nature of the market within that area.

5.07 If and when we have agreed on a protected territory for your *KidsPark* center, we both will execute Exhibit 1 to this Agreement which will contain a description of the approved site and of the protected territory granted in connection with it. When this process is accomplished, but not before, you will be authorized to enter into a lease for your *KidsPark* center location. If for any reason you execute your lease prior to Exhibit 1 being executed by both of us, your *KidsPark* center will be deemed not to have been granted any protected territory.

5.08 (a) Except as provided below or elsewhere in this Agreement, by granting you a protected territory we agree not to locate, or grant a franchise to another to locate, a business substantially similar to the type described in this Agreement within that territory during the term of this Agreement.

(b) Excluded from the restriction set forth in subsection (a) above are any competing units owned, operated, and/or franchised by any person or entity with whom or which we may merge, by whom or which we are acquired, or which we acquire or otherwise become affiliated after the date of this Agreement. However, we agree that no such entity will own, operate, or franchise any centers in your protected territory using the principal service marks and trademarks that are licensed to you under this Agreement.

(c) We may, at our option, terminate the Franchise Agreement or reduce your rights in your territory for any of the following reasons: 1) you do not sign your lease within 12 months of signing either the Franchise Agreement or the Location & Protected Territory Exhibit for any subsequent center, 2) you do not open your first *KidsPark* center within 18 months after signing the Franchise Agreement, 3) if you purchase multiple centers, and do not open your 2nd and any subsequent center within 24 months of the opening of your immediately prior center, 4) your enrollment is not at least equal to 1,000 families for each Center you operate after your 20th month of operating the Center.

5.09 (a) The grant of a protected territory does not include or imply any clientele exclusivity within the territory. As such, except as provided elsewhere in this Agreement, we, you, our other franchisees, and our affiliates are not prohibited from serving customers wherever they live or work. You are not prevented from serving customers who live or work inside the

protected territories granted to other *KidsPark* franchisees, to *KidsPark* centers we own, or those owned by our affiliates, and other *KidsPark* franchisees, our affiliates, and we are not prohibited from serving customers who live or work in your protected territory. You are not entitled to any compensation, allowance, payment, or other consideration on account of any business obtained by others from those who live or work within your protected territory and you need not pay any compensation if you enroll customers who live or work within the protected territories of others.

(b) You are not permitted to direct advertising into or within the protected territories of other *KidsPark* franchisees, the areas reserved for *KidsPark* centers that we own or those owned by our affiliates or any area(s) where our trademark rights are limited by agreements with third parties. This restriction pertains to advertising including direct mail, billboards, and other advertising activities where the areas into which the advertising is directed can be controlled.

5.10 To the extent not expressly prohibited by this Agreement, we and our affiliates reserve the right to own, operate, franchise, license, or otherwise conduct any other type of business at any location *including within* your protected territory.

5.11 Nothing in this Agreement, including granting you a protected territory, prevents us or our affiliates from owning, opening, operating, franchising, and/or licensing any business, including *KidsPark* businesses, at any location *outside of* your protected territory even if those businesses have an adverse impact on your *KidsPark* center.

5.12 (a) A "national or regional account" is an arrangement we may make with larger businesses or other entities in which we agree to discount fees or otherwise adjust our model, in order to provide *KidsPark* center services for those affiliated with the designated business or entity.

(b) We can solicit and/or service national or regional accounts from businesses and other entities whether their facilities are located within your protected territory or elsewhere or we may grant you the right to solicit and/or service such accounts in our business judgment. If we grant you the right to service such accounts resulting in your obligation to open one or more additional center locations, whether at a location with a smaller footprint or otherwise, you will sign our then-current version of franchise agreement related to each such center and be bound to its terms, including, without limitation, the payment of an initial franchise fee, royalty and Advertising Fund fees, related to each new center. Other than as described above, or as otherwise expressly granted in this Agreement, you are not granted any right to open additional centers in your protected area or otherwise.

(c) If we establish a national or regional accounts program, you agree to honor the discount we establish for these accounts.

5.13 (a) We, our affiliates, or others whom we or they authorize, have the exclusive right to market goods bearing the *KidsPark* names or marks, names or marks similar or related to the name *KidsPark*, or any names or marks we may use and license you to use at a later time, to independent retail outlets, at wholesale, by means of catalogs, by mail order, by electronic

means, including over the Internet, whether those sales take place within your protected territory or elsewhere. The goods sold may be the same as goods you carry in your *KidsPark* center. You will not be entitled to any compensation or other benefit as a result of the sales made as a result of such activities even if such sales affect your business.

(b) You agree not to provide any goods related to your *KidsPark* center through independent retail outlets, at wholesale, by means of catalogs, by mail order, by electronic means, including over the Internet, or by other alternative channels of distribution.

5.14 (a) If you have the opportunity to provide *KidsPark* services at special events in your protected territory, such as fairs, exhibitions, charity events, shows, conventions, and the like, you agree to notify us of the opportunity immediately. You must also advise us whether you want to participate in the event. If you want to participate in the special event, and if we agree to allow your participation, you agree to participate and to follow our requirements in that regard. If you do not want to participate in the special event, we, or any person or entity we may designate can do so even though the event is in your protected territory.

(b) Even though a special event takes place in your protected territory, we reserve the right to participate in the event directly or through an affiliate, or have a person or entity we designate participate in the event, rather than allowing you to participate in the event.

(c) If you do not participate in the special event and we, an affiliate, or a person or entity we designate does so, you will not be entitled to any compensation because of that participation or otherwise.

5.15 (a) You cannot relocate your *KidsPark* center within your protected territory or elsewhere or open one or more additional *KidsPark* centers within your protected territory or elsewhere without our prior written consent. Our consent to any proposed relocation will be conditioned, in part, upon your signing a general release of all claims against us.

(b) If we agree to the relocation of your *KidsPark* center, you agree to pay us a relocation fee of $10,000. The relocation fee is designed to compensate us for our efforts and services in connection with your relocated *KidsPark* center.

(c) The site, lease, design, construction, decoration, equipping, and all other aspects of your relocated *KidsPark* center must be in compliance with our requirements at the time of the relocation.

(d) If you relocate in conjunction with the renewal of your franchise, you will only have to pay the relocation fee, and not the renewal fee.

5.16 Without our prior written consent only the business franchised by this Agreement can be located at or operated or marketed from the premises used for your *KidsPark* center. Without our prior written consent you further agree not to locate your *KidsPark* center within or as a part of another operating business or cause our trademarks to be used in combination with, or in proximity to, the trademarks, service marks or logos of any other business.

5.17 We can grant or withhold the consents and approvals described in this Section 5 in our business judgment.

**6. Design, Construction, Maintenance, and Repair.**

6.01 When or before you have signed a lease for your location, you must provide us with a detailed dimensioned floor plan of the space. You are required to verify all measurements and provide us with blueprints of the space showing the location of all improvements to the space including the electrical, plumbing, demising and/or fire walls, a reflected ceiling plan, and an elevation of the front of the space. After our receipt of this information, at our expense we will provide you with a floor plan of the space showing the location of the equipment and furnishing to be placed in your center and the specifications required for your *KidsPark* center. All additional design, architectural, and engineering services required to complete the improvements to *KidsPark* location and to comply with local laws and requirements must be obtained at your expense. We may require you to notify us in writing before engaging in any video recording, installation or use of surveillance cameras in your *KidsPark*® center.

6.02 (a) You must provide us with the final plans and specifications proposed for the construction of your *KidsPark* center. We must approve your final plans and specifications before they are used in construction. All plans and specifications provided to us must be provided at your expense.

(b) Since the details of our layout, designs, and specifications are proprietary, if this franchise is terminated for any reason all plans and/or specifications, whether developed at our expense or at yours, remain our property and will be returned to us without us having to pay you for them.

(c) You must use our current method and/or designated supplier for fabrication of fixtures, theater seating and any specified indoor climbing structure.

6.03 All of the furniture, fixtures, equipment, and supplies used in your *KidsPark* center must comply with our requirements. We can specify these items by manufacturer, model number and/or by the characteristics and capabilities in order to meet our requirements for approval.

6.04 You agree to purchase all of the signs, trade fixtures, equipment, interior decoration items, and inventory as we specify for your *KidsPark* center, including those shown on your final plans and specifications as well as those we otherwise require. We will help you locate and order these items.

6.05 We will be available to consult with you on the telephone regarding your design and construction obligations. However, it is your responsibility to ensure that your *KidsPark* center is built, equipped, decorated, and opened without delay and in strict accordance with the plans and specifications we have provided and approved.

6.06 If your plans and specifications are changed in any material manner before or during construction, we must approve those changes before the changes are implemented.

6.07 Unless we agree otherwise, a licensed general contractor must perform the construction of your *KidsPark* center. We can require your contractor to carry at its expense the policies of insurance we specify including the posting of a payment and performance bond. We can require that we be named as an additional insured under all of your contractor's insurance policies.

6.08 (a) Our approval of your plans and specifications, the requirement of any insurance to be carried by your contractor, and any other action or inaction we may take or withhold in connection with the design, construction, equipping, and opening of your *KidsPark* center are solely for our own purposes and not to protect you. It is your responsibility to determine if your plans and specifications are suitable or adequate, that your contractor or contractors are competent, reliable, or otherwise able to perform the tasks for which they are hired, or that any insurance they may carry is adequate for any purpose.

(b) We have no responsibility for the work of independent contractors whether employed by you or by us.

6.09 We have the right to inspect the construction activity at your site at any reasonable time. You agree to cooperate, and to require your contractor or contractors to cooperate, with our representatives during such inspections. Any inspections we undertake are for our own purposes and are not designed to protect you.

6.10 We have the right to make a final inspection of your premises prior to its opening. If we notify you that we want to make such an inspection, you agree not to open your *KidsPark* center for business until we conduct the final inspection and approve the opening of your center in writing.

6.11 We must approve all signs used on, in, or in connection with your *KidsPark* center. We will provide you with our sign criteria by the time we approve your final plans and specifications. If our sign criteria cannot be followed because of the requirements of local laws or the shopping center or building in which your center will be located, we must approve any changes to our criteria prior to the construction of your sign or signs. We agree not to unreasonably withhold our consent to any modifications of our sign criteria required by local law or shopping center or building requirements.

6.12 Once your *KidsPark* center is built and opened for business, no material alteration of the interior or exterior of the center may be made without our prior written consent.

6.13 (a) The maintenance and repair of your *KidsPark* center is your sole responsibility.

(b) You agree to keep and maintain your *KidsPark* center, including the interior, exterior, immediately surrounding areas, signs, trade fixtures, equipment, decor, furnishings, and

all other tangible property used in connection with the center in a high condition of safety, cleanliness, repair, and appearance and to replace promptly anything that is not capable of being maintained in that condition.

(c) All replacements, remodeling, refurbishing, alterations, modifications, and/or redecoration of your *KidsPark* center shall be done only with our prior written consent.

6.14 You agree to repair, refinish, repaint, replace, and/or otherwise redo your *KidsPark* center, the furnishings, fixtures, decor, equipment, signs, and all other parts of the center at your expense at such times as we reasonably may direct. However we agree not to require you to do a major refurbishing of your *KidsPark* center more often than once every 5 years.

6.15 We have the right to modify the *KidsPark* concept, format, design, signage, identity, commercial symbols, decor, products, services, and/or all other aspects of our *KidsPark* system and/or business at any time in our reasonable business judgment in order to meet competition and to attempt to enhance the business of *KidsPark* centers. Subject to the limitation set forth in Section 6.14 above, in the event that we make such changes you agree to comply with the changes we specify in the manner and within the time periods we reasonably require.

**7. Training and Preopening Assistance.**

7.01 (a) We will provide training for you and your *KidsPark* center's director, if other than you, prior to its scheduled opening. The training will take place at the time and location we specify. You and your center's director must attend our training course at the same time unless we specify or agree otherwise.

(b) If you are a partnership, corporation, limited liability company, or other entity, at least one of the trainees must be a general partner, a principal shareholder, a member, or owner, as appropriate, unless we otherwise approve. No more than two (2) general partners, principal shareholders, members or owners of a franchisee entity may participate in training.

(c) Your *KidsPark* center must continuously be under the overall supervision of a person who has successfully completed our training course.

(d) We may provide a portion of our training course electronically, such as over the Internet, on disk, by webinar or video conference, or by some other method. To the extent we require you and your center's director to complete some or all of this training prior to attending our on-site training course, you agree to comply with our directives in this regard.

(e) Since we do not have an ongoing training schedule, we may have to delay the training of any replacement directors you are required to send to our training course.

7.02 (a) You and any director we train must be successfully progressing in and/or complete all phases of our training course in our business judgment BEFORE you open your *KidsPark* center. If you or any director you designate to attend our training is not successfully

progressing in, and/or does not successfully complete any or all phases of, our initial or other required training, you will be in default of this Agreement and we can, in our business judgment, do any of the following (singularly or in combination):

a) delay the opening of your center;
b) require you (or your director, as needed) to repeat training, upon payment of additional training fees;
c) allow you to designate one substitute director, who must successfully complete training, upon payment of additional training fees;
d) provide additional onsite support and training at a cost to you of $500 per day;
e) terminate this Agreement upon notice and opportunity to cure.

(b) You must pay all travel, living, and other expenses, including salaries, benefits, and the like that are incurred by you and your director in connection with attending our training course.

7.03 If you own more than one *KidsPark* center and have satisfactorily completed our training course, we will train a center director for you in connection with your second and each subsequent *KidsPark* center that you open at no additional cost.

7.04 Should you be required to repeat training or to send one or more additional directors to attend our training course, or should you request that we train any additional managers at any time, we can charge an additional training fee in the amount of $500 per day per trainee for this additional service. The foregoing amount will be adjusted by any increase in the Consumer Price Index as described in Section 21 of this Agreement. If we send one or more of our employees to conduct some or all of this additional training at your *KidsPark* center, you also agree to reimburse us for the out of pocket costs we incur in connection with the transportation, lodging, and other living expenses of our employees in connection with that training.

7.05 (a) Other than the extent to which we train your center director as described in this Agreement, the training of your employees is your responsibility. You agree to provide adequate initial and on-going training for your employees so that they perform their duties in a manner complying with the requirements set forth in this Agreement, our manuals, and our other directives.

(b) If at any time we determine, in our business judgment, that your center is not meeting our standards and requirements due to inadequate training of any of your personnel, you agree to retrain or provide additional training to such people promptly. If such additional or retraining by you has not satisfied the standards or requirements cited previously by us, we have the right to require you and/or any or all of your directors to attend additional training by us, for the portion of training that we designate, at the times and places we specify. If we do so, you agree to pay our additional training fee and the salaries, benefits, and expenses of your directors in connection with such additional training by us.

(c) By having the right to train you and your directors, we do not waive any rights we may have to enforce the provisions of this Agreement because of your actions or inactions, or those of the directors we trained, or have the right to train, whether the actions or inactions occur before or after our training.

7.06 During the term of this Agreement, we can require you and your directors to take the electronic and on-site training that we specify and to pass any required tests in connection with that training at such times as we direct. You agree to follow our requirements in this regard, including certifying to us that any such training and tests have been completed in accordance with our requirements.

7.07 (a) You must notify us of the planned opening date of your *KidsPark* center at least 30 days prior to its planned opening. We will use commercially reasonable efforts to provide you with the services of at least one of our staff members at your center before you open to advise and assist you during the period immediately before and immediately after the opening. When our representative arrives at your center and the length of time he or she will stay will be determined in our business judgment.

(b) If your *KidsPark* center is not ready when our representative arrives and for that reason our representative cannot perform the functions for which he or she was sent, you agree to pay the added lodging and living costs of our representative as well as paying us a fee for each day that our representative is prevented from completing the functions for which he or she was sent to your center. The fee that we will charge will not exceed $500 per day. A deposit against this fee must be paid when we request it or we can recall our representative and charge you for the cost of sending our representative back to your center when it is ready in addition to charging you for the time and costs incurred by our representative in traveling to and from your center for the initial visit.

7.08 You agree to cooperate and to direct and control your employees in such a way so as to have your employees cooperate with us and with our representatives in all matters related to your *KidsPark* center and your compliance with this Agreement.

7.09 We will use commercially reasonable efforts to assist you in obtaining the permits required by law for the operation of your *KidsPark* center. You agree to use your best efforts to provide the information required to obtain those permits in a timely manner.

7.10 (a) If we offer refresher courses, seminars, conventions, meetings, or similar programs for *KidsPark* center owners and/or for their directors, you agree to attend, and to have such of your directors as we may request attend, such meetings, up to a maximum of 2 such programs within any 12-month period.

(b) In addition to the meetings described above, should we provide any regional training seminars or other meetings of any nature for you and/or for your directors in the region in which your *KidsPark* center is located, you agree to attend all such meetings and to send to those meetings the directors we specify.

(c) We can charge you a reasonable fee for attending the above-described meetings.

(d) You agree to pay all travel, living, and other expenses, including salaries, benefits, and the like that are incurred by you or your management in connection with attending these meetings.

**8. Operations, Obligations, and Assistance.**

8.01 You agree to follow all systems, procedures, techniques, supply requirements, formats, practices, and other obligations that we periodically specify for the operation of your *KidsPark* center. You agree to participate in required training, forums and webinars.

8.02 (a) Much of the material and information that we provide to you contains our trade secrets and other proprietary information. You agree not to disclose our confidential information to persons we do not authorize to receive it. You also agree to use your best efforts to prevent such unauthorized disclosure by your employees, agents, and others over whom you have control.

(b) You agree to take reasonable steps to safeguard any material that we designate as confidential and to employ such security measures concerning our trade secrets, confidential information, and proprietary material as we may periodically specify.

(c) You agree to use our confidential information only in connection with establishing and operating your *KidsPark* center.

(d) After the termination or expiration of this Agreement, you agree not to use or disclose our confidential information for any purpose unless we have first agreed to that use or disclosure in writing.

(e) You agree to return to us, or delete or destroy to our satisfaction, all copies of the confidential, trade secret, and proprietary material you obtain from or through us promptly upon the expiration or termination of this Agreement or at such other time or times as we may direct but in any event, not longer than 14 calendar days after the expiration or termination effective date.

(f) You agree not to copy or otherwise duplicate our proprietary material except as we may direct or approve in writing.

(g) While you and your employees and contractors do not perform any work for us as an employer or otherwise, the following notice is provided pursuant to the Defend Trade Secrets Act of 2016 to the extent it is determined or construed to be required for us or our affiliates to enforce our/their full rights under such Act or any other law:

> "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a

federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order."

8.03 We have the right to make additions, deletions, modifications, and/or other changes to our manuals, materials, confidential information, processes, systems, techniques, sources, supplies, and all other aspects of *KidsPark* centers and the *KidsPark* system and to specify additional, different, or other requirements that you must use and follow. You agree to comply with these changes at the times, in the manner we specify and at your sole cost and expense. We agree that these changes will not unreasonably increase your obligations, including your economic obligations, during the term of this Agreement.

8.04 You agree to use your best efforts to produce the maximum volume of business from your *KidsPark* center in a manner consistent with the terms of this Agreement and to devote an amount of time to your *KidsPark* center business adequate for this purpose, which shall be not less than 30 hours per week. Whether or not you are active in its day to day on-site management, you must be active in the marketing and administration of your center.

8.05 (a) You agree to operate your *KidsPark* center continuously for the full term of this Agreement unless you transfer this franchise as provided below.

(b) You must be open the minimum hours and days of operation we specify in our manuals or other directives.

8.06 (a) We can specify the services you will provide and the merchandise you must carry in your *KidsPark* center. You agree not to provide any services or to carry or sell any merchandise other than as we specify or otherwise approve in advance in writing. If given, these approvals can be altered or withdrawn at any time.

(b) You must provide all of the programs and activities we approve for your *KidsPark* center unless we agree otherwise. We can change, add to, or reduce the programs and activities you are required to provide in your *KidsPark* center periodically. You cannot provide any programs or activities other than those we approve in advance in writing.

(c) You agree to accept the credit cards and other payment methods we require. We can change these requirements periodically and you agree to adhere to the payment requirements we specify.

8.07 You agree to follow our specifications regarding the type, style, decoration, and characteristics of all uniforms, packaging, and other items used in connection with your *KidsPark* center whether or not they bear the *KidsPark* names or marks.

8.08 Since they pertain to the goodwill associated with the *KidsPark* system, all of the approvals and specifications called for in this Section 8 will be given or withheld in our sole business judgment unless otherwise provided elsewhere in this Agreement.

8.09 (a) We, our affiliates, and those we designate may create private-labeled merchandise bearing the *KidsPark* names and/or marks. If you are allowed to sell that merchandise, you agree to do so only from your *KidsPark* center, only at retail, and only in the manner we specify.

(b) If we require, you agree to purchase, carry, sell, and use in your *KidsPark* center the minimum quantity of such private-labeled merchandise that we reasonably specify and include sales from such items in your gross receipts ("Gross receipts" is defined in Section 9.06 of this Agreement).

(c) You can purchase items bearing our names and marks only from suppliers we have approved. We may be the only supplier of these items.

8.10 You agree to hire and satisfactorily train a sufficient number of personnel to handle adequately the volume of business of your *KidsPark* center and to provide courteous and capable service to your customers.

8.11 You agree to use your best efforts to ensure that your personnel maintain the standards of appearance, cleanliness, and demeanor that we specify but in any event standards that will enhance the conduct and image of the *KidsPark* system.

8.12 (a) Except as otherwise provided in this Agreement, prices you charge to your customers are set by you. If we consult with you regarding prices or if we suggest prices to you from time to time you are under no obligation to follow any such recommendations or suggestions except as described below.

(b) If we conduct advertising in which prices for services or goods are indicated, such prices are not binding on you, except that, as specified in Section 5.12, you agree to honor the discounts we specify for national accounts and such other discount programs we may develop.

(c) We can determine, and you agree not to exceed, the maximum prices that may be charged for any services or goods you provide if, in our business judgment, such a limitation is necessary to enhance our competitive position in the marketplace.

(d) If at any time we determine that our specifying minimum prices for your goods and/or services is permitted and in the best interests of the *KidsPark* system, you agree to follow our requirements in that regard.

8.13 (a) You agree to inform us of the identity of all of your center directors and to maintain on file and to promptly provide to us upon our reasonable request, the identity, experience, background, and training information regarding any of your employees as we may designate and reasonably request.

(b) If required by law, you agree at your expense to have background checks conducted on your employees and/or prospective employees.

8.14 Intentionally left blank.

8.15 Except as prohibited by applicable law, you agree to require all your directors, managers and any employee or person we may specify with access to any of our confidential information, trade secrets, and/or other proprietary information, at our election, to execute a noncompetition and/or confidentiality agreement in the form we require.

8.16 You must provide us with the reports that we periodically require at the times and in the manner and form we specify.

8.17 If you request our assistance or advice at any time in connection with your *KidsPark* center, a representative will respond to you by telephone during our normal business hours within a reasonable time after you request our assistance or advice.

8.18 (a) We can send one or more representatives to visit your *KidsPark* center at such times as we may determine in our business judgment. We need not inform you in advance of these visits.

(b) Upon prior notice, you agree to be present during the visits of our representatives and to cooperate fully with them during these visits.

(c) You agree to make available to our representatives during their visits and at such other times as we may reasonably request, the reports, accounts, books, records, orders, receipts, bank statements, complaint forms, letters, and the other information we may require.

(d) You agree that the representatives will have full access to your business premises, your computer system, and your other business machines, to the information contained in them, and to the reports produced by them, to the extent such information pertains to your *KidsPark* center and/or your compliance with this Agreement. Our representatives can make and take copies of your records during such visits and can photograph and make other accounts of your premises and your operations.

(e) We agree that all visits by our personnel will be during your normal business hours and will take place at your *KidsPark* center unless we both agree otherwise.

(f) You agree that we are authorized to contact your present and former employees and/or customers to deal with complaints, resolve issues related to your non-

compliance and/or obtain their comments about your operations and/or services, and for any other reason.

(g) We can employ "secret shoppers," or their equivalent, to observe and report on the services performed and goods provided by your *KidsPark* center.

(h) You agree to direct all of your employees to cooperate fully with our representatives during their visits.

8.19 If you request a special visit to your *KidsPark* center by one of our representatives and we agree to provide the visit, we can condition the visit on such prerequisites as we may determine, such as the prepayment, or the reimbursement of the travel and other expenses of our representative and/or a set payment for each day our representative is at your *KidsPark* center.

8.20 If we notify you at any time of defects, deficiencies, or unsatisfactory conditions in the appearance or operation of your *KidsPark* center, you agree to correct the defects, deficiencies, and unsatisfactory conditions promptly in the manner we specify and as required by this Agreement.

8.21 (a) It is solely your responsibility to identify all applicable federal, state, and local laws, statutes, ordinances, rules, regulations, orders by government officials, and the like, including, but not limited to, those related to child care, employment, labor, health, safety, the environment, and hazardous or toxic materials, whether those laws, statutes, ordinances, rules, regulations, orders, and the like, now exist or are enacted or issued at a later time (collectively, "Laws").

(b) You agree to operate your KidsPark center in compliance with all Laws and to be responsible for the consequences of any noncompliance both during the term of this Agreement and any extensions or renewals of this Agreement, and thereafter.

(c) In addition to your compliance with Laws, as stated above, you agree to comply with, and to be responsible for the consequences of any noncompliance with, the then-current Payment Card Industry Data Security Standard and any revision to it adapted by the PCI Security Standards Council, LLC (the "PCI Council") or any successor organization with respect to any payment system you select to implement in your KidsPark center and shall adopt enhancements and security requirements and other requirements established by the PCI Council for merchants accepting payment by credit or debit cards.

(d) You agree to obtain and maintain at your expense all licenses and permits necessary for the operation of your *KidsPark* center and the activities you undertake pursuant to this Agreement.

(e) You agree to comply immediately with the orders, regulations, rules, and directives of government officials in the conduct of their official duties pertaining to the operation and conduct of your *KidsPark* center. You agree to notify us immediately of any

significant governmental orders or directives you receive, the reasons for them, and the corrective action you have taken or plan to take related to them.

8.22 (a) You agree to record all of your receipts and expenses, orders, invoices, and other business information promptly in the computer system we specify and in the format we require.

(b) You agree to obtain the computers, printers, and related equipment, as well as the accounting, business operation, and other software, and the type of electronic communication system we specify or otherwise approve. In addition, you must obtain high-speed Internet access through any major provider as well as the networking equipment and other components that we specify. You agree to procure the computer and software maintenance and support contracts that we periodically require.

(c) We can periodically change the specifications for the computer and other equipment, systems, and software you are required to use in your *KidsPark* center. However, we agree that you will have a reasonable time to amortize the cost of the system and software then in use prior to requiring you to replace that system with another or to replace the software to that we specify.

(d) We must be given remote access to your computer system at all times and to the information and reports it contains to the extent they pertain to your *KidsPark* center. You must use the communications hardware and software we specify for this purpose.

8.23 (a) You agree to maintain the customer lists we specify in the form we require. You agree to allow us to have access to your customer lists by means of remote access to your computer system or as we may otherwise require.

(b) During the term of this Agreement and following its expiration or termination all customer lists related to your *KidsPark* center belong to us and constitute our trade secrets. As such, you agree (i) not to divulge the names, addresses, telephone numbers, and other details of your customers to any person or entity we do not previously authorize in writing to receive them; and (ii) not to use them other than in the operation of your *KidsPark* center.

8.24 You are solely responsible for all taxes, liens, assessments, costs, expenses, debts, salaries, benefits, accounts, liabilities, charges, duties, imposts, fees, damages, and all other obligations of every kind involving the payment of money or performance of any other nature incurred in, resulting from, or otherwise related to the operation of your *KidsPark* center. If any payment from you to us is subject to any taxes, fees or other assessments, imposed on, collected from or paid by us, then we may require that you pay us an additional amount so that the amount of the payment actually received by us after such deduction, payment or withholding is equal to the full amount as contemplated by this Agreement prior to such tax, fee or assessment. If you must withhold amounts from payments to us for payment to other authorities, then you must do so timely and give proof of payment to us within 5 days from the date made. You agree to take such other steps as may be reasonably required to enable us to obtain any available tax credit.

8.25 (a) If a partnership, corporation, limited liability company, or other entity owns this franchise, you agree to designate one person to be the principal agent of the entity. This is the person who will deal with us in connection with your franchise, your *KidsPark* center, and your compliance with this Agreement. This person is referred to in this Agreement as your "managing agent." You warrant to us that your managing agent will have the authority to speak for and bind the franchisee entity in all matters pertaining to this Agreement and your *KidsPark* center. You further warrant to us that we can rely on that authority until such time as we are notified in writing of a change in your managing agent. If your managing agent is removed or resigns, you agree to replace your managing agent immediately and to notify us of the identity and contact information of your new managing agent.

(b) If we so require, your managing agent and any person by whom your managing agent is replaced must attend such training at the time, for the duration, and at the location we specify and must complete that training to our reasonable satisfaction as a condition of his or her designation as your managing agent.

(c) Your managing agent cannot be a person who was a *KidsPark* franchisee or who was the principal operator of a *KidsPark* center whose Franchise Agreement was terminated because of a default nor can your managing agent be any other person to whom we have a reasonable basis to object.

8.26 We have the right to establish one or more franchisee advisory councils to consult with us on matters of mutual interest. If we establish such a council, we have the right to determine its rules. You agree to follow those rules and, if we so request, to participate in the activities of that council in the manner and to the extent we require.

**9. Ongoing Fees**

9.01 (a) As consideration for the grant of this franchise, the assistance provided in connection with establishing your *KidsPark* center, and the continuing right to use the licensed assets, you agree to pay us a monthly royalty fee equal to 5% of your gross receipts throughout the term of this Agreement. You agree to make these payments to us by the 15th day of each month based on your gross receipts for the previous month.

(b) You must pay us as part of your monthly royalty fee any amounts you receive from sales of merchandise you have purchased directly from us or from our affiliates, except for merchandise that we expressly exclude from gross receipts. If you are allowed to purchase any merchandise from any third-party vendors, you must include in your gross receipts the retail sales price of such items.

(c) At the time your payment of the monthly royalty fee is due, you agree to send us in the form and manner we specify a status report, profit and loss (income) statement, gross receipts, advertising expenditures, other receipts, operating expenses, occupancy costs, and such other information as we may require. You must certify to us that this statement is complete, true, and correct no matter how or by whom it is prepared. You must also provide us with the other reports we may require.

(d) We can change the method by which you are required to pay us the monthly royalty fee and other charges, such as by electronic funds transfer, upon prior notice to you and you agree to comply with such requirements.

(e) You will pay an administrative fee of $100~~50~~ for each late payment~~s~~ or report~~s~~; or $150~~0~~ for each payment~~s~~ received after the 20th of any month, in addition to the percentage late charge in Section 11.07 of this Agreement.

9.02 (a) We have a national cooperative advertising program. You agree to contribute to the program monthly the amount we specify, up to 3% of your gross receipts per month. The account established to handle the receipts and expenses of our program is referred to in this Agreement as the "Advertising Fund" even though there may be more than one fund, account, or program. We can modify the amount you will be required to contribute to the Advertising Fund periodically. However, in no event will the amount that you are required to contribute to the Advertising Fund exceed 3% of your gross receipts per month without your prior written consent. The payments to the Advertising Fund are to be made at the same time and in the same manner as the payment of the continuing monthly royalty fee described in Section 9.01 above.

(b) We agree to maintain the Advertising Fund apart from our other accounts. We will provide an annual report of receipts and expenditures for the immediately preceding fiscal year upon receipt of written request.

9.03 Intentionally left blank.

9.04 (a) We will use the Advertising Fund for the production and execution of advertising, promotional, and public relations materials and/or activities designed to benefit the *KidsPark* system on a local, regional and/or national basis, in our business judgment. We have complete and absolute discretion over how and when sums from the Advertising Fund are spent and over what items are to be charged to that fund. However, we agree to use the Advertising Fund only for the planning, production, and implementation of advertising, promotional, and/or public relations materials, programs and events, including market research and analysis, the employment of advertising and public relations agencies, purchasing media time and/or space, and for similar purposes. We can charge the Advertising Fund reasonable amounts for the time, overhead, and expenses of our employees to the extent they work on advertising, promotional, and/or public relations activities designed to benefit the *KidsPark* system on a local, regional, or national basis. However, rather than trying to determine the exact amount of these charges and costs, we can charge the Advertising Fund for this purpose an amount up to 10% of the funds collected each year by the fund.

(b) We are not obligated to spend receipts from the Advertising Fund in any particular region even if a disproportionate amount comes from a particular area nor within any particular time period.

(c) We agree that the *KidsPark* centers that we own will contribute a like percentage of their gross receipts to the Advertising Fund.

9.05 We have the right to establish regional and/or national advertising councils to advise us on our advertising, promotion, and/or public relations programs. If we establish such councils, we have the right to determine their rules. You agree to follow those rules and, if we so request, to participate in the activities of those councils in the manner and to the extent we specify.

9.06 The term "gross receipts" as used in this Agreement means the proceeds from all sales made and/or services rendered at, from or in connection with your center, whether in cash or on credit and from any source whatsoever, less any discounts actually provided to customers. Except as provided below, credit transactions are considered made when the transaction giving rise to the extension of credit occurs. Credit card and other transactions result in "gross receipts" in the full amount of customers' transactions without any allowance for bad debts, uncollectible accounts, or credit card fees and charges. "Gross receipts" shall not include any of the following:

(a) The selling price of any merchandise or services to the extent you grant a credit, discount, refund, or similar allowance as a result of a return by, or settlement with, a customer. An exchange of merchandise or services shall not be deducted from "gross receipts" except to the extent of any accompanying credit, discount, refund, or other allowance;

(b) Merchandise returned to its source for credit or other allowance;

(c) Amounts or credits received on claims for loss or damage to merchandise or other *KidsPark* center assets;

(d) Sales and/or use taxes, value added taxes, or other similar taxes imposed by and paid to a government entity on the sale of merchandise or services but only to the extent that such taxes are added to the selling price of the merchandise or services and are separately stated to and collected from customers;

(e) Sales of trade fixtures, equipment, or similar property not constituting merchandise of your *KidsPark* center;

(f) Sales of merchandise purchased directly from us or from one of our affiliates; and

(g) Accounts prepaid by customers, gift certificates, gift cards, and similar items, until the services represented by those payments are rendered.

9.07 All exclusions allowed by subsection 9.06 shall be separately stated and shown on your reports of gross receipts.

9.08 (a) We will conduct a reconciliation of Year-to-Date sales at your Center on a quarterly basis or as otherwise indicated by us from time to time. We also have the right to inspect and/or audit your books and records at any reasonable time at your *KidsPark* center and/or via remote or online access. If the inspection or audit reveals an understatement of gross

receipts for any month in an amount of 3% or more or if the inspection or audit is necessary because you have failed to comply with the financial reporting requirements of this Agreement, you agree to immediately pay, in addition to any other sums that are due, the costs of the inspection or audit including the costs and expenses of our employees, accountants, or any others with whom we have incurred costs in connection with the audit.

(b) If we discover any intentional underreporting of gross receipts, or an underreporting of gross receipts in excess of 5% in any reporting period whether or not intentional, we have the right to terminate this Agreement in addition to having all other rights and remedies allowed to us by this Agreement and by applicable law.

**10. Advertising and Promotion.**

10.01 You agree to spend at least $5,000 on grand opening/open house advertising and promotion activities at the time we specify for each *KidsPark* center you open. We will consult with you on each such promotion. We must approve your grand opening/open house advertising and promotion plans before you can undertake those activities.

10.02 (a) In addition to the amounts you contribute to your grand opening/open house promotion, you agree to expend on a quarterly basis an amount equal to at least 2% of your gross receipts or $9,000 per year, whichever amount is greater, on the advertising and promotion of your *KidsPark* center. The $9,000 figure is subject to adjustment by any increase in the Consumer Price Index as described in Section 21 below. We may waive this requirement if your center continues to attract an annual average of at least 40 new family registrations a month and the center maintains at all times a minimum total enrollment of 1,400 families after the 20th month of operation.

(b) The amounts you are required to spend on the local advertising and promotion of your *KidsPark* center may be reduced by one-half of the amount you contribute to the Advertising Fund.

10.03 (a) For the good of the *KidsPark* system, all advertising, promotion, and public relations activities must be in good taste, must display a high degree of consistency throughout the *KidsPark* system, and must reflect favorably on *KidsPark* services and products and on *KidsPark* centers. Therefore, except in cases where you use material we provide or that is provided by the Advertising Fund, you agree to submit to us prior to use, copies of all advertising, promotion, and public relations plans and material and a description of all advertising, promotion, and public relations programs you propose to use including a description of how they are to be used, by what media published, the amounts to be spent, and any other additional information that we request. You agree not to use any such material or to initiate any of the proposed programs or activities without our prior written consent. You agree to use the items and materials and conduct the programs and activities we have approved only in the way and by the means we have approved. We have complete and absolute discretion in deciding whether to approve your advertising, promotion, and public relations material, programs, and activities.

(b) We will review and approve or disapprove your advertising, promotion, and/or public relations material, plans, events, and/or programs within 5 business days of when we receive all information that we request regarding them. All material, programs, activities, plans, and the like, that we receive remain our property and we can use them for any purpose without compensating you for their use.

10.04 At our direction you agree to purchase reasonable quantities of advertising and/or promotional items for use in and by your *KidsPark* center from sources we designate. We may be the supplier of some or all of these items. If we provide these items to you, we charge you shipping costs and we have the option to charge you handling in an amount not to exceed 10% of our cost for these items.

10.05 LISTINGS ON LOCAL CITY INTERNET SITES ARE REQUIRED. The size, number, placement, categories, and other attributes of all advertisements as well as the directories in which they are placed will be reviewed by us and approved, modified or denied in our business judgment.

10.06 (a) We require the following related to marketing: (i) that you maintain at least a local presence on an Internet directory and/or on or in any other electronic or alternative media any of which will only be permitted on or through our Internet site or on or through such other media that we specify; (ii) that you participate each month in at least one approved form of marketing media such as a parenting magazines, local newspapers, web sites, direct mail postcards, lobby collateral and/or children's television; (iii) that you post a minimum of 4 center events a month on kidspark.com; and (iv) that you maintain an active Facebook® account (or other social media account that we specify) with at least 4 posts a month. We have the right to specify or otherwise approve the appearance and content of your Internet and other media presence.

You agree to follow all of our policies and procedures concerning your use of the Internet, social media or network pages or accounts, other electronic media, and any other means or media not otherwise specified in this Agreement whether that media now exists or may be developed in the future including its use in connection with your advertising, promotions, marketing, or other activities.

(b) We will maintain our web site and have the right to control its content. We can assign the maintenance of our web site to a third party in our discretion although we will still have the right to control its format and content. We have the right to charge you a reasonable fee for the maintenance of our web site as long as we charge our other franchisees a pro rata portion of that fee and pay a pro rata portion of that fee ourselves based the number of our company-owned and affiliate-owned *KidsPark* centers.

(c) Upon the expiration or termination of this Agreement, any sites, social network pages or accounts, domain names, and all other identifying names, marks, symbols, and means of identification that you own or used in connection with your *KidsPark* center will become our property and must immediately be transferred to us in the same manner as your telephone listing, as described in Section 16.07 below.

(d) If we allow you to have your own Internet site or if you have any other electronic or alternative media presence, you agree not to use or authorize the use of any means of referring to your site, such as by meta tags, links, key word purchases or similar reference devices, without our prior written consent. In addition, your site or presence must not refer to or show the site of another, such as by the use of frames, without our prior written consent.

(e) You agree to use any intranet, extranet, or the like that we maintain for the use of *KidsPark* franchisees for information, reporting, training, testing, and other purposes but only in the manner we specify. You further agree not to inform any third person, other than those we may authorize in writing, how to access or derive information from our nonpublic sites. The manner of accessing and obtaining information from our nonpublic sites as well as the information contained on those sites are our trade secrets and are subject to the provisions regarding trade secrets and proprietary information set forth elsewhere in this Agreement.

(f) Your customers can come from inside or outside your protected territory. You can be listed on Internet directories, other media that we specify and our website, which forms of franchisee advertising outside of a protected territory are permissible although we may require certain disclaimer or notification be added to such listings or ads in certain cases. However, you cannot specifically direct other types of advertising or promotional activities into the protected territories of other *KidsPark* franchisees, the areas reserved for *KidsPark* centers that we own or those owned by our affiliates or any areas where our trademark rights are limited. This restriction pertains to advertising including direct mail, billboards, and other advertising activities where the areas into which the advertising is directed can be controlled. You may mail to customers located in another franchisee's protected territory if the customer is already enrolled at your center.

**11. Accounting, Trade Accounts, and Charges for Late Payments.**

11.01 You agree to keep and maintain accurate books, records, accounts, tax returns, and all related back-up material pertaining to the operation of your *KidsPark* center. You agree to retain all of your business records and related back-up material for at least as long as required by law or 3 years following the end of the year to which the items pertain, whichever period is longer. You agree to make all of this material available to our representatives when we reasonably request.

11.02 All of your books and records must be kept as required by our manuals and other directives.

11.03 You agree at your expense to provide us with the reports on your operations, finances, and other data concerning your *KidsPark* center that we request from time to time.

11.04 (a) As specified above, you agree to send to us at your expense a monthly income (profit and loss) statement in the form we prescribe by the 15th day following the end of the month to which the statement pertains. You also must send us an annual balance sheet and income statement in the form we require within 60 days after the end of your fiscal year.

(b) You agree to provide us with a copy of that portion of your annual federal income tax return that reflects the income and expenses of your *KidsPark* center promptly upon our request.

11.05 If we specify a particular accounting system or accounting software that you must use or a chart of accounts for you to use as a part of your accounting system, you agree to use the system, software, and chart of accounts in the manner and at the time we direct.

11.06 If you have repeatedly underreported your gross receipts or failed to provide the financial statements or reports required by this Agreement, we can require that your financial statements be prepared by an independent certified public accountant. If we direct that an independent certified public accountant prepare your financial statements, we will indicate on what basis those statements have to be presented, such as on a compilation, review, or audited basis. We can change these requirements whenever we feel that it is necessary in order to get timely and accurate financial statements from you.

11.07 (a) In addition to late fees assessed under Section 9.01(e), all amounts that you owe us that are past due are subject to a late charge of 1½% per month. If the amount of the late charge is not allowed by applicable law, the late charge will be equal to the highest lawful rate on loans between businesses in the state whose law governs this Agreement.

(b) Neither the imposition nor payment of a late charge will waive or otherwise adversely affect any right or remedy we have under this Agreement or under law except as may be set forth elsewhere in this Agreement.

**12. Insurance, Damage, and Destruction.**

12.01 (a) Before you begin the construction of your *KidsPark* center, and each of your *KidsPark* centers if you are granted the right to open more than one, you agree to procure, and while this Agreement is in effect maintain, commercial general liability insurance on the form we approve as specified in this Section for EACH of your centers. Your insurance must cover your premises and operations, contractual liability, property damage, personal injury liability and child abuse and molestation coverage, in the minimum amount of $2,000,000 for each occurrence. This coverage may be obtained with a combined single limit for bodily injury and property damage. You must also obtain and maintain automobile liability insurance, including coverage for all owned, hired, and non-owned vehicles, in a minimum amount of $1,000,000 combined single limit for each accident.

(b) Your liability insurance policies must be written on an "occurrence" and not on a "claims made" basis.

12.02 You also agree to obtain and maintain on each of your *KidsPark* centers throughout the term of this Agreement insurance on your leasehold improvements, furniture, fixtures, equipment, décor, and the other physical assets of your *KidsPark* center. Those policies must include fire and extended coverage on a replacement cost basis in amounts adequate to

reconstruct, redecorate, resupply, and reopen each of your *KidsPark* centers in the event of a covered loss.

12.03 Your insurance policies must comply with the following requirements:

(a) Your insurance carrier must have and maintain an A.M. Best rating of at least "A/VII" or its equivalent.

(b) Your insurance policies must not contain a coinsurance clause.

(c) The deductible portion of any claim or loss under any of your insurance policies cannot exceed $5,000 without our prior written consent.

(d) Your insurance policies must be written as primary policies regardless of whatever other policies you carry or those carried by us or our affiliates.

12.04 In addition to the insurance coverage described above, you agree to carry such other and additional insurance as may be required by the lease of your *KidsPark* center premises and that required by your lender or equipment lessor, if any. You also must carry workers' compensation and employer's liability insurance as required by law.

12.05 We have the right to require from time to time that you carry different limits and/or different types of insurance coverage if we believe that is necessary or prudent in our business judgment. You must comply with our requirements promptly upon receipt of written notice of those requirements.

12.06 You acknowledge that the limits on your insurance policies do not limit your liability to us under your indemnification obligations under Section 13 of, or your other obligations under, this Agreement.

12.07 (a) You agree at your expense to name us, those of our affiliates that we may specify, and our and their officers, directors, shareholders, members, and employees as additional insureds on each and all of your policies of liability insurance including your general liability, vehicle liability, and umbrella liability policies.

(b) We can designate that other entities and/or persons be named as additional insureds on your insurance policies from time to time and you agree to include those persons or entities on your policies at your expense.

(c) You agree to have your insurance carriers provide each additional insured with a certificate of insurance evidencing the required coverage.

(d) All of your insurance policies must specify that the insurance carrier will give 30 days prior written notice to each additional insured under that policy before such policy may be canceled or not renewed.

(e) You agree to provide us with copies of your insurance policies as we request.

12.08 (a) If during the term of this Agreement all or part of your *KidsPark* center is damaged or destroyed by fire or other casualty, you must repair, restore, or rebuild your *KidsPark* center to the extent allowed by, and in compliance with, the terms of your lease and applicable law except under the circumstances described below.

(b) If you are allowed to rebuild your *KidsPark* center under the terms of your lease and applicable law, the term of this Agreement will be extended for a period of time equal to the time your *KidsPark* center was closed due to the damage or destruction but not in excess of 12 months from the date of the damage or destruction.

(c) All of the proceeds of any property insurance payable on account of the damage or destruction must be used to pay for restoring your *KidsPark* center. The restoration of your *KidsPark* center must comply with our standards at the time for the construction of new *KidsPark* centers.

(d) You agree to begin the restoration of your *KidsPark* center within 90 days after the damage or destruction occurs and to diligently proceed with the reconstruction and reopening of your *KidsPark* center except to the extent prevented by circumstances beyond your reasonable control not including for your financial inability to proceed unless that is caused by a delay in the receipt of your insurance proceeds.

12.09 If during the term of this Agreement your *KidsPark* center is totally destroyed, is damaged by an uninsured casualty in excess of 50% of its replacement cost, or the cost of repairing and restoring your *KidsPark* center is in excess of 110% of the proceeds of your insurance coverage, you have the option to terminate this Agreement by giving us written notice of your election to terminate within 60 days after the damage or destruction. If your insurance coverage is less than you are required to carry under this Agreement, you will not have an option to terminate this Agreement and will be required to rebuild and restore your *KidsPark* center unless the destruction is total.

12.10 (a) If your *KidsPark* center or the premises in which it is located is taken in an eminent domain, condemnation, compulsory acquisition, or similar proceeding for any public or quasi-public use or purpose or is sold under the threat of such an action, and if it is not feasible or prudent in our reasonable opinion to use the remaining portion for the operation of a *KidsPark* center, this Agreement shall terminate as of the date of the taking. In the event that this Agreement is terminated for this reason, you agree to pay us out of the compensation you receive as restitution for the taking or from the proceeds of the sale an amount equal to the payments required to be made by Section 9.01(a) above for the 12 months immediately preceding the date of the termination of this Agreement or the actual time your *KidsPark* center was open if it was open less than 12 months.

(b) If the taking is only partial and the remaining portion of the premises and of your *KidsPark* center is feasible in our business judgment to continue the operation of your *KidsPark* center, you agree promptly to restore your *KidsPark* center to a condition adequate for

the conduct of your *KidsPark* center's business, subject to the consents and approvals you are required to obtain from us as in specified in Section 6 above.

**13. Relationship of the Parties and Indemnification.**

13.01 (a) In all matters you are an independent contractor.

(b) Nothing in this Agreement, in the relationship created by this Agreement, or elsewhere, is intended as, nor shall be deemed to create, an agency relationship, partnership or joint venture with, each other.

(c) Other than as expressly provided in this Agreement, neither you nor we are liable for the debts, liabilities, taxes, duties, obligations, defaults, compliance, intentional acts, negligence, errors, or omissions of the other.

(d) You are solely responsible for hiring, firing, disciplining, scheduling, directing and controlling the activities of your center employees at all times. None of your employees shall be deemed our employees and none of our employees shall be deemed your employees for any purpose.

(e) You and we agree not to hold ourselves out as other than franchisee and franchisor. We each agree to indemnify the other against any liability, cost, or expense, including attorneys' fees, incurred as a result of any finding or result to the contrary caused by the actions or inactions of the indemnifying party.

13.02 As used in this Section 13, "we" also means our affiliates and our and their officers, directors, members, shareholders, owners, employees, and agents, as well as any persons or entities with whom or which we are or may become affiliated.

13.03 You agree promptly to post, display, include, and otherwise use and maintain all signs and/or notices we specify and any that are required by applicable law indicating the status of our relationship including on stationery, business cards, signs, in advertising, promotion, and public relations material, that your *KidsPark* center is franchised and is independently owned and operated.

13.04 You agree to defend, indemnify, and hold harmless us, our affiliates, and our and their officers, directors, shareholders, members, owners, agents, and employees, from and against any and all losses, liabilities, damages, costs, and expenses, including attorneys' fees, resulting directly or indirectly from, or in any way pertaining to, the operations, sales, policies, procedures, practices, actions, inactions, hiring practices, employment practices, employer or employee conduct, personnel policies, legal compliance, or all other activities of your *KidsPark* center, including your intentional acts and negligence and those of your agents, officers, directors, partners, shareholders, members, owners, employees, or any other person whose conduct is chargeable to you. You also agree to indemnify the foregoing against all costs, taxes, and expenses for which you are responsible in connection with the operation of your *KidsPark* center and your other activities.

13.05 (a) Should we become aware of a claim or potential claim against which you have agreed to indemnify us or the other indemnified parties, we will notify you of the claim or potential claim. You agree to defend us and the other indemnified parties against the claim at your expense with counsel of your choosing. In the event that the claim has the potential to affect more than one *KidsPark* franchisee, we can take over the defense of the matter with counsel of our choosing but you will still be responsible for a pro rata portion of the costs of the defense, including attorneys' fees.

(b) If you are defending us and/or another indemnified party in any action, you agree not to settle the matter until we and the other indemnified party or parties, if any, approve the terms of the settlement. You cannot commit us or any of the other indemnified parties to making any expenditure or taking or withholding any action as a part of any settlement without our and their prior written consent.

## 14. Use and Protection of Our Commercial Symbols and Other Proprietary Property.

14.01 (a) You are licensed to use only those trademarks, trade names, service marks, logotypes, symbols, designs, patents, copyrights, and other of our intellectual property that we authorize you to use in writing from time to time even if they are less than all that we own or otherwise have the right to use.

(b) Your use of our names, marks, symbols, designs, logotypes, patents, copyrights, and other proprietary property is nonexclusive. That means that we and our affiliates can use and can license others to use the items licensed to you in any manner or at any place except as may be limited by this Agreement.

14.02 We periodically may license you to use additional trademarks, trade names, service marks, logotypes, symbols, designs, patents, copyrights, and/or other intellectual property. If we do so, those licenses will pertain only to those items, and only to the extent, we specify in writing in connection with the grant of the concerned license.

14.03 All of the trademarks, trade names, service marks, symbols, logotypes, designs, patents, copyrights, and/or all other intellectual property licensed to you under this Agreement, whether presently licensed or that we may license to you in the future, must be used strictly in compliance with all of the terms and conditions of this Agreement, our manuals, and in accordance with all of our other directives.

14.04 (a) If a third party challenges your use of any of our intellectual property or if you discover activity that you suspect may infringe upon or otherwise diminish our intellectual property rights, you agree to notify us of the facts concerning the matter immediately.

(b) We have sole control over each and every legal, administrative, and other action of any type concerning our intellectual property.

(c) If we take legal, administrative, or other action in any matter concerning our intellectual property, you agree to join as a party to the action, or to allow that the action be brought solely in your name, but only as, and only if, we require.

14.05 In the event of any legal, administrative, or other action concerning the enforcement or defense of our intellectual property, we agree to bear the legal fees and court costs incurred in the handling of the matter. You agree to promptly notify us of any challenge to your use of our intellectual property, and to fully cooperate with us in the handling of any proceeding concerning that property.

14.06 (a) If it becomes advisable at any time in our business judgment to modify or discontinue the use of any or all of the marks, names, and/or other features of our intellectual property, you agree to comply with our directives in that regard at the time and in the manner we indicate. Should that occur, our sole obligation will be to reimburse you for your reasonable out of pocket costs in connection with that compliance but only to the extent that such costs are for the replacement of items bearing the modified or discontinued names or marks and provided that your compliance is in accordance with our directives such as in the liquidation of existing supplies of distinctively marked materials, the disposition of signs, the replacement of advertising and promotion material, and so forth. We will not be obligated to reimburse you for the replacement of any items bearing our names or marks if you are given a reasonable time to deplete current supplies of such items in the normal course of operation of your *KidsPark* center or to amortize the cost of items that are not capable of such use.

(b) We have the right to re-identify the *KidsPark* system at any time, subject to our reimbursement requirements described in subsection (a) above.

14.07 We have the right to require that you use one or more additional trademarks, service marks, logotypes, and/or other commercial symbols in connection with the operation of your *KidsPark* center. In that event, you agree to bear the cost of using those additional items in accordance with our directives.

14.08 (a) You agree to make no application for registration or other protection of any of our intellectual property or any mark or item that is similar to our intellectual property.

(b) You agree to take no action that will interfere with our rights in and to our intellectual property or its use by us, our affiliates, and by those we or they so authorize.

(c) You agree not to contest the validity or ownership of any of our intellectual property or to assist anyone else in doing so.

(d) You agree to give the notices, file the forms, and take any other action we reasonably require in connection with your use of our intellectual property.

14.09 (a) You agree not to use the name "KidsPark" or any name, mark, or symbol that is licensed to you under this Agreement or any similar name, mark, or symbol in the name of any

business entity in which you have, or in the future may have, any interest, including any that own this franchise.

(b) You agree to inform us in writing of each corporate, business, and fictitious name you propose to use in connection with the ownership of your *KidsPark* center. If we object to that name, you agree to change the name and to use a name that has our approval.

14.10 In connection with your use of our intellectual property, you agree to show all of the symbols and legends we specify indicating that any mark, name, logotype, or symbol is a trademark, service mark, copyright, or is otherwise subject to protection under the law, is owned by us, and that your use of it is pursuant to a license from us.

**15. Transfer of the Franchise and Our Right of First Refusal.**

15.01 When we refer to a "transfer" we mean any transfer, assignment, sale, change of ownership, or other disposition of this franchise or one or more of your *KidsPark* centers whether it occurs voluntarily or involuntarily. "Transfer" also means the transfer, issuance, or reacquisition of any shares in, or the merger, acquisition, consolidation, or other restructuring or recapitalization of, any corporation that owns any interest in this franchise as well as the addition or transfer of any interest in any partnership, limited liability company, or any other entity with any interest in this franchise. "Transfer" also means the transfer of any interest in any entity that owns any interest in the franchise granted by this Agreement whether or not that entity is a signatory to this Agreement.

15.02 (a) You can only transfer this franchise with our prior written consent whether the concerned transfer is voluntary or involuntary, such as by legal process or the foreclosure of a security interest.

(b) Any attempted or purported transfer we do not approve in advance in writing is not binding on us and is grounds for the termination of this Agreement.

15.03 In determining whether the proposed transferee is acceptable, we will consider, among other things, our then-current standards for new franchisees including a proposed transferee's~~his or her~~ net worth, creditworthiness, background, training, personality, reputation, and business experience. A transfer to a proposed transferee that will operate as other than a KidsPark Center is prohibited.

15.04 You agree to provide us with all of the information we reasonably request about the proposed transferee. Until all of the information we request is provided, we are not obligated to take any action on the transfer application.

15.05 (a) We may disapprove any proposed transfer if, in our business judgment, the sales price proposed to be paid by the transferee or any other term(s) of the transaction are such that the chances of the transferee's successful operation of the franchised business are jeopardized.

(b) This provision is solely for our protection and is not intended to provide any assurance to the prospective transferee that our approval of the transfer guarantees the transferee's success. You agree not to suggest anything to the contrary to anyone including the prospective transferee.

(c) Since you may disagree with our decision under this provision, you hereby waive and release us from any claims that our refusal to approve the transfer for the above reason is an unreasonable interference with your prospective advantage, is an interference with your contractual relations, or otherwise gives you or the proposed transferee any kind of claim against us. We will not review the application of the proposed transferee if you do not agree to this waiver and release.

15.06 You may finalize the proposed transfer only when you receive our written approval of the prospective transferee and the transfer transaction and following our decision not to purchase the interest proposed to be transferred under our right of first refusal described below.

15.07 You agree to follow the transfer procedures, sign the transfer documents, and perform the other actions regarding the transfer that we specify.

15.08 (a) If any transfer transaction results in the cumulative transfer of 50% or more of the ownership of the original owner of this franchise or the original owners of any entity owning this franchise, as a condition of our approving the proposed transfer, we can require that the transferee sign the form of franchise agreement we are using for new *KidsPark* franchises at the time of the transfer. Even though a new franchise agreement may be signed, the term of the new agreement will be the term remaining on this Agreement.

(b) Even though a new franchise agreement may be signed, we will not charge a new initial fee. However, before the buyer attends training or before you finalize the transfer (whichever occurs earlier), you agree to pay us the transfer fee described below.

(c) If you want to transfer this franchise to your spouse, child, or children, all of our transfer requirements will apply, such as approval of the transferee, but we will not exercise our right of first refusal described below nor will we charge our transfer fee. However, you must reimburse us for all of our costs and expenses, including a reasonable allowance for the time of our employees that we incur in connection with the transfer. If you propose a transfer to your spouse, child, or children, we can condition our approval of the transfer on the proposed transferee attending and completing our training course, or as much of it as we specify, to our reasonable satisfaction.

(d) If you transfer this franchise to your spouse, child, or children, we can require you to guarantee his/her/their obligations under this Agreement as a condition of our approving the transfer. Our Continuing Guaranty form is attached to this Agreement as Exhibit 3.

15.09 As a condition of our approving your transferee, we can require the transferee to attend our training course, or such of it as we designate, and to complete it to our reasonable

satisfaction. If your transferee is required to attend our training course and does not complete it to our reasonable satisfaction, you cannot complete the transfer.

15.10 If the proposed transferee attends but does not complete our training course to our reasonable satisfaction, we can retain the entire transfer fee to compensate us for the services we undertake on a transfer; we can also require the proposed transferee to retake the training course and complete it to our satisfaction, and we can require that an additional training fee be paid.

15.11 If we allow the transfer to take place before the proposed transferee completes our training course, you agree to operate your *KidsPark* center for the transferee while he or she is attending our training course. If the proposed transferee does not complete our training course to our reasonable satisfaction, you must retake ownership of the center and cancel the transfer.

15.12 So that we can review the proposed transferee's qualifications, you agree to submit an application to us on behalf of the proposed transferee in the form we specify.

15.13 (a) As a condition of our approving any transfer that results in the cumulative transfer of 50% or more of the interest of the original owner of this franchise, or the original owners of any entity that owns this franchise, you agree to pay us a transfer fee of $10,000 prior to the proposed transferee's attendance at our training course or at the time that the transfer is finalized (whichever occurs earlier), subject to the limitation in subsection (c) below.

(b) If the transferee is an existing *KidsPark* franchisee, the transfer fee will be equal to 75% of our transfer fee of $10,000. In the event of a transfer to an existing *KidsPark* franchisee, we need not provide any services to the transferee since they are already trained in the *KidsPark* system. However, we reserve the right to require the transferee and/or his or her center director to attend our training course, or so much of it as we specify, prior to or after the transfer.

(c) If more than 2 *KidsPark* centers are being transferred to the same transferee as part of the same transaction in the limited instances permitted as described in 15.21 below, the full transfer fee will be due for the first *KidsPark* center transferred, plus one-half (1/2) of the transfer fee for each additional center transferred.

(d) Once your transferee attends our training course, or in any event once the transfer transaction is closed, the transfer fee or fees are not refundable even if the transfer is not completed or is later rescinded.

15.14 You agree to sign a general release of all claims against us and our affiliates before you complete any transfer.

15.15 We can request that you, or the transferor if other than you, guarantee the obligations of the transferee under the transferee's new franchise agreement. You or the transferor can decline to provide us with this guaranty but we can consider the absence of such an undertaking in deciding whether to approve the transfer.

15.16 After you transfer your interest in this franchise and are no longer the owner of a *KidsPark* center, you agree not to operate, be employed by, serve as a consultant to, finance, or otherwise take part in the operation of or perform any services for, or have any ownership in, any business which earns at least 20% of its revenues from drop-in child care services, for a period of 2 years following the date of the closing of your transfer transaction and within 10 miles of any *KidsPark* center then in operation or under construction, subject to applicable law. This provision will survive the transfer of this Agreement or your interest in the concerned entity.

15.17 (a) You can transfer this franchise to a corporation, limited liability company, or other business entity wholly-owned by those who owned the franchise before the transfer. This type of transfer will not require our approval, the payment of the transfer fee, or the signing of a new franchise agreement nor will it trigger our right of first refusal. However, you must notify us of the proposed transfer before it is completed so that we can send any documents we require to reflect the change of ownership. Failure to so notify us and comply with our procedures renders the attempted transfer not binding on us.

(b) Those owning the entity to which this franchise is transferred agree:

(i) They will own the entity in the same proportion as they currently own this franchise.

(ii) They are personally responsible for the entity's performance of the terms of this Agreement and any other agreements between us.

(iii) The share or ownership certificates of the entity will show the transfer restrictions required by this Section 15.

(iv) Before the completion of the transfer, you and the other owners of the new entity will sign the documents we require concerning the transfer including personal continuing guarantees of the obligations of the new entity.

(c) The failure of the owners of the entity to sign the documents we require will not affect their personal liability for the obligations of the entity to which this franchise is transferred.

15.18 (a) If any transfer results in the change in your managing agent, the provisions of Section 8.25 of this Agreement concerning the appointment of a successor managing agent will apply.

(b) If your new managing agent is required to attend some or all of our training course and does not complete that course to our reasonable satisfaction, we can require you to appoint a new managing agent who must, if we so require, satisfactorily complete our training course. If the subsequent managing agent does not satisfactorily complete our training course, we can terminate this franchise.

15.19 If there is a transfer of interests between the original shareholders of a corporation, the original partners of a partnership, the original members of a limited liability company, or the original owners of any other entity that owns this franchise, we agree not to charge our transfer fee in connection with the transfer, not to require that a new franchise agreement be signed, and not to exercise our right of first refusal in connection with the transfer unless, on a cumulative basis, control of the entity changes as a result of the transfer or transfers.

15.20 You agree not to use this franchise as security for a loan or otherwise encumber this franchise without our prior written consent which we can grant or withhold in our business judgment.

15.21 (a) You do not have the right to grant a subfranchise or to franchise, license, or permit anyone else to use any of the licensed assets.

(b) You cannot make partial transfers of this franchise or of any one center, if you own more than one *KidsPark* center, but must transfer all centers owned by you as part of one, integrated transaction rather than through separate transactions of less than all of your *KidsPark* centers. Under circumstances that we, in our business judgment, deem urgent we may allow you to sell less than all of your *KidsPark* centers but only upon our prior written consent. Your post termination obligations related to such center will continue including our right to indemnification, confidentiality, guaranty and other obligations.

(c) You may not transfer any material portion of the property used in your *KidsPark* center without our prior written consent.

(d) If you are selling all of your interest in the assets or the business, you may not retain any contingent interest in the Franchise Agreement, under a security agreement or otherwise.

15.22 We can transfer our rights in this Agreement, any of our assets or any interest in us, in whole or in part, without notice to you or your consent.

15.23 Except as otherwise provided in this Agreement concerning a transfer to a family member, when you have agreed to transfer all or any part of your interest in this franchise to a third party, you must notify us of the terms and conditions of the proposed transfer. You must advise us what interest you wish to transfer, the purchase price or other consideration that you will receive, any credit or financing terms you are offering, the date the proposed transfer is to close, and all other pertinent information. In addition, you must send us a copy of any contract, agreement, memorandum of sale, deposit receipt, letter of intent, or the like concerning the proposed transfer as soon as it is signed. You must also inform us of any changes in the terms of the proposed transaction as soon as you agree to them.

15.24 After we receive all of the information and documents that we require concerning the proposed transfer, we have 20 days within which to advise you whether we want to have the interest proposed to be transferred assigned to us on the terms and conditions to which you and your prospective transferee have agreed. However, we have the right to substitute equivalent cash for any noncash consideration that you have agreed to accept.

15.25 (a) If we decide to purchase the interest that you propose to transfer, you agree to cooperate with us to complete the transfer as agreed.

(b) We can extend the date for the completion of the transfer for up to 30 days beyond the date originally scheduled for the closing in order to allow the completion of the transaction in a manner more convenient to us.

(c) If the proposed transfer involves 50% or more of the ownership of this franchise or of an entity that owns 50% or more of this franchise and we want to purchase the interests being transferred under our right of first refusal, we have the right to require those who will hold the resulting minority interests to transfer their interests to us at a price proportionate to the price we are paying for the majority interest and will complete the sale at the time and in the manner that we complete our purchase of the majority interest. At the time or times we specify, you agree to have all of the owners of any such entity sign the documents we require to confirm their agreement to the foregoing and to the other provisions of this Agreement that affect them.

15.26 (a) If we decide not to purchase the interest you are planning to transfer, you can complete the proposed transfer on the terms and conditions in your notice to us but only after we have approved the transferee, the terms of the transfer, and you and your transferee have satisfied all of our other transfer requirements.

(b) After we notify you that we have decided not to purchase the concerned interest or upon expiration of the allotted time within which we may exercise our right of first refusal, if there are any significant changes in the terms of the proposed transfer, you agree to notify us of those changes in writing. We then will have 15 days after we receive your notice of the changed terms within which to decide whether to purchase the interest on the revised terms and conditions.

15.27 If the proposed transfer is not completed for any reason within 90 days after we decide not to purchase the interest proposed to be transferred or after the expiration of the time within which we could have exercised our right of first refusal, a new right of first refusal begins as to that transaction as well as to any subsequent proposed transfers.

15.28 (a) The interest of an individual owner of this franchise, or of any entity with any interest in this franchise, is transferable by will or by intestate succession.

(b) If the owner of this franchise or the owner of any interest in any entity with any interest in this franchise is determined by a court of competent jurisdiction to be legally incompetent, his or her court-appointed guardian can transfer the owner's ownership interest in this franchise as long as such transfer is completed in accordance with the applicable terms and conditions of transfer stated in this Agreement.

15.29 If there is a transfer because of death or legal incompetence, that transfer is subject to all of the conditions and requirements concerning transfers described in this Section 15 except as provided in Section 15.32 below regarding a transfer to a family member. As such, we must approve the potential transferee and, if the appropriate conditions apply, the transferee must

attend and satisfactorily complete our training course. In addition, the transfer fee described above is payable in connection with the transfer, the transferee must sign the form of franchise agreement that we are using at the time of the transfer, and our right of first refusal applies.

15.30 If we do not approve a potential transferee who proposes to take the interest proposed to be transferred as a beneficiary under a will, by intestate succession, or because of legal incapacity, the decedent's or incompetent's estate can sell the concerned interest to a transferee acceptable to us within 6 months after the appointment of the executor, administrator, guardian, or other personal representative. If an approved transfer of this franchise is not completed within the 6-month period, we have the right to terminate this Agreement.

15.31 During the period following the death or legal incapacity of the owner of this franchise, the decedent's or incompetent's estate must comply with the terms of this Agreement and must make sure that the affected *KidsPark* center is operated in the manner required by this Agreement. This compliance is not excused or reduced because of death or incapacity.

15.32 (a) If a will specifies a transfer to a spouse and/or to a child or children or if a spouse or one or more of the children of a deceased franchisee proposes to take this franchise by intestate succession, we agree not to exercise our right of first refusal in connection with the transfer, require that a new franchise agreement be signed, or charge our transfer fee. However, all of our other conditions on transfer apply, including our right to approve the transferee. If the transferee has not been trained by us or has not been actively engaged in the operation of the franchised business at the time of the death of the deceased franchisee, we can require the proposed transferee or transferees to attend our training course and to complete it to our reasonable satisfaction as a condition of our approving the transfer. We can charge our additional training fee if this training is required or if we elect or agree to provide additional services in connection with the transfer, such as by visiting the concerned *KidsPark* center, training the transferee's director, and so forth.

(b) We can exercise our right of first refusal and charge our transfer fee if there is any other type of proposed transfer of this franchise by an executor, administrator, guardian, or other personal representative or a subsequent transfer by a beneficiary who takes the concerned interest under a will or by intestate succession.

15.33 If a court of competent jurisdiction orders a transfer of all or any part of an interest in this Agreement, any entity with such an interest, or in a material portion of the property used in your *KidsPark* center to a spouse, domestic partner, or their equivalent, that order will constitute a proposed transfer and will cause the transfer to be subject to all of the terms and conditions concerning transfers described in this Section 15. However, if we have trained the transferee and he or she has been active in the operation of your *KidsPark* center, we will not exercise our right of first refusal or require the payment of a transfer fee in connection with the transfer. We can charge our additional training fee if we require the transferee to attend some or all of our training course as a condition to approval of the transfer or if we elect or agree to provide additional services in connection with the transfer, such as by visiting the concerned *KidsPark* center, training the transferee's director, and so forth.

**16. Defaults, Cures, Termination, and Remedies.**

16.01 We can terminate this Agreement without giving you an opportunity to correct a default under any of the following circumstances:

(a) If you or any entity with any interest in this franchise is declared bankrupt or judicially determined to be insolvent or if all or a substantial part of your *KidsPark* center property or that of the concerned entity is assigned for the benefit of creditors or if you or the concerned entity are unable to pay debts as they become due;

(b) If we mutually agree in writing to terminate this Agreement;

(c) If you or the owner of any entity that owns any interest in this Agreement has made a material misrepresentation relating to the acquisition of this franchise;

(d) If you or the owner of any entity that owns any interest in this Agreement engages in conduct that reflects upon the operation and/or reputation of your *KidsPark* center or the *KidsPark* system in a materially negative or adverse manner;

(e) If you materially fail to comply with any federal, state, or local law or regulation applicable to the operation of your *KidsPark* center and fail to cure the noncompliance within the time period allowed to cure the noncompliance following notice of the violation;

(f) If during any 12-month period you receive 3 or more notices of valid defaults under material provisions of this Agreement even if the defaults have been cured within the time limits allowed in the notices;

(g) If a levy of execution has been made upon this Agreement or on a material portion of the property used in your *KidsPark* center or if your *KidsPark* center or any material portion of your *KidsPark* center property or that of any entity with any interest in this franchise is seized, taken over, or foreclosed by a government official in the exercise of his or her duties or seized, taken over, or foreclosed by a creditor, lienholder, or anyone else, and you or the entity is not restored to possession of that property within 5 days of the levy or seizure;

(h) If a final judgment against you or any person or entity with any interest in this franchise remains unsatisfied for 30 days unless an appropriate appeal bond has been filed;

(i) If you or any partner, officer, director, shareholder, member, or owner of any entity that owns any interest in this franchise pleads guilty or nolo contendere to or is convicted of a felony of any type or any criminal misconduct that is relevant to or that reflects adversely upon your *KidsPark* center or the *KidsPark* system;

(j) If you fail to pay any initial, ongoing, or other fees, charges or other amounts due to us when they are due but in any event within 10 days after receiving notice that the sums are overdue;

(k) If we make a reasonable determination that continued operation of your *KidsPark* center will result in an imminent danger to public health or safety;

(l) If you abandon your *KidsPark* center by failing to operate it for 5 consecutive days during which you are required by this Agreement to keep your *KidsPark* center in operation or if you fail to operate it for any lesser period after which under the facts and circumstances it is not unreasonable for us to conclude that you do not intend to continue its operation unless that failure is caused by fire, flood, earthquake, or other similar cause beyond your control but not because of your inability to operate the business whether financial or otherwise;

(m) Except as otherwise provided in this Agreement, if anyone who is required by the terms of this Agreement to complete our training course fails to complete that course at the time and in the manner required;

(n) If you have failed to find an acceptable location and sign a lease within 12 months of the date of this Agreement; if you have failed to open the location for business within 18 months of the date of this Agreement; or if we have been unable to agree on a protected territory within a reasonable time.

(o) If you intentionally underreport your gross receipts for any period in any amount or if you underreport your gross receipts in excess of 5% in any period whether or not the underreporting is intentional;

(p) If you or any partner, shareholder, member, or owner of any entity that owns any interest in this franchise attempts or purports to sell, transfer, assign, or otherwise dispose of all or any part of this franchise, this Agreement, his or her interest in the concerned entity, or any material portion of the property used in connection with your *KidsPark* center except as allowed by this Agreement or if you or any such person attempts or purports to subfranchise, assign, authorize, or otherwise to permit any third person or entity that we do not authorize to use or participate in any way in the rights, assets, or property licensed to you under this Agreement or that you use in connection with this Agreement or your *KidsPark* center;

(q) If at any time you advise us of your unwillingness or inability to go forward with any of your obligations under this Agreement;

(r) If the transfer or sale of any rights upon death or a declaration of incompetence is not accomplished within the time periods and in the manner required by this Agreement; or

(s) If you lose your right to occupy your business premises because of an uncured default under your lease.

16.02 In addition to the grounds for immediate termination described in Section 16.01 above, we can terminate this Agreement immediately if you violate any other agreement between us, or any agreement between you and any of our affiliates, including any other franchise

agreement between us, and that violation is not cured within the time period allowed by the concerned agreement.

16.03 (a) If you have committed a violation under this Agreement and that violation does not result in immediate termination, correction of the default must be accomplished to our reasonable satisfaction within 20 days after you are given written notice describing the violation and the corrective action that must be taken to cure the default if any corrective action is possible.

(b) If a default does not result in the immediate termination of this Agreement and the default is of such a nature that more than 20 days are reasonably required to cure the default, you will be given such additional time as may be necessary in our business judgment to cure the default provided that the corrective action is started within the initial 20 day period following notice and is pursued diligently to completion.

(c) If the term of your lease expires or if your right to possession of your business premises is otherwise lost without you being at fault, we will not terminate this Agreement provided that, within 90 days of the date on which your right to possession ended, you relocate and reopen your *KidsPark* center at a location and under occupancy terms we approve. The provisions of Section 5 above and the other provisions of this Agreement apply to the relocation of your *KidsPark* center.

(d) While in the cure period related to any default for which notice has been sent to you by us, we may, in addition and not in lieu of any other right or remedy to which we may otherwise be entitled, also exercise other rights and remedies, including the right to prohibit your participation related to promotional or other programs, to products or services, deny access to certain systems, reports and other information, discontinue your use of computer, POS or other systems related to your center, all in our business judgment.

16.04 If we elect not to enforce any of the applicable immediate termination provisions of Sections 16.01 or 16.02 or if any of those terms are not enforceable under applicable law, the provisions of Section 16.03 will apply to the concerned event or events of default.

16.05 If a default under this Agreement is not cured within any time period allowed for the correction of the default, the termination of this Agreement will occur without further notice as of the expiration of the time allowed to cure the default.

16.06 If you maintain that we are in violation of any material term of this Agreement, you agree to give us written notice of the claimed default. We will have 60 days after receipt of that notice within which to correct any actual condition of default plus such additional time as is reasonably necessary to accomplish the required action. If we do not cure the claimed default within the required time period, you can pursue all rights allowed to you under applicable law on account of the default but you may not unilaterally terminate this Agreement.

16.07 (a) Upon the termination of this Agreement for any reason, including its expiration at the end of its term, you agree that you will without delay but in no event later than 5 days after the effective date of such expiration or termination:

(i) Bring all accounts with us and our affiliates current;

(ii) Stop using our trade names, trademarks, service marks, logotypes, commercial symbols, designs, patents, copyrighted material, confidential information, trade secrets, proprietary material, and other intellectual property;

(iii) If we do not, or are not required by applicable law to, purchase the assets of your center and you are allowed for any reason to conduct a business similar to that conducted by your former *KidsPark* center, you must change your facility's color scheme, decoration, signs, displays, and other attributes, to the extent necessary to distinguish its appearance from that of a *KidsPark* center. You must remove and dispose of as we direct your center's indoor climbing structure and any other items we determine are reasonably unique to *KidsPark* centers. You also agree not to use any advertising and promotion material, packaging, uniforms, equipment, and the like that could be associated with *KidsPark* centers or that would tend to identify your facility in the mind of the public as continuing to be affiliated with the *KidsPark* system;

(iv) Return to us our manuals and all other material that you obtained from or through us;

(v) At our election, assign your telephone listing and telephone number, your Internet addresses and accounts as described in Section 10.06, and all similar listings, to us in the manner we specify; and

(vi) Cancel any fictitious business name and equivalent registrations or listings indicating that you are affiliated with the *KidsPark* system.

(b) When this Agreement ends, you also agree to notify all of your suppliers, customers, utilities, landlords, creditors, and concerned others that you are no longer affiliated with the *KidsPark* system.

(c) After the termination or expiration of this Agreement, you agree not to identify any present or future business, yourself, or any entity that owned any interest in this franchise, as having been associated with the *KidsPark* system except as may be required for nonpublic purposes such as in employment or financing applications.

16.08 (a) On the termination of this Agreement for any reason including its expiration at the end of its term, we have the right, but not the obligation, to purchase from you any items of equipment, decor, furniture, fixtures, and any or all of the other tangible property used in the

operation of one, some, or all of your *KidsPark* centers. If we so choose, you agree to sell us your entire *KidsPark* center or some or all of your *KidsPark* centers if you own more than one.

(b) We will pay an amount equal to the fair market value of any item we identify for purchase, determined as of the date this Agreement came to an end. The fair market value of the items is to be determined without any allowance for any claimed going business value, goodwill, or any other intangible assets and without considering that your center was a *KidsPark* center. We will purchase any resale inventory that we want to purchase at your cost.

(c) We will notify you whether we will purchase some or all of the assets of your *KidsPark* center during the period from 60 days before to 30 days after the termination, cancellation, expiration, or nonrenewal of this Agreement. If we give you this notice, you agree to meet with us promptly to try to agree on the fair market value of the assets we propose to purchase.

(d) If we cannot agree on the fair market value of the assets we propose to purchase within 30 days after we give you notice of our desire to purchase those assets, you agree that we each will appoint a professional appraiser who will separately determine the fair market value of the concerned assets. The appraisers will be instructed to make and deliver their appraisals to both of us within 20 days of their appointment. If we cannot agree on the fair market value of the concerned assets within 10 days of the delivery of the appraisals, the 2 appraisers will then appoint a third appraiser who will be instructed to pick within 20 days after his or her appointment which of the appraisals he or she deems closest to the fair market value of the concerned assets and that value shall then be the purchase price of the assets. The third appraiser can hold hearings as he or she may determine to assist at arriving at a decision. Each of us will bear the cost of our own appraiser and shall divide equally the cost of the third appraiser. If either of us refuses to appoint an appraiser within the required time period, the determination of fair market value by the single appointed appraiser shall be the purchase price.

(e) Once the fair market value of the assets we propose to purchase has been determined, we each agree to enter into a standard purchase and sale of assets agreement within 10 days after the purchase price has been determined. If we have not entered into such an agreement within 20 days after the purchase price is determined, the terms of the agreement can be determined by the Superior Court of California for the County of Santa Clara and will be deemed complete and binding as of the date specified by the court whether or not the agreement is signed by either or both of us. Unless we mutually agree otherwise, we will have the right to allocate the purchase price among the assets we purchase and will pay any resulting sales tax on the transaction. We will divide equally any escrow fees and any costs related to searching for liens and encumbrances on the assets we are purchasing including those on the real property on which your *KidsPark* center is located if we are taking over your lease. You will be responsible for compliance with the Bulk Sale law to the extent it applies to the transaction and will bear the costs of that compliance. Each side will bear their own attorneys' and expert witness fees, if any, in the matter.

(f) Transfer of the assets we purchase will occur not later than 30 days after the purchase and sale agreement is completed.

(g) Unless we otherwise agree in writing, our election to purchase some or all of the assets of your *KidsPark* center and the purchase procedure set forth above will not extend the term

of this Agreement, will not waive or cure any default that has resulted in the termination of this Agreement, nor will it extend any period within which you have the opportunity to correct any condition of default.

16.09 If we elect to purchase any or all of the physical assets of your *KidsPark* center as described in Section 16.08, we will pay you the purchase price, less any amounts you owe us or any of our affiliates and less any of your indebtedness that we assume as part of the purchase price for those assets, in 4 equal quarterly installments with the first payment being made at the closing of the transaction and each quarterly payment being made on the date 3 months from the last payment. The balance due will bear interest at 2 points over the prime rate as published in the *Wall Street Journal* on the date nearest before the date the payment is due. Any amounts can be prepaid without penalty.

16.10 (a) On the termination of this Agreement for any reason including its expiration at the end of its term, we have the option to have you assign your lease to us without us having to pay you for the assignment.

(b) If we require an assignment of your lease, you agree promptly to bring the premises into full compliance with the requirements of the lease and with all laws, statutes, ordinances, rules, regulations, orders, and the like applicable to the premises. You also agree to bring all accounts with the lessor current as of the date on which we take over the premises.

(c) If we assume your lease, you agree to indemnify us against all losses and costs attributable to the period of your possession of the premises.

(d) If the lessor notifies us at any time after we take over the lease that you have overpaid any costs or expenses attributable to your period of occupancy, we will forward any related refunds to you that we receive and will not otherwise gain the benefit of such overpayments. To the extent you have underpaid any costs or expenses attributable to your period of occupancy, you agree to pay us those amounts promptly upon being notified of them.

16.11 (a) If this Agreement is terminated because you default, we will be divested of your monthly royalty fee and, if our national or regional advertising fund has been established, advertising fees, as well as the goodwill we would have received from the operation of your center. Because the amount of the actual loss will be extremely difficult to determine, if this Agreement is terminated because you default, you agree pay to us in equal monthly installments an amount equal to the monthly royalty fee and, if our advertising fund or funds have been established, advertising fees, that would have become due following the termination of this Agreement. The monthly payments shall begin on the first day of the month following the month during which this Agreement was terminated and shall continue until we have established another company-owned or franchised *KidsPark* center in your protected territory or until the scheduled expiration of the term of this Agreement, whichever occurs first. You and we agree that such amounts are a reasonable approximation of damages that we will suffer, in light of the difficulty of determining actual damages.

(b) The monthly royalty fees and advertising fees that would have become due for purposes of subsection (a) above are to be determined by calculating your gross receipts for the 12

months immediately before the date of the termination of this Agreement, multiplying that amount by the monthly royalty and advertising fee percentage rates called for by this Agreement and dividing that number by 12. A reasonable estimate of the expenses that we will not incur as a result of the termination will be subtracted from this total. If your *KidsPark* center has been open less than 12 months prior to the termination of this Agreement, the actual gross receipts of the center for the time it actually was open, annualized as appropriate, will be used in the concerned calculation.

(c) If this Agreement is terminated because you default before your center opens for business, we can use the gross receipts of a center we reasonably consider to be equivalent to your center as the basis for the foregoing calculation.

16.12 In addition to any liquidated damages you are required to pay under Section 16.11, if you default under this Agreement you agree to pay us immediately all fees and other amounts due to us under this Agreement as of the date of termination in addition to all other damages caused to us by virtue of your default.

16.13 After you have satisfied all of your payment and performance requirements following the termination or expiration of this Agreement, we both agree to sign a mutual release that will relieve us both from further liability to each other except for the continuing obligations that apply following the termination or expiration of this Agreement, such as your promise not to use or reveal our trade secrets and your agreement not to compete with *KidsPark* centers for the period and in the areas described in Section 17 below.

16.14 In addition to the remedies set forth above, in the event of your default under this Agreement we will have all other remedies available to us at law or in equity.

16.15 (a) Upon the termination, nonrenewal, or expiration of this Agreement for any reason, no payment is due to you on account of any goodwill, going business value, equity, or other intangible asset or assets claimed as arising from your operation or ownership of your *KidsPark* center or otherwise.

(b) Any claimed increase in the value of the goodwill associated with the trademarks, service marks, logotypes, symbols, and any other intellectual property we have licensed to you claimed to have occurred because of the operation of your *KidsPark* center belongs to us and you hereby assign any such increase to us without cost.

16.16 All of the provisions of this Agreement that apply by their terms or by implication following the end of this Agreement will survive the termination or expiration of this Agreement.

**17. Covenant Not to Compete.**

17.01 You and those with any interest in this franchise or in any entity with any interest in this franchise agree that *during the term* of this Agreement and any extensions or renewals of this Agreement, you and they will not operate, be employed by, serve as a consultant to, finance, have any ownership interest in, perform any services for, or otherwise take part in the operation of any Similar Business, at any location.

17.02 Since you and those with any interest in this franchise or in any entity with any interest in this franchise will have obtained valuable information concerning the operation of the *KidsPark* system, *following the termination or expiration of this Agreement* for any reason you and they agree not to operate, be employed by, serve as a consultant to, finance, have any ownership interest in, perform any services for, or otherwise take part in the operation of (a) any Similar Business or (b) any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, for a period of 2 years following the date that this Agreement ends within 10 miles of the location of any *KidsPark* center then in operation or under construction and, if you were granted the right to open more than one *KidsPark* center by this Agreement, within the area that was your development area.

17.03 For purposes of this Agreement, a "Similar Business" is any business that earns at least 20% of its revenues from providing drop-in child care or child enrichment services or related services.

17.04 You and those with any interest in this franchise or in any entity with any interest in this franchise agree you will not solicit any of your customers, or customers of our affiliates or of another *KidsPark* franchisee, to leave or change child care services during the term of this Agreement, any renewals or extensions of this Agreement, and within 2 years after it ends.

17.05 You and those with any interest in this franchise or in any entity with any interest in this franchise agree you will not use any of our methods or materials to compete or assist others to compete, nor will you copy or distribute or use or allow the use of our confidential information or trade secrets except in your *KidsPark* center, during and after the term of this Agreement, any renewals or extensions of this Agreement. Confidential Information means information of any type that the we consider confidential and is not generally known by the public about us and/or our operations, business, processes, services, products, suppliers, customers, decisions, or plans, which information is used or useful in the conduct of our business, or which confers or tends to confer a competitive advantage over one who does not possess it, whether or not marked confidential. Confidential Information includes proprietary materials, including, but not limited to, operating manuals, training materials, business methods/techniques/processes, business plans, customer lists, business records and files, sales and marketing reports, technical data, prices and costs, designs and formulas, software, databases, personnel and payroll records, mailing lists, facility design and/or trade secrets, trade dress specifications, accounting records, and other business information whether in its original format or a duplicate or copy thereof.

17.06 The foregoing covenants to the extent they apply following the termination, expiration, or transfer of this Agreement or following the transfer of any interest in any entity that has an interest in this franchise shall survive the termination, expiration, or transfer of this Agreement or the concerned interest and they will apply regardless of whether this Agreement was ended at the end of its term, was terminated due to the default of either party, or for any other reason.

17.07 If a court or arbitration tribunal determines that the foregoing covenants cannot be enforced as written in the jurisdiction where your *KidsPark* center is located, the court or arbitration tribunal is authorized to alter the terms of these covenants to the extent necessary in an amount, degree, area, duration, and/or time to permit enforcement of the covenants to the greatest extent possible in the concerned jurisdiction.

**18. Dispute Resolution.**

18.01 (a) Any controversy or claim between us arising out of or related to this Agreement, its inducement, its execution, or a claimed breach, will first be discussed at a face-to-face meeting which will last for a minimum of 2 hours and will be held at a location near our headquarters within 30 days after either you or we give written notice to the other proposing such a meeting. The parties may choose to have legal counsel present at the meeting but counsel is not required. Each party will bear its own costs associated with the meeting.

(b) In the event that controversy is not resolved within 5 days after the face-to-face meeting, the matter must be submitted to mandatory arbitration by JAMS pursuant to its rules, in its office closest to our headquarters.

(c) There will be one arbitrator who will be familiar with franchise related matters and laws, and the award shall be final and binding upon the parties to the arbitration and a judgment on the award of the arbitrator may be entered in any court having appropriate jurisdiction.

(d) The arbitrator shall award any prevailing party its reasonable costs, including attorneys' fees.

(e) Arbitration and/or any other legal proceeding shall be conducted individually and not as a class, and shall have no effect of preclusion or res judicata in other proceedings.

18.02 Nothing in this Section 18 or elsewhere in this Agreement will prevent either of us from seeking a temporary restraining order or injunction or other extraordinary or interim relief from a court or arbitrator.

18.03 Nothing in this Section 18 or elsewhere in this Agreement will prevent either of us from pursuing an action for collection of moneys owed in either a court or arbitration proceeding when the right to payment has not been in dispute prior to the filing of such a claim.

18.04 You hereby consent to the jurisdiction of the courts and arbitration tribunals located in the county of our headquarters, and agree to be subject to them.

**19. Modification of This Agreement.**

19.01 This Agreement can be modified only by a written agreement signed by all of the parties to this Agreement.

19.02 We can modify our manuals, our operating procedures, and all other aspects of the *KidsPark* system. You agree to follow those changes at the times and in the manner we direct subject to the limitations of this Agreement.

19.03 No course of dealing, temporary concession, alleged custom, practice, or the like, at variance with the terms of this Agreement will modify this Agreement or the rights and duties of the parties unless the modification is made in writing and is signed as required above.

**20. Notices and Approvals.**

20.01 (a) In order to be effective, all notices, approvals, and consents required by this Agreement or related to it must be in writing and be transmitted as allowed by this Agreement. By providing an electronic mail address to the other party, the indicating party consents to receipt of notices, approvals, and consents transmitted to them by electronic mail. Such transmissions must create a record that can be retained, retrieved, reviewed and directly reproduced in paper form through an automated process.

(b) Notices, approvals, and consents shall be deemed to have been received by the addressee at the earlier of when personally delivered to the addressee, when an acknowledgment of receipt is signed by the addressee or a duly authorized agent of addressee, when sent to the addressee by electronic mail when sent to the electronic mail address specified by the addressee, the next business day after deposited with a recognized overnight express delivery service, or 4 days after deposit in the United States mail, when sent by certified mail, postage prepaid, and properly addressed to the address set forth at the beginning of this Agreement or one duly substituted for it.

(c) Any party to this Agreement can change his, her, or its address by giving notice of the change to the other party as provided above.

**21. Consumer Price Index Adjustment.**

21.01 Whenever in this Agreement any charge, fee, or other payment is subject to adjustment by the Consumer Price Index, that adjustment will be based upon any increase in the Consumer Price Index for All Urban Consumers for San Francisco-Oakland-San Jose, California, published by the Bureau of Labor Statistics of the United States Department of Labor (or any successor index), between the date of this Agreement (or such other time as may be set forth in the provision of this Agreement requiring such adjustment) and the date on which any such payment is due.

21.02 In no case will any adjustment occurring by virtue of this Section 21 result in the charge, fee, or other payment that is subject to adjustment being adjusted below the original amount of the concerned charge, fee, or other payment.

**22. Heirs, Successors, and Assigns.**

22.01 This Agreement is binding upon and inures to the benefit of the parties to this Agreement and the owners of any entity with any interest in this Agreement and their heirs, successors, representatives, and assigns but only on the conditions and in the manner more specifically set forth elsewhere in this Agreement including the transfer requirements of Section 15 above.

**23. Waivers.**

23.01 The failure by any party to this Agreement to enforce any right that he, she, or it may have or to enforce or declare any default by the other party under this Agreement shall not be deemed to be a waiver or abandonment of the right or default unless the right and/or default is waived by a written document signed by the party who is waiving the right or default.

23.02 The waiver of any right or default in one instance shall not be deemed to be a continuing waiver of the concerned right or default or a waiver of the concerned right or default or any other right or default in any other instance.

23.03 The acceptance of money or other performance by either party shall not be a waiver of any right or default other than the one to which such payment or performance pertains and then only to the extent of the payment or performance accepted by the other party.

**24. Severability.**

24.01 The invalidity or unenforceability of any portion of this Agreement shall not affect the validity of any other portion of this Agreement and, unless the substantial performance of this Agreement taken as a whole is frustrated as a result, this Agreement shall remain in full force and effect.

24.02 Any invalidity or unenforceability of any part of this Agreement in any jurisdiction shall not invalidate that part, or any other part of this Agreement, in any other jurisdiction.

**25. Covenant of Further Assurances.**

25.01 Whenever it is advisable to execute any other and further documents that have not been specifically referred to in this Agreement and in our business judgment are necessary or desirable to carry out the purposes of this Agreement, you agree to execute those documents promptly provided that they do not substantially alter your rights or increase your duties under this Agreement.

25.02 You agree to respond promptly and accurately to all inquiries from our accountants, auditors, lenders, and others we authorize concerning the status of this Agreement, the status and amounts of any accounts between us, and/or any other matters pertaining to our mutual rights and obligations under this Agreement.

**26. Governing Law.**

26.01 (a) This Agreement and its interpretation shall be governed by the laws of the State of California except for the noncompetition provisions of this Agreement which shall be governed by the laws of the state where your *KidsPark* center is located.

(b) Even though California law has been selected for the interpretation of this Agreement, if your *KidsPark* center is not located in California, California's choice of law and conflicts of law rules will not apply. In addition, the California Franchise Investment Law, presently comprising Sections 31000 through 31516 of the *California Corporations Code,* the California Franchise Relations Act, presently comprising Sections 20000 through 20043 of the *California Business and Professions Code,* as well as the other substantive statutory law of California dealing with anything other than the interpretation of contracts whether it now exists or is enacted at a later time will not apply unless its jurisdictional requirements are met independently and not merely because of the reference to California law in this Agreement.

26.02 If a court of competent jurisdiction determines that some or all of this Agreement must be governed by the laws of a state other than the state or states described in subsection 26.01(a) above, then the laws of that other state will govern the interpretation of this Agreement to the extent required by that court.

26.03 If applicable law requires there to be terms other than or in addition to the terms contained in this Agreement, then the required terms will be considered to be a part of this Agreement but only to the extent necessary to prevent the invalidity of this Agreement or any of its provisions or to prevent the imposition of any civil or criminal penalties or liability.

26.04 To the extent permitted by the laws of the state whose laws govern this Agreement, you waive any provisions of law or regulations that render any portion of this Agreement altered, invalid, or unenforceable in any respect.

**27. Counterparts.**

27.01 This Agreement may be executed in one or more counterparts all of which shall constitute but one agreement.

**28. Headings and Gender.**

28.01 The headings used in this Agreement are for convenience only and are not to be used in interpreting the provisions of this Agreement.

28.02 As used in this Agreement the male or female gender shall include the other and the neuter, the singular shall include the plural, and the plural shall include the singular as appropriate.

**29. Miscellaneous.**

29.01 Time is of the essence in this Agreement.

29.02 In entering into this Agreement neither of us intends to confer any benefit or right on any person or entity not a party to this Agreement except as specified regarding our affiliates. Other than for our affiliates, we both agree that no third party shall have any right to claim any benefit or right as a third party beneficiary under this Agreement or any provision of this Agreement.

29.03 You are not entitled to claim any rights or benefits including those of a third party beneficiary under any contract, understanding, or agreement between us and any other person or entity unless that contract, understanding, or agreement specifically refers to you by name or to a class to which you belong, and specifically grants rights or benefits to you or to the concerned class.

29.04 (a) Where a partnership, corporation, limited liability company, or other entity is a party to this Agreement, the person or persons signing this Agreement on behalf of the concerned entity warrant to us that he, she, or they have the necessary authority to sign this Agreement.

(b) You warrant that you have full power and authority to enter into this Agreement, and, if you are a partnership, limited liability company, corporation, or other entity, that it has been duly organized, is validly existing, and is in good standing in the jurisdiction in which it was formed and, if necessary as a condition of doing business there, in the jurisdiction where your business will be located.

(c) At our request, you agree promptly to provide us with a certified copy of a resolution or other authorization from the concerned entity authorizing the execution of this Agreement and naming the partners, officers, members, or agents who are authorized to sign this Agreement on behalf of the entity.

29.05 It is agreed that no fees, charges, or other payments of any kind that you make to us or that are made on your behalf are refundable in whole or in part except as otherwise set forth in this Agreement.

29.06 As used in this Agreement, the term "days" means calendar days unless the term "business days" is specified. The term "business days" means all days except Saturday, Sunday, and legal holidays in the jurisdiction whose laws govern this Agreement.

**30. Inventions, Discoveries, and Ideas**

30.01 If you or anyone affiliated with you conceives, develops or discovers any inventions, discoveries, concepts, procedures, systems, practices, techniques, products, services, systems, copyright eligible works, business methods, software or the like related your *KidsPark* center (collectively referred to as "ideas"), you agree to advise us promptly in writing of the ideas.

30.02 Except as otherwise limited by law, ideas that you, your employees, or your agents develop in connection with *KidsPark* centers are our sole and exclusive property, and you hereby grant and assign to us all rights, including, without limitation, all copyrights, patent or other intellectual property rights, in and to any such ideas. Any copyrightable idea is a "work for hire" under the Copyright Act, and we shall be considered the sole author and owner.

30.03 You agree to execute, on request and without compensation, all applications, assignments or other instruments that we deem necessary to apply for and obtain invention rights, patents, patent applications, letters patent, copyrights, trademarks, and reissues of any of these rights that are necessary to secure all of the benefits of this Section.

30.04 It is within our complete and absolute discretion whether to authorize the use and/or dissemination of the ideas, and, if we do so, the manner of their use.

30.05 You agree not to implement any ideas until we authorize you to do so in writing.

30.06 No compensation will be due and payable to you or to any person or entity affiliated with you on account of any ideas developed by you or by such person or entity whether or not we use, disseminate, authorize, or otherwise employ the ideas.

**31. Accord and Satisfaction.**

31.01 (a) Any payment you make to us or to our affiliates, any payment made by anyone for your account, or the receipt of any amount of less than that required to be paid or otherwise, shall not be considered to be anything but a payment on account regardless of any endorsement to the contrary contained on the payment or in any oral or written communication transmitted in connection with the payment.

(b) Neither any payment made to us or to our affiliates nor the acceptance of a payment shall be considered a waiver of any of our rights or those of our affiliates to require full payment and performance of all of your duties and obligations under this Agreement or any other agreement under which the concerned obligation arose.

31.02 Neither by endorsing nor accepting any check, accepting any amount from you, or any amount paid on your behalf are we bound by any claim that the endorsement or acceptance is an accord and satisfaction for less than the full amount due.

31.03 All payments you make to us or to our affiliates and any payments made on your behalf shall be applied first to any administration charges, late charges and/or interest owing, and then to the earliest of the principal amounts due.

**32. Joint and Several Liability.**

32.01 If 2 or more people, corporations, partnerships, limited liability companies, or other entities or any combination of the foregoing sign this Agreement, the liability of each is joint and several.

**33. Our Right to Act.**

33.01 If you fail to perform any duty or obligation required under this Agreement, we have the right but not the obligation to perform that duty or obligation for your account, on your behalf, and/or in your name. If we elect to do so, you agree immediately to pay us all costs and expenses we incur in that performance.

33.02 All sums required to be paid to us under Section 32.01 that are not immediately paid will subject to the late charge specified in Section 11.07(a) of this Agreement.

33.03 No action we may take on your behalf under Section 32.01 will amount to a waiver or release of any claims we may have because of your failure to perform the concerned duty or obligation.

**34. Entire Agreement.**

34.01 This Agreement and any other agreements we both may sign as part of this transaction as well as the Franchise Disclosure Document that we gave you with this Agreement contain the entire understanding between us and includes all representations on which we both have relied.

34.02 This Agreement and any other agreements we both may sign as part of this transaction supersede all negotiations, agreements, representations, promises, commitments, inducements, assurances, conditions, and covenants between us whether direct, indirect, or implied, and whether oral or written except for those in the Franchise Disclosure Document that we gave you with this Agreement.

34.03 This Agreement and any other agreements we both may sign as part of this transaction are intended as the entire integration of all of our understandings of every type concerning your *KidsPark* center and your rights whether those understandings arose before or at the same time as the execution of this Agreement and any other agreements we both may sign as part of this transaction except for those contained in the Franchise Disclosure Document that we gave you with this Agreement.

34.04 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.

IN WITNESS WHEREOF, we both execute this Agreement as of the date and year first above written.

KIDSPARK, INC.
BY: _____

PRINT NAME OF OFFICER SIGNING: _____

TITLE: _____

[IF FRANCHISEE IS AN INDIVIDUAL, FRANCHISEE AND ANY SPOUSE OR LEGAL DOMESTIC PARTNER IN A CIVIL UNION MUST SIGN BELOW.]

Signature: _____

PRINT NAME OF FRANCHISEE: _____

Signature: _____

PRINT NAME OF SPOUSE OR DOMESTIC PARTNER: _____

[IF FRANCHISEE IS A LEGAL ENTITY OR PARTNERSHIP, AN AUTHORIZED OFFICER OR MANAGING MEMBER MUST ALSO SIGN BELOW, AND ALL INDIVIDUAL OWNERS MUST SIGN THE PERSONAL GUARANTY ATTACHED AS EXHIBIT 3.]

By: _____

PRINT NAME OF OFFICER SIGNING: _____

Title: _____

ADD ADDITIONAL SIGNATURE LINES AS NECESSARY

# EXHIBIT 1
# to *KidsPark*® Franchise Agreement

## Location and Protected Territory

***(If the Franchise Agreement covers more than one KidsPark® center, this Exhibit will be amended as each location is approved and its protected territory is assigned)***

We both agree that the location for your *KidsPark*® center is:

_____

_____

The protected territory granted in connection with your *KidsPark*® center is described as follows or "No protected territory" is indicated below if no protected territory is granted:

This EXHIBIT 1 is signed on _____.

KIDSPARK, INC.
BY: _____

PRINT NAME OF OFFICER SIGNING: _____

TITLE: _____

[IF FRANCHISEE IS AN INDIVIDUAL, FRANCHISEE MUST SIGN BELOW.]

Signature: _____

PRINT NAME OF FRANCHISEE: _____

[IF FRANCHISEE IS A LEGAL ENTITY OR PARTNERSHIP, AN AUTHORIZED OFFICER OR MANAGING MEMBER MUST ALSO SIGN BELOW.]

By: _____

PRINT NAME OF OFFICER SIGNING: _____

Title: _____

# EXHIBIT 2
# to *KidsPark*® Franchise Agreement

## Development Schedule

If this Agreement covers more than one *KidsPark*® center, you agree to comply with the following development schedule. The area in which you have development rights is:

_____

_____

("Development Area").

Total number of *KidsPark*® centers covered by the Franchise Agreement _____.

Fill in the number of centers to be open by dates indicated in the chart below:

| REQUIRED OPENING DATE: | | | |
|---|---|---|---|
| Number of *KidsPark* centers to be opened by indicated date | | | |

Exhibit 1 to the Franchise Agreement should be amended, or a new Exhibit 1 completed and signed, for each new center to show the address of each center and its protected territory, if any.

This EXHIBIT 2 is signed on _____.

KIDSPARK, INC.

BY: _____

PRINT NAME OF OFFICER SIGNING: _____

TITLE: _____

[IF FRANCHISEE IS AN INDIVIDUAL, FRANCHISEE MUST SIGN BELOW.]

Signature: _____

PRINT NAME OF FRANCHISEE: _____

[IF FRANCHISEE IS A LEGAL ENTITY OR PARTNERSHIP, AN AUTHORIZED OFFICER OR MANAGING MEMBER MUST ALSO SIGN BELOW.]

By: _____

PRINT NAME OF OFFICER SIGNING: _____

Title: _____

# EXHIBIT 3
# to *KidsPark*® Franchise Agreement
## CONTINUING GUARANTY

*(Signed by all individual owners of a business entity franchisee and any spouse or domestic partner of each such owner)*

_____ ("Guarantor") whose address is _____, as a material inducement to and in consideration for KIDSPARK, INC. ("Franchisor") entering into a Franchise Agreement dated _____ ("the Franchise Agreement") with _____ (the business entity "Franchisee") for a *KidsPark*® franchise, unconditionally guarantees and promises to and for the benefit of Franchisor that (a) Guarantor will be personally bound by all of the provisions, obligations and duties of Franchisee under the Franchise Agreement as if the Franchise Agreement were signed by Guarantor as the Franchisee; and (b) Franchisee will perform faithfully and completely all of the provisions, obligations and duties that Franchisee has agreed to perform under the Franchise Agreement and/or any other obligations undertaken, or to be undertaken by Franchisee, in favor of Franchisor or Franchisor's affiliates. In this Guaranty, Franchisor and its affiliates are collectively referred to as "Franchisor."

If there is more than one Guarantor for the Franchise Agreement, Guarantor's obligations are joint and several with all other Guarantors. Guarantor's obligations are independent of Franchisee's obligations. A separate action may be brought against any Guarantor whether or not an action is brought against any other Guarantor or against Franchisee, or any or all of them, or whether any other Guarantor, or Franchisee, is joined in the action.

Guarantor waives the benefit of any provision of law that in any way affects or limits Guarantor's liability under this Guaranty.

The provisions of the Franchise Agreement, or any other guaranteed obligation, may be changed between Franchisor and Franchisee at any time and in any manner, either by written or oral agreement, by operation of law, by course of conduct, or otherwise, without the consent of or notice to Guarantor. This Guaranty shall continue to guarantee the performance of Franchisee under the Franchise Agreement, and/or other guaranteed obligation, as so modified without further agreement or act of Guarantor.

Assignment by Franchisee or by Franchisor of the Franchise Agreement, or other guaranteed obligation, as permitted in the Franchise Agreement, will not affect this Guaranty and the obligations of Guarantor hereunder shall carry over to the transferee of either party to the Franchise Agreement, or other guaranteed obligation, unless specifically released by Franchisor.

This Guaranty shall not be affected, nor the obligations of Guarantor hereunder limited in any way, by Franchisor's delay in enforcement, or failure to enforce, any of its rights under the Franchise Agreement, other guaranteed obligation, or under this Guaranty.

If Franchisee commits a breach of the Franchise Agreement, or other guaranteed obligation, Franchisor can proceed immediately against Guarantor, Franchisee, or both, or Franchisor can enforce against Guarantor, Franchisee, or both, any rights that it has under the Franchise Agreement, other guaranteed obligation, and/or pursuant to applicable law. If the Franchise Agreement, or other guaranteed obligation, terminates, Franchisor can enforce any rights it has following such termination against Guarantor, Franchisee, or both, without giving prior notice to Guarantor, Franchisee, or either, and/or without making demand on Guarantor, Franchisee, or either.

Guarantor waives the right to require Franchisor to proceed against Franchisee before proceeding against Guarantor, to proceed against or exhaust any security that Franchisor holds from Franchisee, Guarantor, or any other source, and/or to pursue any other remedy available to Franchisor prior to proceeding against Guarantor, Franchisee, or either. Guarantor further waives any defense available to Guarantor, Franchisee, or either, by reason of any disability of Franchisee, and further waives any other defense based on the termination or limitation of Franchisee's liability by reason of any cause, event, term, or condition including any defense or limitation available by operation of law.

Until all of Franchisee's obligations to Franchisor have been satisfied and discharged in full, Guarantor waives any right of subrogation against Franchisee. Guarantor waives any right it may have to enforce any remedies that Franchisor may now have, or may later acquire, against Franchisee. Guarantor further waives all presentments, protests, demands of any type, notices of any type, including notices of protest, notices of dishonor, and notices of acceptance of this Guaranty. Guarantor waives the foregoing as to present and/or future obligations and specifically waives any and all notices of the existence, creation, or incurring of any new or additional obligations of Franchisee to Franchisor.

If Franchisor is required to enforce Guarantor's obligations under this Guaranty by legal proceedings, by the employment of an attorney, and/or is required to take any other or additional collection, or other, action to enforce its rights hereunder, Guarantor agrees to pay to Franchisor all costs incurred by Franchisor in such proceedings, action and/or employment, including court costs, costs of suit, and attorneys' fees.

[Signatures to Follow Next Page]

This Guaranty shall be binding upon Guarantor, and each and all of them if more than one, and upon his, her, its, or their successors, representatives, and assigns.

Executed at _____, _____,

on _____, 20_____.

| | |
|---|---|
| _____ | _____ |
| Signature | Spouse or Domestic Partner Signature |
| _____ | _____ |
| Typed or Printed Name | Typed or Printed Name |
| _____ | _____ |
| Signature | Spouse or Domestic Partner Signature |
| _____ | _____ |
| Typed or Printed Name | Typed or Printed Name |
| _____ | _____ |
| Signature | Spouse or Domestic Partner Signature |
| _____ | _____ |
| Typed or Printed Name | Typed or Printed Name |
| _____ | _____ |
| Signature | Spouse or Domestic Partner Signature |
| _____ | _____ |
| Typed or Printed Name | Typed or Printed Name |
| _____ | _____ |
| Signature | Spouse or Domestic Partner Signature |
| _____ | _____ |
| Typed or Printed Name | Typed or Printed Name |

# EXHIBIT 4a
# to *KidsPark*® Franchise Agreement

# NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT
## *(FOR FRANCHISE OWNERS)*

In consideration of, and as an inducement to, KIDSPARK, INC's execution of that certain Franchise Agreement for the operation of a KidsPark business ("Business"), and any revisions, modifications and amendments thereto, (collectively, the "Franchise Agreement") dated _____ _____, 20__, by and between KIDSPARK, INC. (hereinafter "Franchisor") and Franchisee, the undersigned Franchise owner, as applicable, ("the Undersigned") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. The Undersigned acknowledges that as a result of the Undersigned's position as a person with an equity position in Franchisee (an "Owner"), the Undersigned may receive valuable Confidential Information, as that term is defined below, and other proprietary information belonging to Franchisor or its Affiliates. So long as Franchisee is operating under the Franchise Agreement and the Undersigned retains an equity position in Franchisee, the Undersigned covenants that he or she will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any third party:

i) operate, be employed by, serve as a consultant to, finance, have any ownership interest in, or otherwise take part in the operation of or perform any services for any Similar Business anywhere, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) solicit any customer of any KidsPark franchisee, Franchisor or any Franchisor Affiliate, to leave or change child care services.

For purposes of this Agreement, a "Similar Business" is any business or enterprise that earns at least 20% of its revenues from providing drop-in child care or child enrichment services or related services.

2. Post Term Covenants. Subject to the exceptions below, and except as prohibited by applicable law, the Undersigned covenants that for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement or of the Undersigned's employment relationship with, or equity ownership in, Franchisee, as applicable, and regardless of the cause, if any, and continuing **for two (2) years thereafter**, the Undersigned:

i) shall be subject to all of the restrictions stated in Section 1(i), above, with respect to Similar Businesses located within 10 miles of any KidsPark Center in operation or under construction, whether owned by Franchisor or by any franchisee or licensee or Franchisor Affiliate; and

ii) shall not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any third party, operate, be employed by, serve as a consultant to, finance, have any ownership interest in, or otherwise take part in the operation of or perform any services anywhere for any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses.

iii) The following exceptions apply to this Section 2: (a) the covenant not to compete shall be subject to applicable state law; (b) the prohibitions in this Section 2 do not apply to my interests in or activities performed in connection with a Franchised Business; and (c) the prohibitions of this Section 2 do not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

iv) **IN THE EVENT CALIFORNIA LAW APPLIES**, then, the Undersigned agrees that the restrictions stated in this Section 2 shall be supplemented and the following additional restrictions will apply: the Undersigned will not act as described in Section 2 above if the fulfillment of the Undersigned's duties and responsibilities with respect to such Similar Business would inherently call upon the Undersigned to disclose and/or use any portion of the Confidential Information. All other provisions of this agreement apply and will be fully enforced to the maximum extent permitted by law whether or not California law applies.

3. Non-Use and Non-disclosure Covenants. The Undersigned agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of the Undersigned's and/or Franchisee's obligations under the Franchise Agreement or in the fulfillment of the Undersigned's duties for Franchisee. For purposes of this Agreement, Confidential Information includes in any form, current and future, manuals; trade secrets, methods, know-how, or training as well as advertising and marketing plans and strategies; student/client lists and data; Franchised Businesses' operating data and statistics; KidsPark website(s) contents; KidsPark on-line services; customer accounts and related information; and other methods, formulas, specifications and procedures for developing and operating KidsPark Centers and Businesses.

The Undersigned further agrees:

i) not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term and in accordance with the provisions of the Franchise Agreement;

ii) to take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii) acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's affiliate, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Undersigned or between the Undersigned and Franchisee shall be deemed to grant the Undersigned any rights in or to all or any portion of the Confidential Information.

While Franchisee and its employees and contractors do not perform any work for Franchisor as an employer or otherwise, the following notice is provided pursuant to the Defend Trade Secrets Act to the extent it is determined or construed to be required for Franchisor to enforce its full rights under such Act or any other law:

> "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order."

4. No Undue Hardship. The Undersigned acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on the Undersigned since the Undersigned has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. The Undersigned understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce, or to permit Franchisee to reduce, the scope of any of the above covenants without the Undersigned's consent, effective immediately upon receipt by the Undersigned of written notice thereof, and the Undersigned shall comply with any covenant as so modified.

8. Enforcement of Covenants. The Undersigned expressly agrees that the existence of any claims the Undersigned may have against Franchisor or Franchisee shall not act as a defense to the enforcement of the covenants contained in this Agreement. The Undersigned agrees that in any action to enforce the Undersigned's covenants under this Agreement, the prevailing party will be entitled to recover all costs and expenses (including reasonable Attorneys' Fees) incurred by the prevailing person/entity.

9. Specific Performance. The Undersigned acknowledges that any breach of The Undersigned's obligations herein may cause great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, the enforcing person/entity, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and shall not be required to post any bond or prove special damages), and the Undersigned shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by the enforcing person/entity while enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver of any other right, including, without limitation, the enforcing person/entity's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign any or all of its rights and obligations under this Agreement to anyone without the consent of the Undersigned. The Undersigned shall not assign any of the Undersigned's rights or obligations under this Agreement.

11. Laws. This Agreement will be governed by and construed in accordance with the laws of the state in which the Business operated by Franchisee pursuant to the Franchise Agreement is located.

12. Survival. The Undersigned's obligations shall survive termination of the Franchise Agreement, regardless of the cause, if any. Any failure to insist upon the performance of this Agreement

in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The Undersigned agrees that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect the Confidential Information, and it is the understanding of the Undersigned that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Time for Counsel. The Undersigned acknowledges having had ample opportunity to consult with independent counsel of the Undersigned's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _____ day of _____, 20___.

AGREED AND ACCEPTED:

UNDERSIGNED FRANCHISEE OWNER:

_____
Signature

_____
Printed Name

# EXHIBIT 4b
# to *KidsPark*® Franchise Agreement

## NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT
## *(FOR CENTER DIRECTORS AND MANAGERS)*

In consideration of, and as an inducement to, the undersigned's at will employment by _____ (hereinafter "Franchisee") as a center director or manager for Franchisee's KidsPark center(s) ("Centers"), the undersigned director or manager ("the Undersigned") agrees as follows:

1. Non-Use and Non-disclosure Covenants. The Undersigned agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of the Undersigned's and/or Franchisee's obligations under the Franchise Agreement or in the fulfillment of the Undersigned's duties for Franchisee. For purposes of this Agreement, Confidential Information includes in any form, current and future, manuals; trade secrets, methods, know-how, or training as well as advertising and marketing plans and strategies; student/client lists and data; Franchised Businesses' operating data and statistics; KidsPark website(s) contents; KidsPark on-line services; customer accounts and related information; and other methods, formulas, specifications and procedures for developing and operating KidsPark Centers and Businesses.

The Undersigned further agrees:

i) not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term and in accordance with the provisions of the Franchise Agreement;

ii) to take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii) acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Undersigned or between the Undersigned and Franchisee shall be deemed to grant the Undersigned any rights in or to all or any portion of the Confidential Information.

While Franchisee and its employees and contractors do not perform any work for Franchisor as an employer or otherwise, the following notice is provided pursuant to the Defend Trade Secrets Act to the extent it is determined or construed to be required for Franchisor to enforce its full rights under such Act or any other law:

> "An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law. An individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding if the individual files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order."

2. Non-Solicitation and In Term Non-Competition Covenants. The Undersigned acknowledges that as a result of the Undersigned's position as a director or manager for Franchisee, the Undersigned may receive valuable Confidential Information, as that term is defined below, and other proprietary information belonging to Franchisor or its Affiliates. So long as the Undersigned retains an employment position with Franchisee, and except as prohibited by applicable law, the Undersigned covenants that he or she will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any third party:

i) operate, be employed by, serve as a consultant to, finance, have any ownership interest in, or otherwise take part in the operation of or perform any services for any Similar Business anywhere, or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) solicit any customer of any KidsPark franchisee, Franchisor or any Franchisor Affiliate, to leave or change child care services.

For purposes of this Agreement, a "Similar Business" is any business or enterprise that earns at least 20% of its revenues from providing drop-in child care or child enrichment services or related services.

3. Post Term Covenants. Subject to the exceptions below, and except as prohibited by applicable law, the Undersigned covenants that for a continuous uninterrupted period commencing upon the termination of the Undersigned's employment relationship with Franchisee, and regardless of the cause, if any, and continuing **for two (2) years thereafter**, the Undersigned:

i) shall be subject to all of the restrictions stated in Section 2, above, with respect to Similar Businesses located within 10 miles of any KidsPark Center in operation or under construction, whether owned by Franchisor or by any franchisee or licensee or Franchisor Affiliate; and

ii) shall not operate, be employed by, serve as a consultant to, finance, have any ownership interest in, or otherwise take part in the operation of or perform any services anywhere for any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses.

iii) The following exceptions apply to this Section 3: (a) this Section is subject to applicable state law; (b) the prohibitions in this Section 3 do not apply to my interests in or activities performed in connection with a Franchised Business; and (c) the prohibitions of this Section 3 do not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held corporation.

iv) **IN THE EVENT CALIFORNIA LAW APPLIES**, then, the Undersigned agrees that the restrictions stated in this Section 3 shall be supplemented and the following additional restrictions will apply: the Undersigned will not act as described in Section 3 above if the fulfillment of the Undersigned's duties and responsibilities with respect to such Similar Business would inherently call upon the Undersigned to disclose and/or use any portion of the Confidential Information. All other provisions of this agreement apply and will be fully enforced to the maximum extent permitted by law whether or not California law applies.

4. No Undue Hardship. The Undersigned acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on the Undersigned since the Undersigned has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 2 and 3 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. The Undersigned understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce, or to permit Franchisee to reduce, the scope of any of the above covenants without the Undersigned's consent, effective immediately upon receipt by the Undersigned of written notice thereof, and the Undersigned shall comply with any covenant as so modified.

8. Enforcement of Covenants. The Undersigned expressly agrees that the existence of any claims the Undersigned may have against Franchisor or Franchisee shall not act as a defense to the enforcement of the covenants contained in this Agreement. The Undersigned acknowledges and agrees that Franchisor and its affiliates shall be third party beneficiaries under this Agreement.

9. Specific Performance. The Undersigned acknowledges that any breach of The Undersigned's obligations herein may cause great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, the enforcing person/entity, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and shall not be required to post any bond or prove special damages), and the Undersigned shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by the enforcing person/entity while enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver of any other right, including, without limitation, the enforcing person/entity's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor and Franchisee may assign any or all of its rights and obligations under this Agreement to anyone without the consent of the Undersigned. The Undersigned shall not assign any of the Undersigned's rights or obligations under this Agreement.

11. Laws. This Agreement will be governed by and construed in accordance with the laws of the state in which the Business operated by Franchisee pursuant to the Franchise Agreement is located.

12. Survival. The Undersigned's obligations shall survive termination of the Franchise Agreement and termination of the Undersigned's employment with Franchisee, regardless of the cause, if any. Any failure to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The Undersigned agrees that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect the Confidential Information, and it is the understanding of the Undersigned that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public

policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Time for Counsel. The Undersigned acknowledges having had ample opportunity to consult with independent counsel of the Undersigned's choosing prior to the execution of this Agreement.

14. The Undersigned acknowledges that this Agreement (i) does not create any obligation on the Franchisee to employ the Undersigned for any period of time or at all; and (ii) does not reflect or create any type of employment relationship whatsoever between Franchisor and the Undersigned.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _____ day of _____, 20___.

AGREED AND ACCEPTED:

UNDERSIGNED EMPLOYEE OF FRANCHISEE:

_____
Signature

_____
Printed Name

# EXHIBIT 5
# to *KidsPark*® Franchise Agreement
## SBA Addendum
*(for Franchisees with SBA Funding Only)*

**SBA ADDENDUM**
**RELATING TO**
**KIDSPARK, INC.**
**FRANCHISE AGREEMENT**
**(SBA Approved 2016)**

THIS ADDENDUM (Addendum) is made and entered into on _____, 20____, by **KidsPark, Inc.**, located at **812 S. Winchester Boulevard, Suite 150, San Jose, California 95128** (Franchisor), and _____, located at _____ (Franchisee).

**Recitals.** Franchisor and Franchisee entered into a Franchise (or License) Agreement on _____, 20__, (Franchise Agreement). The Franchisee agreed among other things to operate and maintain a franchise located at _____ designated by Franchisor as Center #_____ (Center). Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA). SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing.

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows:

1. Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof.

2. Notwithstanding anything to the contrary in Sections 8.12 (c) and (d) of the Franchise Agreement, the Franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing: (1) is at or below any maximum price cap programs established by Franchisor for its franchise system; or (2) is at or above any minimum price threshold programs established by the Franchisor for its franchise system; or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the Franchisor for its franchise system.

3. Franchisor will not unreasonably withhold, delay, or condition its consent to any proposed transfer or assignment by Franchisee which requires Franchisor's consent under Section 15 of the Franchise Agreement. The conditions contained in Section 15 as modified by this Addendum are deemed by Franchisor and Franchisee to be reasonable.

4. The following is added as Section 15.34 of the Franchise Agreement:

> The foregoing notwithstanding, the Franchisor may not exercise a right of first refusal:
>
> (a) If a proposed transfer is between or among individuals (including members of their immediate families and their respective spouses) who, at the time of the proposed transfer, have an ownership interest in the Franchisee or the Franchise, and who have guaranteed the Franchisee's obligations under a then outstanding indebtedness which is guaranteed by the United States Small Business Administration ("SBA") (Owner/Guarantors); or
>
> (b) If a proposed transfer involves a Person other than an Owner/Guarantor and the proposed transfer involves a noncontrolling ownership interest in the Franchisee or the Franchise, unless such noncontrolling interest: (1) represents less than a 20% ownership interest in the Franchisee or in the Franchise, or (2) the Franchisor (in combination with all of Franchisor's franchisees) qualifies as a small business and the exercise of the right does not affect the eligibility of the borrower to qualify for the SBA loan guarantee program.
>
> The Franchisor's right to approve or to disapprove a proposed transfer or transferee, or to exercise its right of first refusal with respect to a transfer of a controlling interest in Franchisee or the Franchise, shall not be affected by any of the foregoing provisions. If the Franchisor does not qualify as a small business under SBA regulations, the parties acknowledge and understand that the Franchisor's exercise of its right of first refusal may result in an SBA guaranteed loan becoming immediately due and payable.

5. The term, "in our business judgment," is deleted from Sections 15.05(a), 15.20 and 15.21(b).

6. Section 15.05 (c), Section 15.15 and Section 15.25 (c) of the Franchise Agreement are hereby deleted.

7. Under Section 15.08(d) of the Franchise Agreement, as well as the Continuing Guaranty Agreement (Exhibit 3), the Franchisee, upon transfer, will not be bound by the terms of the new franchise agreement and guarantee performance of the transferee.

8. Section 15.21 (b) is deleted and replaced by the following substitute Section 15.21 (b):

> 15.21 (b) Your KidsPark center(s) cannot be transferred without the franchise. If you own multiple KidsPark centers and

wish to transfer less than all of them to a proposed transferee, the transferee must meet our then current qualifications for new franchisees and the transfer must otherwise comply with Section 15. Such proposed transferee must enter into a new then-current version of franchise agreement with us for each center acquired. The term of each such franchise agreement shall be equal to the remaining term of your franchise agreement, and the transferee shall pay us an initial franchise fee pro-rated to reflect the reduced term of the franchise agreement. We shall establish a reasonable protected territory for each new franchise agreement, and you shall waive any development and other rights you may hold in each new protected territory. Your post termination obligations related to each transferred center will continue, including our right to indemnification, confidentiality, guaranty and other obligations.

9. Notwithstanding anything to the contrary in Section 16.08(a) of the Franchise Agreement, neither the Franchisor nor its affiliates will have the option to purchase any real estate owned by the Franchisee. The Franchisor, however, may lease the real estate for the remainder of the Franchisee's term (excluding additional renewals) for fair market value. Franchisee agrees to grant such a lease, if so requested by Franchisor, and fair market value is to be established as provided under Section 16.08.

10. Notwithstanding anything to the contrary in Section 16.09 of the Franchise Agreement, if Franchisor elects to exercise its right to purchase any or all of the physical assets of the franchised business, Franchisor will pay the purchase price to Franchisee in a lump sum at Closing, less any amounts Franchisee owes to Franchisor or any of Franchisor's affiliates and less any of Franchisee's indebtedness that Franchisor assumes as part of the purchase price for those assets.

11. Except as expressly modified by this Addendum, all of the terms and conditions of the Franchise Agreement remain in full force and effect.

12. This Addendum automatically terminates on the earliest to occur of the following: (i) a Termination occurs under the Franchise Agreement; (ii) the Loan is paid; or (iii) SBA no longer has any interest in the Loan.

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written.

**FRANCHISOR:** **FRANCHISEE:**

**KidsPark, Inc.**

By: _____ By: _____
Print Name: _____ Print Name: _____
Title: _____ Title: _____

# EXHIBIT 6
# to *KidsPark*® Franchise Agreement
## California Addendum

**CALIFORNIA FRANCHISES ONLY:**

This Addendum to the Franchise Agreement is entered into concurrently with that certain Franchise Agreement of even date herewith by and between KidsPark, Inc. and _____ _____("Franchisee"). Unless otherwise defined herein, capitalized terms shall have the same meaning as described in the Franchise Agreement. The terms of this Addendum shall survive the termination or expiration of the Agreement.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, all written notices related to any proposed Transfer by you as contained in Section 15, must be delivered by business courier or receipted U.S. mail.

2. Notwithstanding anything to the contrary stated in the Franchise Agreement, KidsPark will provide sixty (60) days' written notice, (or such other cure period prescribed by California law from time to time), and opportunity to cure any default described in Section 16.01 (m) – (s) as well as 16.03 (a) and (b).

3. It is hereby agreed that if you or any of your Owner(s) commits any default under this Agreement as identified in Section 16 or any mandatory requirement prescribed in any Manual such default shall be deemed a failure by you to substantially comply with the Franchise Agreement requirements.

4. Section 16.08 and 16.09 of the Agreement is deleted and the following language is substituted:

"We have the right upon termination or non-renewal of the Franchise to purchase from you at the value of price paid by you, minus depreciation, your inventory, supplies, equipment, fixtures and furnishings (the "Items") purchased or paid for under the terms of this Agreement or an agreement ancillary hereto by you to us or to our approved suppliers that are possessed or used by you in the franchised business at the time of termination or non-renewal. For purposes of this provision and compliance under and construction of the California Franchise Relations Act (CFRA), the parties agree that such depreciation shall be calculated based on whichever of the two (2) methods prescribed results in a lower valuation of the Items: i) the Modified Accelerated Cost Recovery System (MACRS) method applied in accordance with the applicable standard U.S. Internal Revenue Service (IRS) schedules effective for the calendar year immediately preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed; or ii) last filed depreciation schedules for such Items included by Franchisee in an IRS income tax return previously filed for the franchised business. You will provide us with a true and complete copy of such income tax return and related schedules within five (5) business days of our request. You will further provide us clear title to and possession of the Items. We can offset against the amounts owed to you any amounts owed by you to us.

In the event a court or arbitrator finds that we have terminated or failed to renew this Agreement in violation of the CFRA, the parties agree that the fair market value of the franchised business and franchise assets (the "FMV") for purposes of compliance with the CFRA shall be established in accordance with the following procedure: you and we will mutually select an independent Certified Business Appraiser within thirty (30) days of such finding. If unable to identify a mutually agreeable Certified Business Appraiser, you and we shall each select a person within forty-five (45) days of such finding who is an independent Certified Business Appraiser (the "Designees") and such Designees promptly shall mutually agree to a third independent Certified Business Appraiser whose determination of the FMV shall be final and binding on the parties.

5. Section 17.02 of the Agreement is deleted and the following language is substituted:

17.02 Since you and those with any interest in this franchise or in any entity with any interest in this franchise will have obtained valuable information concerning the operation of the *KidsPark* system, *following the termination or expiration of this Agreement* for any reason you and they agree not to operate, be employed by, serve as a consultant to, finance, have any ownership interest in, perform any services for, or otherwise take part in the operation of (a) any Similar Business or (b) any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, for a period of two (2) years following the date that this Agreement ends within 10 miles of the location of any *KidsPark* center then in operation or under construction and, if you were granted the right to open more than one *KidsPark* center by this Agreement, within the area that was your development area. if the fulfillment of your duties and responsibilities with respect to such business or entity (or the duties and responsibilities of another person/entity identified above in this Section 17) would inherently call upon you (or such other person/entity) to disclose and/or use confidential information or trade secrets.

You accept that it is your obligation under this Agreement to ensure the compliance of each of the persons/entities named in this Section. For purposes of this Agreement, confidential information includes in any form, current and future manuals; trade secrets, methods, know-how, or training as well as advertising and marketing plans and strategies; student/client lists and data; Franchised Businesses' operating data and statistics; KidsPark website(s) contents; KidsPark on-line services; customer accounts and related information; and other methods, formulas, specifications and procedures for developing and operating KidsPark Centers and Businesses.

6. To the extent a court of competent jurisdiction determines that this Addendum is in conflict with any term or condition of the Franchise Agreement, the terms of this Addendum shall control.

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| KidsPark, Inc: | Franchisee:_____ |
| By: _____ | By: _____ |
| Title:_____ | Title: _____ |

# EXHIBIT 7
# Washington Addendum
# to *KidsPark*® Franchise Agreement, Statement of Prospective Franchisee and Related Agreements

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

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

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

The undersigned does hereby acknowledge receipt of this addendum.

| | |
|---|---|
| KidsPark, Inc: | Franchisee:_____ |
| By: _____ | By: _____ |
| Title:_____ | Title: _____ |

# EXHIBIT D

**To**

# *KidsPark*® Franchise Disclosure Document

# STATE ADDENDA
# TO DISCLOSURE DOCUMENT

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document. Neither we, nor any person or franchise broker disclosed in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the *Securities Exchange Act of 1934*, 15 U.S.C.A. 78a et. seq., suspending or expelling these persons from membership in this 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 law, the law will control.

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.).

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

The Franchise Agreement contains a liquidated damages clause. Under *California Civil Code* Section 1671, certain liquidated damages clauses are unenforceable.

Section 31125 of the *California Corporation Code* requires that we give you a disclosure document, in the form and containing the information as the Commissioner may by rule or order require, before we ask you to consider a proposed material modification of your franchise agreement.

The Franchise Agreement requires binding arbitration. The arbitration will occur at San Jose, California, with the costs of the arbitration being borne equally by the parties. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as *Business and Professions Code* Section 20040.5, *Code of Civil Procedure* Section 1281, and the *Federal Arbitration Act*) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. *California Corporations Code* Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. 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 WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE CALIFORNIA COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION.

## WASHINGTON ADDENDUM TO 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 noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

# EXHIBIT E

**To**

# *KidsPark*® Franchise Disclosure Document

# LIST OF FRANCHISEES, FORMER FRANCHISEES, AND FRANCHISEE ORGANIZATIONS

**KIDSPARK, INC.**
**List of Franchisees**
**As of December 31, ~~2022~~2023**

Open and Operating Franchisees:

12635 N 48th St, Phoenix AZ 85032
(602) 788-2445
7337 W Bell Rd, Peoria, AZ 85382
(623) 878-2411
C&C PlayPark, LLC*
Megan and Andrew Schlueter

2477 Forest Ave #190, Chico, Ca 95928
(530) 894-6800
KBMD, LLC
Dionna Lefkowitz

280 Teller Street #170, Corona, CA 92879
(951) 520-8900
Flower Sisters, LLC
Julie and Kyle Mason

1111 Riley St, Folsom, CA 95630
(408) 340-8290
TikaCare, LLC
Ladan Shojaei Kavan and Ben Kavan

8485 N Fresno St, Fresno, CA 93720
(559) 447-5437
STL Management, LLC
Susi and Jeff Finley

9056 Tampa Ave, Northridge, CA 91324
(818) 998-5437
PlayCorps, Inc.
Tauby Ross and Davida Ross

6801 Five Star Blvd #B, Rocklin, CA 95677
(916) 624-3433
DropZone, LLC
Gigi Harvell

4401 Gateway Dr #100, Sacramento, CA 95834
(916) 575-9004
KidsKorner, Inc.
Lisa Burch

406 Old Hard Rd, Unit 108, Fleming Island, FL 32003
(904) 387-8602
CSJ Legacy, LLC*
Chris and Stephanie Jackson

9726 Touchton Rd, Jacksonville, FL 32246
(904) 387-8602
CSJ Legacy, LLC
Chris and Stephanie Jackson

3130 Tampa Road, Oldsmar, FL 34677
(727) 210-5958
NRG2Kids, LLC
George Korones, Nathan Bays, Georgeann Hull, Rene Ohman

26240 Golden Maple Rd, Wesley Chapel, FL 33544
(813) 618-3823
Just Us Kidzz
Amanda and Ricky Justus

15296 W 119th St, Olathe, KS 66062
(913) 390-1411
Swan Corporation
Elizabeth Sileo

5633 S 16th St #100, Lincoln, NE 68512
(402) 413-8849
Bright Times, LLC
Katie Krivolavek

23 Easton Road, Willow Grove, PA 19090
(215) 657-5437
Parker Interprize, Inc.
Felice Parker

215 Robert Rose Dr., Ste. B, Murfreesboro, TN 37129
(615) 274-9866
MPSK, Inc.
Megan and Preston Stewart

309 Curtis Mathes Way, Arlington, TX 76018
(682) 323-4766
D-wean, Inc.
Heather Alanis, Beth Hughes

24345 Gosling Rd, Ste. 140, Spring, TX 77389
(346) 298-0787
Children’s Meetings and Events, LLC
Maria Begona Bisteni Fernandez

19220 Alderwood Mall Parkway #130, Lynnwood, WA 98036
(425) 478-2213
Kwan Playcare, Inc.
Mary and Calvin Kwan

*Multi Unit Franchisee

Franchisees Not Yet Open in Calendar Year ~~2022~~2023:

Sonja Castel
2335 W Union St.
Tampa, FL 33607
(305) 878-0329

Kenneth Taylor
1621 Northwood Dr.
Albany, GA 31721
(407) 912-5759

Flossie & Cody Brinkmann
1308 Cooper Drive
Raymore, MO 64083
(816) 810-1681

32238 13th Pl SW, Federal Way, WA, 98023-5537
Little Seedlings Preschool LLC
Teresa Ngyuen

**KIDSPARK, INC.**
**Former Franchisees**
**As of December 31, ~~2022~~2023**

Franchisees who have had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this Disclosure Document:

~~850 Monterey Ct., Brentwood, CA 94513~~
~~Silly Goose LLC~~
~~Harpreet and Gurpreet Mangat~~
~~(Location never opened)~~

~~977 Sam Rayburn Tollway #150, Allen, TX 75013~~
~~(214) 449-1170~~
~~Care Valley, LLC~~
~~Lisa Rashid and Mohammad Habash~~

**KIDSPARK, INC.**
**LIST OF KNOWN KIDSPARK FRANCHISEE ORGANIZATIONS**
**As of December 31, ~~2022~~2023**

The following is a list of the name, address, telephone number, email address, and Web address of each trademark-specific franchisee organization associated with the *KidsPark*® system:

**None**

# EXHIBIT F

**To**

# *KidsPark*® Franchise Disclosure Document

# GENERAL RELEASE

**SAMPLE GENERAL RELEASE – SUBJECT TO CHANGE BY FRANCHISOR**
*(No Signature Necessary)*

This General Release is made on _____, by _____, hereinafter referred to as "Franchisee" in favor of KidsPark, Inc., a California corporation, its affiliates, and their respective officers, directors, shareholders, agents, and employees, hereinafter collectively referred to as "Franchisor."

This General Release is made with reference to the following facts:

A. Franchisor and Franchisee entered into a Franchise Agreement dated _____, hereinafter referred to as "the Franchise Agreement."

B. The Franchise Agreement is for a *KidsPark*® center located at _____
_____.

C. As a condition of the renewal/transfer (delete inapplicable word) of the Franchise Agreement, Franchisee is required by the Franchise Agreement to provide Franchisor with this General Release.

NOW, THEREFORE, in consideration for Franchisor allowing the renewal or transfer of the Franchise Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and with the intent to be legally bound, Franchisee agrees as follows:

1. The facts set forth above are true.

**2. Except for the obligations undertaken by Franchisor in this General Release, Franchisee hereby forever releases, forgives, and discharges Franchisor from any and all liability of any kind and nature whether arising out of the Franchise Agreement, its inducement, execution, and performance, the franchise relationship between Franchisee and Franchisor, or otherwise, including, but not limited to, any and all claims, demands, rights of action, causes of action, and liability caused by errors, omissions, intentional acts, and negligence of any kind or character that Franchisee may now have or claims to have against Franchisor. Franchisee understands and agrees that this release covers all claims of every kind and nature, past and present, known and unknown, suspected and unsuspected against Franchisor. Franchisee expressly waives any and all rights or claims under Section 1542 of the *California Civil Code* which states:**

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

3. If any legal action or other action or proceeding is brought for the enforcement of this General Release, or because of a dispute, breach, default, or misrepresentation in connection with any of the duties, obligations, covenants, representations, warranties, performance, promises, or provisions of this General Release, the party prevailing in that action or proceeding shall be entitled to recover its reasonable attorneys' fees and all other costs incurred in that action or proceeding in addition to any other relief to which that party may be entitled.

4. Franchisee warrants and represents it has full power and authority to enter into this General Release. Franchisee warrants and represents that no third party has any interest or right in any claim, potential claim, right of action, or cause of action covered by this General Release and the consent of no third party is required for the effectiveness of this General Release.

5. It is agreed that the agreements and undertakings contained in this General Release shall be binding upon Franchisee and also upon Franchisee's heirs, successors, representatives, and assigns.

6. Unless prohibited by any applicable law, this General Release shall be construed and governed by the laws of the state of California. This General Release does not release any claims the forgiveness of which is specifically prohibited by any applicable law.

7. Should any provision of this General Release be found to be invalid or unenforceable under any law which may be found to govern this General Release, such invalidity or unenforceability shall not affect the validity or enforceability of any other portion of this General Release and, unless substantial performance of this General Release taken as a whole is prevented thereby, this General Release shall remain in full force and effect.

8. This General Release contains the entire understanding and agreement of the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous negotiations, inducements, assurances, conditions, agreements, contracts, representations, promises, commitments, covenants, and understandings between them whether direct or implied and whether oral or written.

9. The General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

IN WITNESS WHEREOF, this General Release has been duly executed it as of the date first written above.

FRANCHISEE

By ____[SAMPLE ONLY]____

Its ____[SAMPLE ONLY]____

# EXHIBIT G

**To**

## *KidsPark*® Franchise Disclosure Document

# CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS

## CONDITIONAL ASSIGNMENT OF TELEPHONE AND DIRECTORY LISTINGS

In consideration of KidsPark, Inc. ("Assignee") concurrently granting a KidsPark franchise ("Franchised Business") to _____ ("Assignor"), and other valuable consideration, Assignor assigns to Assignee all telephone numbers, directory listings, fax numbers, Internet Web site addresses and domain names, social media pages or accounts and other listings, whether in electronic or other media, used or to be used by Assignor in the operation of the Franchised Business. Assignee assumes the performance of all of the terms, covenants, and conditions of the telephone/Internet directory or company with respect to these listings with the same force and effect as if they had been originally issued to Assignee. This Assignment is valid on the effective date and is irrevocable. Assignee may fill in, add or change the effective date and the listings at any time. The telephone/Internet directory or company is authorized to rely on this Assignment. The parties will hold harmless and indemnify the telephone/Internet directory or company from any claims based on reliance on this Assignment.

Effective Date: _____

| **ASSIGNOR:** | **ASSIGNEE:** |
|---|---|
| | **KidsPark, Inc.** |
| By: _____ | By: _____ |
| Its: _____ | Its: _____ |

# EXHIBIT H

**To**

# *KidsPark*® Franchise Disclosure Document

# STATEMENT OF PROSPECTIVE FRANCHISEE

## STATEMENT OF PROSPECTIVE FRANCHISEE

**[Note: Dates and Answers Must Be Completed in the Prospective Franchisee's Own Handwriting.]**

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.

This Statement of Prospective Franchisee does not waive any liability the franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

We request that the Prospective Franchisee (also called "me," "our," "us," "we" and/or "I" in this document) and KidsPark, Inc. (also called the "Franchisor," "you" or "your") respond to provide the information below.

### A. The following dates and information are true and correct:

| | | |
|---|---|---|
| 1. | _____, 20___<br>**Initials** _____ | The date on which I/we received a Franchise Disclosure Document about a KidsPark® Franchise. |
| 2. | _____, 20___<br>**Initials** _____ | The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed. |
| 3. | _____, 20___<br>**Initials** _____ | The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Acknowledgement of Receipt). |
| 4. | _____, 20___<br>**Initials** _____ | The earliest date on which I/we delivered cash, check or other consideration to the Franchisor, or any other person or company. |

### B. Representations and Other Matters:

1. Have you received any oral, written, visual or other promises, agreements, representations, options, rights-of-first-refusal, statements or otherwise (collectively, the "representations"), expanding upon or inconsistent with the Disclosure Document, the Franchise Agreement, or any related franchise documents, including, but not limited to marketing, site location and/or development, operations, support services, my financial results, exclusive rights or protected territory, or otherwise?

If so, please describe:

_____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials: _____**

2. Have you received any oral, written, visual or other claim, guarantee, statement or representation that stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, or other data about franchised or non-franchised units, or from which such information might be ascertained, (collectively, "financial results"), from the Franchisor, its affiliates or any agents/representatives/salespersons, or any other person? If so, please describe:

_____.
(If none, the Prospective Franchisee should write NONE in his/her/their own handwriting.)

**Prospective Franchisee's Initials: _____**

3. The individuals signing for the "Prospective Franchisee" include all of the executive officers, partners, shareholders, investors and/or principals of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all exhibits.

**Prospective Franchisee's Initials: _____**

4. I confirm that I have been advised to speak with past and existing KidsPark® franchisees and that I made the decision as to which and how many franchisees to contact. I

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all statements being true, correct and complete, I/we will (a) **immediately** inform the Franchisor's attorney (562-596-0116) and an officer of the Franchisor and (b) make a written statement regarding such next to my signature below so that the Franchisor can address and resolve any such issue(s) at this time and before either party goes forward.

**Prospective Franchisee's Initials: _____**

I/we represent and warrant that all of the above statements are true, correct and complete.

Date: _____

**PROSPECTIVE FRANCHISEE (Individual)**

_____
Signature

_____
Printed Name

_____
Signature

_____
Printed Name

**PROSPECTIVE FRANCHISEE (Corp., LLC or Partnership) - Must be accompanied by appropriate personal guarantee(s)**

_____
Legal Name of Entity

a_____ _____
Jurisdiction of Formation Corporation, LLC or Partnership

By: _____
Name

_____
Signature

Title: _____

# EXHIBIT I

**To**

# *KidsPark*® Franchise Disclosure Document

# CURRENT FORM OF RENEWAL ADDENDUM

**RENEWAL TERM**
**ADDENDUM TO FRANCHISE AGREEMENT**
**(SAMPLE FORM; SUBJECT TO CHANGE BY FRANCHISOR AND DEPENDENT ON THE TERMS OF FRANCHISEE'S EXPIRING FRANCHISE AGREEMENT)**

This is a Renewal Addendum (the "Addendum") to the KidsPark Franchise Agreement between KidsPark, Inc., ("Franchisor") and _____, ("Franchisee") of the same date (the "Franchise Agreement"). The Effective Date of the Franchise Agreement and this Addendum is _____, _____ (the "Effective Date"). Capitalized terms in this Addendum have the same meanings as are given under the Franchise Agreement, unless otherwise provided in this Addendum.

WHEREAS, Franchisor and Franchisee have signed the Franchise Agreement to provide for Franchisee's continued operation of a KidsPark franchised business for a renewal term, which renewal term is effective as of the expiration date of the immediately preceding franchise agreement (the "Expiring Agreement");

NOW, THEREFORE, for and in consideration of the full performance of each of the promises, terms and conditions of this Addendum and the General Release of Claims from Franchisee and related persons, the parties agree as follows:

## 1. FRANCHISE OBLIGATIONS MET AND RELATED FRANCHISE AGREEMENT CHANGES

A. **Renewal Obligations Fulfilled Under Expiring Agreement:** Franchisee and Franchisor acknowledge and agree that each has met their respective renewal obligations under Section 4 of the Expiring Agreement and enter into this Addendum for the purpose of beginning a successive term for a ten (10) year period, as provided in Section 4. of the Expiring Agreement. As a result, both acknowledge and agree that:

i. Franchisee obtained Franchisor's approval of a site, as required under Section 3.02 of the Expiring Agreement, and is operating the franchised business as of the Effective Date from such approved site;
ii. Franchisor fulfilled its duties under Sections 6 and 7 of the Expiring Agreement, including, but not limited to, having delivered, and Franchisee having successfully completed, the initial training program; and
iii. Franchisee previously received on loan from Franchisor a copy of the most current version of KidsPark Manuals.

B. **Changes to Franchise Agreement:** Franchisee and Franchisor have entered into this Franchise Agreement as a renewal franchise term and, as a result, both acknowledge and agree that:

i. Notwithstanding the provisions of Section 4.01 (a) of the Franchise Agreement, the term of this Franchise Agreement is for one ten (10) year renewal term. The expiration date of this Franchise Agreement is the 10th anniversary of the Effective Date of this Franchise Agreement and Addendum, unless earlier terminated according to the terms of the Franchise Agreement, and Franchisee shall have no further rights to renew Franchisee's KidsPark Franchise; and

ii) Section 10.01 regarding a grand opening advertising and promotion campaign is inapplicable to this renewal term.

## 2. AMOUNTS PAYABLE

**Renewal Fee Payment Due; No Initial Franchise Fee Due:** Franchisee is required under Section 4.04 of the Expiring Agreement to pay a renewal fee of $2,000. Under Section 5.15 (d) of the Expiring Agreement, if Franchisee relocates its *KidsPark*® Center at the time it renews its franchise, Franchisee will pay the relocation fee, and not the renewal fee.

## 3. GUARANTY

**Continuing Obligations:** Each individual identified in Section 4 A., below, and undersigned as a "Guarantor" hereby ratifies and affirms the terms of any personal guaranty provided in connection with the Expiring Agreement, acknowledges the same as continuing in full force and effect and agrees to sign a new personal guaranty in connection with this Franchise Agreement and Addendum, if so requested by Franchisor.

## 4. FRANCHISEE REPRESENTATIONS

A. **Franchise Ownership:** Franchisee warrants and represents that the following individual(s) own 100% of all interests in Franchisee and Franchisee's KidsPark Franchise and franchised business:

| | |
|---|---|
| _____ | _____% |
| **Print Name** | **Ownership Percentage** |
| _____ | _____% |
| **Print Name** | **Ownership Percentage** |
| _____ | _____% |
| **Print Name** | **Ownership Percentage** |
| | **(Must total 100%)** |

B. **Disclosure Documents and Time for Counsel:** Franchisee warrants and represents that i) Franchisee received Franchisor's Franchise Disclosure Document (with all exhibits), inclusive of the form Franchise Agreement, as well as a template Renewal Term Addendum with General Release of Claims at least fourteen (14) calendar days before signing any binding agreement or paying any money (whichever happened first); and ii) Franchisee received the execution versions of the Franchise Agreement. Franchisee voluntarily chose at Franchisee's option to enter into this Franchise Agreement and Addendum, as well as the General Release of Claims attached hereto. Franchisee will continue to operate Franchisee's franchised business under the terms and conditions of this Franchise Agreement, inclusive of related amendments, exhibits and this Addendum.

C. **No Further Right to Renew:** Franchisee acknowledges and understands that Franchisee shall have no right to an extension or renewal at the expiration of the term of the Franchise Agreement as amended by this Addendum. Franchisee further acknowledges that any renewal rights under the initial term of the Expiring Franchise Agreement have been satisfied with the grant of this renewal term Franchise Agreement and this Addendum. Franchisee has chosen to renew Franchisee's KidsPark Franchise under this Franchise Agreement and Addendum with the express understanding that Franchisor has agreed to such renewal term with no promise of or representation about an additional renewal or extension of this KidsPark Franchise at the expiration of the term of the Franchise Agreement and no such rights are to be inferred or implied.

## 5. FRANCHISEE RELEASE OF CLAIMS

**In compliance with the renewal conditions required to be met by Franchisee under the Expiring Franchise Agreement, Franchisee and each of Franchisee's Owners will sign the general release of claims attached hereto concurrently with the execution of this Addendum.**

## 6. ADDENDUM GOVERNS

**Effect of Addendum:** Except as expressly amended by this Addendum, the terms of the Franchise Agreement are in full force and effect. In the event of any conflict with, or inconsistency between, the provisions of the Franchise Agreement and the provisions of this Addendum, the provisions of this Addendum shall control.

## 7. EXTENSION OF EXPIRING FRANCHISE AGREEMENT

**Renewal Delays:** If the Expiring Franchise Agreement had already expired before the Effective Date of this Addendum, Franchisor and Franchisee hereby confirm that they extended, and have been prior to the Effective Date operating under, the terms of the Expiring Franchise Agreement and that the Expiring Franchise Agreement has been in full force and effect and governing their relationship up to the Effective Date, notwithstanding any delay in entering into a renewal term under this Franchise Agreement.

## 8. CALIFORNIA FRANCHISE RELATIONS ACT CONTROLS.

**CFRA Controls in Event of Conflict**: If the California Franchise Relations Act (CA. Bus. & Prof. Code §20020, et. seq.) applies to this renewal transaction and to the extent that the provisions of the Franchise Agreement are inconsistent with the California Franchise Relations Act, the terms of the statute will control and the applicable Section shall be modified only to the extent required to comply with such law. The parties agree that in no event shall a reasonable opportunity to cure to the extent required under such statute be greater than seventy five (75) days.

## 9. ENTIRE UNDERSTANDING

**Complete Agreement: This Addendum and the Franchise Agreement (and all exhibits, amendments, schedules and addenda to each of them) comprise the entire agreement between Franchisee and Franchisor with respect to the renewal of the Franchisee's KidsPark Franchise.**

**All contemporaneous and prior discussions, negotiations and representations concerning this matter are superseded by this Addendum and the Franchise Agreement.**

IN WITNESS WHEREOF, Franchisee and Franchisor both execute this Addendum to the Franchise Agreement as of the Effective Date stated above.

AGREED AND ACCEPTED:

KIDSPARK, INC.

BY: _____

PRINT NAME OF OFFICER SIGNING: _____

TITLE: _____

FRANCHISEE:

*[if a Corporation, Limited Liability Company or Partnership]*

_____
(type/print company name)

Signed:_____

Print Name:_____

Title:_____

Date:_____

*[or, if an individual(s)]*

Signed:_____

Print Name:_____

Date:_____

Signed:_____

Print Name:_____

Date:_____

GUARANTOR(S)

Signed: _____

Print Name: _____

Date: _____

Signed: _____

Print Name: _____

Date: _____

GENERAL RELEASE OF CLAIMS

(REFER TO EXHIBIT F TO THIS DISCLOSURE DOCUMENT FOR A SAMPLE FORM OF GENERAL RELEASE)

# EXHIBIT J

**To**

# *KidsPark*® Franchise Disclosure Document

# 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, 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 | Renewal pending~~May 19, 2023~~ |
| Virginia | Renewal pending~~May 15, 2023~~ |
| Washington | Renewal 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 K

**To**

# *KidsPark*® Franchise Disclosure Document

# ACKNOWLEDGEMENT OF RECEIPT OF DISCLOSURE DOCUMENT

## RECEIPT

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 KidsPark, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days (or longer in some states) before you sign a binding agreement with, or make a payment to, KidsPark, Inc. or an affiliate in connection with the proposed franchise sale.

Although not a franchise registration state, the laws of Iowa require that KidsPark, Inc. give you this Disclosure Document at the earlier of the first personal meeting, or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If KidsPark, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed on Exhibit A.

The Franchisor is KidsPark, Inc., located at 812 S. Winchester Boulevard, Suite 150, San Jose, California 95128. Its telephone number is (408) 213-0970

Issuance date: April ~~14~~11, ~~2023~~2024

Our employed franchise sellers are Debra Milner at (408) 800-2479 and Thomas Keefe at (818) 287-1970 and their business address is 812 S. Winchester Boulevard, Suite 150, San Jose, California 95128.

Other franchise sellers, if any, have the following name, address and phone number: _____ _____.

Exhibit A contains a list of KidsPark, Inc.'s agents authorized to receive service of process.

I have received the *KidsPark*® Franchise Disclosure Document dated April ~~14~~11, ~~2023~~2024* that included the following exhibits:

Exhibit A - List of State Regulatory Authorities and Agents for Service of Process
Exhibit B – Financial Statements for the fiscal years ended December 31, ~~2022~~2023, December 31, ~~2021~~2022, and December 31, ~~2020~~2021
Exhibit C – Franchise Agreement, with the following attachments:
- 1 - Location and Protected Territory
- 2 - Development Schedule
- 3 - Continuing Guaranty
- 4a – Non-Compete, Non-Disclosure and Confidentiality Agreement (for Franchise Owners)
- 4b – Non-Compete, Non-Disclosure and Confidentiality Agreement (for Center Directors and Managers)
- 5 - SBA Addendum
- 6. - California Addendum
- 7. – Washington Addendum to the Franchise Agreement, Statement of Prospective Franchisee and Related Agreements

Exhibit D – State Addenda
Exhibit E – List of Franchisees; Former Franchisees; and Franchisee Organizations
Exhibit F – Sample General Release

Exhibit G – Conditional Assignment of Telephone/Internet and Directory Listings
Exhibit H – Statement of Prospective Franchisee
Exhibit I – Current Form of Franchise Agreement Renewal Addendum
Exhibit J - State Effective Dates
Exhibit K – Receipt of Disclosure Document

Date: _____(Do not leave blank)

| | |
|---|---|
| _____ | _____ |
| Signature of Prospective Franchisee | Signature of Prospective Franchisee |
| _____ | _____ |
| Print Name | Print Name |
| | And, if applicable, as an officer, director, member, partner, or owner of |
| | _____ |

*The effective date of this Disclosure Document may be different in your state. Please refer to the Exhibit J of this Disclosure Document for a list of effective dates.

Attach additional signatures or use additional receipts if necessary. If franchise is to be owned jointly or as community property by husband and wife, both must review all documents and sign. All owners of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.

Please sign and date this receipt (with the date that you received the disclosure document).

**KEEP THIS COPY FOR YOUR RECORDS**

## RECEIPT

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 KidsPark, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days (or longer in some states) before you sign a binding agreement with, or make a payment to, KidsPark, Inc. or an affiliate in connection with the proposed franchise sale.

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If KidsPark, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the state agency listed on Exhibit A.

The Franchisor is KidsPark, Inc., located at 812 S. Winchester Boulevard, Suite 150, San Jose, California 95128. Its telephone number is (408) 213-0970

Issuance date: April ~~14~~11, ~~2023~~2024

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Exhibit H – Statement of Prospective Franchisee
Exhibit I – Current Form of Franchise Agreement Renewal Addendum
Exhibit J – State Effective Dates
Exhibit K – Receipt of Disclosure Document

Date: _____(Do not leave blank)

| | |
|---|---|
| _____ | _____ |
| Signature of Prospective Franchisee | Signature of Prospective Franchisee |
| _____ | _____ |
| Print Name | Print Name |
| | And, if applicable, as an officer, director, member, partner, or owner of |
| | _____ |

*The effective date of this Disclosure Document may be different in your state. Please refer to Exhibit J of this Disclosure Document for a list of effective dates.

Attach additional signatures or use additional receipts if necessary. If franchise is to be owned jointly or as community property by husband and wife, both must review all documents and sign. All owners of an entity franchisee must review all documents and sign individually and on behalf of any legal entity.

Please sign and date this receipt (with the date that you received the disclosure document).

**RETURN THIS COPY TO US AT:**

KidsPark, Inc., 812 S. Winchester Boulevard, Suite 150, San Jose, California 95128.