FRANCHISE DISCLOSURE DOCUMENT

KUNG FU KIDS FRANCHISE LLC
A Delaware limited liability company
879 Coleman Avenue, #40
San Jose, California, 95110
888-591-8999
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www.kungfukidsfranchise.com

You will operate a martial arts instruction studio that features children's training classes, special programs and parties under the trademark "Wushu Central's Kung Fu Kids".

The total investment necessary to begin operation of a Wushu Central's Kung Fu Kids franchise ranges from $223,550 - $410,300. This includes $65,000 - $69,500 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin the operation of a Wushu Central's Kung Fu Kids multi-unit development business is $263,550 - $450,300 for the required minimum of 2 Wushu Central's Kung Fu Kids outlets to be developed. This includes $105,000 - $109,500 that must be paid to the franchisor or an affiliate.

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 the 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 government agency has verified the information contained in this document.**

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

Issuance Date: April 9, 2026, as amended June 24, 2026

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 F.
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 initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D 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 Wushu Central's Kung Fu Kids business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Wushu Central's Kung Fu Kids franchisee?	Item 20 or Exhibit F 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 this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Addenda. See the Table of Contents for the location of the State Addenda.

Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with us by mediation, arbitration and litigation only in Delaware. Out-of-state mediation, arbitration and litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate and litigate with us in Delaware than in your own state.

2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

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

Kung Fu Kids Franchise LLC
Franchise Disclosure Document

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

To simplify the language in this disclosure document, the terms "Franchisor", or "we" or "us" means Kung Fu Kids Franchise LLC, the Franchisor. The terms "we", "us" and "Franchisor" do not include you, the "Franchisee". We refer to the purchaser(s) of a Wushu Central's Kung Fu Kids franchise as "you" or "Franchisee", whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a limited liability company in the State of Delaware on January 14, 2025. Our principal business address is 879 Coleman Avenue, #40, San Jose, California, 95110. We do business using our trade name, "Wushu Central's Kung Fu Kids" and its associated design (the "Marks"). We offer franchises which operate under the "Wushu Central's Kung Fu Kids" Marks only. We do not own or operate any businesses of the type you will be operating. We have not offered franchises in any other line of business. We began offering franchises in April 2025. We have no other business activities.

The principal business addresses of our agents for service of process are 838 Walker Road, Suite 21-2, Dover, Delaware, 19904, and the state agency addresses shown on Exhibit A.

Our Parents, Predecessors and Affiliates

Our parent company is Wushu Central Inc., a California corporation with a principal business address of 879 Coleman Avenue, #40, San Jose, California, 95110.

We have no predecessor.

We have an affiliated company, Kung Fu Kids IP LLC, a Delaware limited liability company with a principal business address of 879 Coleman Avenue, #40, San Jose, California, 95110. Kung Fu Kids IP LLC is the owner of the Marks and has exclusively licensed use of the Marks to us. Kung Fu Kids IP LLC has not offered franchises in this or any other line of business previously.

We have operated, through affiliates, martial arts training studios since 2003. We currently have 2 studios in San Jose and Palo Alto, California, that use the trademark Wushu Central Martial Arts Academy and 1 studio in Pleasanton, California, that uses the trademark Wushu Central's Kung Fu Kids. All 3 studios are substantially similar to the franchise offered by this Disclosure Document. We and our affiliates do not, and have not offered previously, franchises using the trade name Wushu Central Martial Arts Academy.

The Franchise Offered:

We grant franchises for the right to own and operate a Wushu Central's Kung Fu Kids studio, that specializes in high-quality children's martial arts training. Our structured curriculum focuses on building discipline, confidence, coordination, and self-defense skills through a combination of traditional techniques, forms, and modern training methods. The program also includes special events and birthday parties designed to engage and challenge students in a positive learning environment. You will offer services and products to individuals under the " Wushu Central's Kung Fu Kids" Marks in a designated territory and from a single premises that is approximately 2,000 – 3,000 square feet (the "Franchised Business"). The distinguishing characteristics of a Wushu Central's Kung Fu Kids Franchised Business include the Wushu Central's Kung Fu Kids distinctive operating procedures and standards, trade dress, instructional methods, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the "System").

We also offer qualified individuals the right to open at least 2 Wushu Central's Kung Fu Kids outlets in a designated area under the terms of a multi-unit development agreement. You must sign the then-current form of franchise agreement for each Franchised Business to be developed under the multi-unit development agreement, which may differ from the current Franchise Agreement included with this Disclosure Document.

Market and Competition:

The market for your Franchised Business consists of parents and caregivers seeking martial arts training classes and confidence-building activities for their children. The children's fitness industry is highly competitive. You will compete with businesses, including national, regional and local businesses, offering products and services similar to those offered by your Franchised Business, including other martial arts training centers offering individual or group exercise sessions, health clubs, fitness centers, and other establishments that offer children's physical fitness programming, such as community centers and youth leagues. There are many children's martial arts and physical fitness franchises, as well as independent businesses throughout the United States that may offer similar products and services to those offered by your Franchised Business. The market for our products and services is not seasonal but may be affected by economic conditions.

Industry Specific Regulations:

You must comply with any health club laws applicable to your Territory, which may require you to register with your state's consumer protection agency and provide financial security. You must comply with any other laws in your Territory applicable to the provision of physical fitness instruction to children.

Your state's laws may require you to have an automated external defibrillator (AED) unit on-site with staff member(s) trained in how to use the AED and trained in cardiopulmonary resuscitation (CPR). You or your manager must have first-aid training and CPR certification. You must ensure that your staff is trained on concussion recognition and prevention.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

ITEM 2: BUSINESS EXPERIENCE

Chief Executive Officer – David Chang

David Chang is our Chief Executive Officer, a position he has held since our company's inception. David is the founder of the Wushu Central's Kung Fu Kids concept and has owned and operated our 4 affiliate-owned Wushu Central outlets, located in San Jose, Palo Alto and Pleasanton, California, since 2003.

Chief Operating Officer – Liz Chang

Liz Chang is our Chief Operating Officer, a position she has held since our company's inception. Liz is also the Chief Operating Officer of our 4 affiliate-owned Wushu Central outlets, located in San Jose, Palo Alto and Pleasanton, California, since 2003.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5: INITIAL FEES

Initial Franchise Fee

We will charge you an initial franchise fee ("Initial Franchise Fee") when you sign the Franchise Agreement, which is included in this Disclosure Document in Exhibit B. The Initial Franchise Fee is $60,000. The Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance. For additional franchise purchases, we will discount the Initial Franchise Fee by 25% for each franchise agreement signed.

Development Fee

We will charge you a development fee ("Development Fee") when you sign the Multi-Unit Development Agreement, which is included in this Disclosure Document in Exhibit C.

The Development Fee is as follows:

# of Outlets for Development	Development Fee	Initial Franchise Fee Per Outlet
2	$100,000	$50,000
3	$130,000	$43,333.33
4	$160,000	$40,000
5	$190,000	$38,000

The Development Fee is fully earned by us and due in lump sum when you sign the Multi-Unit Development Agreement. The Development Fee is not refundable under any circumstance.

Upon execution of the Multi-Unit Development Agreement, you also will sign a franchise agreement for your first Wushu Central's Kung Fu Kids outlet. You will receive credit equal to the Initial Franchise Fee Per Outlet from the Development Fee as payment in full of the Initial Franchise Fee due under your first franchise agreement. You are required to sign our then-current franchise agreement for the next Wushu Central's Kung Fu Kids outlet you are to develop, in accordance with your development schedule.

Upon signing the second franchise agreement in your development schedule, you will receive a credit equal to the Initial Franchise Fee Per Outlet from the Development Fee as payment in full of the Initial Franchise Fee for the second franchise. Upon signing each additional franchise agreement in your development schedule, you will receive a credit equal to the Initial Franchise Fee Per Outlet from the Development Fee as payment in full of the Initial Franchise Fee for each additional franchise you have agreed to develop and operate.

You are required to purchase from us uniform shirts, pants, and shoes, belts, and Kung Fu staffs, spears, broad swords, and straight swords. The cost for these items is approximately $5,000 - $6,000. You must place your order and pay for these items at least 3 weeks prior to opening. Amounts paid are not refundable.

You must pay us a Lease Review Fee of $500 if your landlord requests that we make changes to our Conditional Assignment of Lease Agreement. The Lease Review Fee is payable upon the landlord's request for changes and is not refundable.

If you request, and we approve, an extension of the deadline to open your Wushu Central's Kung Fu Kids outlet, we will charge you an Opening Extension Fee of $3,000. This fee is due upon our approval and will extend your opening deadline for up to 90 days. You may request further 30-day extensions at $1,000 each, which is payable upon our approval. All Opening Extension Fees paid are not refundable.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	8% of Gross Revenue	As each transaction is processed through our point-of-sale system	Payable to us. See footnote 1.
Brand Fund Contribution	2.5% of your Gross Revenue	As each transaction is processed through our point-of-sale system	Payable to us. See Item 11. Brand Fund monies are used for a wide array of brand image development purposes, including call center services, local digital marketing retainers, and the provision of technology to franchisees and customers.
Required Minimum Expenditure for Local Marketing and Advertising	$2,500, subject to increase by up to 10% annually	Monthly	Payable to third parties. All advertising must be pre-approved by us.
Advertising Cooperative	Your share of actual cost of advertising	As determined by cooperative	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Wushu Central's Kung Fu Kids outlets in a designated geographic area. Any affiliate-owned outlet may participate in an advertising cooperative, in our sole discretion. Amounts you pay to the advertising cooperative will be credited to your required local advertising expenditure.
Late Charge	$150	As incurred	If you fail to pay us any amount when due, or if you fail to submit your Gross Revenue report when due, we may charge a late fee.

Type of Fee	Amount	Due Date	Remarks
Interest Charge	18% of overdue amount or the maximum permitted by law, whichever is lower	As incurred	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Insufficient Funds Fee	$250 per occurrence	As incurred	If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence, we may charge you an Insufficient Funds Fee.
Relocation Fee	25% of the then-current initial franchise fee	50% of the Relocation Fee is due at the time you request our consent to relocate. The balance is due when we consent to your replacement premises.	
Successor Term Fee	15% of the then-current initial franchise fee	Before signing successor agreement	Payable to us. See Item 17.
Transfer Fee – Franchise Agreement	50% of the then-current initial franchise fee; however, for transfers to: (i) an existing franchisee, the transfer fee is 1/3 of the then-current initial franchise fee or (ii) a spouse, parent or child upon death or permanent disability, the transfer fee is $3,500	$5,000 is due at the time you request our consent to transfer. The balance is due on or before the transferee signs a new franchise agreement or assignment.	Payable to us. See Item 17. Any transfer must be approved by us.
Transfer Fee – Multi-Unit Development Agreement	$10,000	As incurred.	Payable to us. See Item 17. Any transfer must be approved by us.
Initial Training	$1,000 for each additional or replacement trainee. There is no charge for up to 3 individuals to attend initial training prior to opening.	Fees for training your additional personnel are due prior to the commencement of training	See Item 11 for information about our Initial Training Program. You pay the travel costs of your initial, additional, or replacement trainees.

Type of Fee	Amount	Due Date	Remarks
Additional Training - Courses	Up to $500 for tuition per person per course, subject to increase. You pay all travel and other related expenses incurred by all trainees.	As incurred	See footnote 2.
Additional Training – Franchisee Convention or Business Meeting	$500 registration fee per person, subject to increase. You pay all travel and other related expenses incurred by all trainees.	As incurred	See footnote 2.
Additional Training Non-Attendance	$1,000	As incurred	This fee is imposed on each franchised outlet that does not have at least 1 representative at any mandatory training course or at a franchisee convention or business meeting.
Remedial Training Fee	Our then-current per diem rate for each trainer, plus travel and other expenses. Our current rate is $500 per day.	As incurred	We may impose this fee, payable to us, if you request additional training at your premises from time-to-time, or if you are operating below our standards and we require you to have additional training. You must also pay all costs of our trainer, which include but are not limited to, airfare, transportation, hotel and meals.
Interim Management Support Fee	The greater of 10% of Gross Revenue or $500/day, plus our representative(s)' wages, travel and living expenses	As incurred.	We may impose this fee (in addition to all regularly occurring fees such as the Royalty Fee and Brand Fund Contributions), payable to us, if we provide management of your Franchised Business. See footnote 3.
Examination of Books and Records	Cost of examination plus related expenses	As incurred	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by 2% or more, you must pay to us the cost of the audit and all travel and related expenses, in addition to

Type of Fee	Amount	Due Date	Remarks
			repaying monies owed, including interest.
Operational Standard Violation Fee	$500, plus $250 per week until the violation is cured	As incurred	We may charge this fee if you violate an operational standard 2 or more times in a 12-month period.
Evaluation Fee of Unapproved Item or Supplier	Actual costs of inspection and/or testing	As incurred	Payable to us. See footnote 4.
Quality Review Services	Actual costs	As incurred	Payable to third-party providers for on-site inspections, mystery shoppers, or customer service evaluations.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus a 15% administrative fee and other actual expenses	As incurred	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.
Liquidated Damages – Default and Termination of Franchise	The greater of $50,000 or up to 24 months of rolling 12-month average of Royalty Fees and Brand Fund Contributions	Upon termination of the Franchise Agreement due to your default, in a lump sum	If your Franchise Agreement is terminated due to your default, you must pay us the average monthly Royalty Fee and Brand Fund Contribution payable by you for the 12 months prior to your default multiplied by the lesser of 24 months or the number of months remaining in the term of your Franchise Agreement.
Liquidated Damages – Breach of Confidentiality or Non-Competition Covenant	$100,000, plus our attorney's fees	As incurred	Payable to us.
Reimbursement of fees and expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As Incurred	Payable to us.

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

[1] "Gross Revenue" includes all revenue of every kind and nature at or from your Franchised Business outlet or made pursuant to the rights granted to you by the Franchise Agreement. Gross Revenue does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, and (iii) properly documented promotional discounts (i.e. coupons).

[2] We may offer mandatory and/or optional additional training programs from time to time. If we require it, you must attend mandatory additional training course(s) for up to 5 days per year and a national business meeting or systemwide franchisee convention for up to 5 days per year at location(s) we designate. In addition to tuition or attendance fees, you are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or systemwide franchisee convention, including, without limitation, costs of travel, lodging, meals and wages.

[3] In the event of your death or disability, your default of the Franchise Agreement, absence of a qualified manager, or other reasons, in our sole discretion, we may provide interim management of your Franchised Business, and you must pay us an interim management support fee, in addition to payment of the Royalty Fee, Brand Fund Contribution, and all other fees and expenses of your outlet operations.

[4] If you wish to purchase, lease or use any equipment, supplies, services or other items unapproved or from an unapproved supplier, you must request our prior written approval. As a condition to our approval, we may require inspection of the proposed supplier's facilities and evaluation and testing of the proposed item or service. If we approve your proposed item or supplier for use by the entire System, we will reimburse to you any evaluation fee paid.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(Single Outlet)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee	$60,000	Lump sum payment in cash or available funds	Upon signing the Franchise Agreement	Us
Your Training Expenses[1]	$3,500 - $6,800	As required by suppliers	As required by suppliers.	Suppliers
Premises deposits[2]	$15,000 - $24,000	As required by landlord, utility providers	As required by landlord, utility providers	Landlord, Utilities providers
Lease Review Fee	$0 - $500	Lump sum payment in cash or available funds	Upon landlord's request to change the Conditional Assignment of	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
			Lease Agreement	
Design/Architectural Fees	$0 - $18,000	As required	As required	Designer and/or Building Contractor
Leasehold Improvements, Construction and/or Remodeling[3]	$34,000 - $150,000	As required by supplier, contractor or landlord	Before opening, as required by supplier	Suppliers, Contractor and/or Landlord
Furniture & Fixtures	$10,000 - $15,000	As required by supplier	Before opening	Suppliers
Studio Equipment[4]	$10,000 - $12,000	As required by supplier	Before opening	Suppliers
Exterior & Interior Signage	$10,000 - $20,000	As incurred	Before opening	Suppliers
Opening Extension Fee	$0 - $3,000	Lump sum payment in cash or available funds	Upon approval of an extension	Us
Business Licenses and Permits	$50- $3,000	As required by government agencies	Before opening, as required by government agencies	Government Agencies
Computer Systems	$3,000 - $5,000	As required by suppliers	Before opening	Suppliers
Initial Inventory -- Uniforms and Class Equipment	$5,000 - $6,000	As required by suppliers	Before opening	Us
Office and Cleaning Supplies	$500 - $1,000	As required by suppliers	Before opening	Suppliers
Professional Fees[5]	$2,000 - $5,000	As required by providers	As incurred	Attorney, Accountant, Other Professional Service Providers
Grand Opening Advertising	$20,000	As required by supplier	As required by supplier	Suppliers
Insurance[6]	$500 - $1,000	As required by insurer	Before opening	Insurer
Additional Funds – 3 months[7]	$50,000 - $60,000	As incurred	As arranged	Suppliers, Landlord, Employees.
TOTAL	$223,550 - $410,300			

YOUR ESTIMATED INITIAL INVESTMENT
(Multi-Unit Development - 2 Outlets)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Development Fee	$100,000	Lump sum payment in cash or available funds	Upon signing the Franchise Agreement	Us
Your Training Expenses[1]	$3,500 - $6,800	As required by suppliers	As required by suppliers.	Suppliers
Premises deposits[2]	$15,000 - $24,000	As required by landlord, utility providers	As required by landlord, utility providers	Landlord, Utilities providers
Lease Review Fee	$0 - $500	Lump sum payment in cash or available funds	Upon landlord's request to change the Conditional Assignment of Lease Agreement	Us
Design/Architectural Fees	$0 - $18,000	As required	As required	Designer and/or Building Contractor
Leasehold Improvements, Construction and/or Remodeling[3]	$34,000 - $150,000	As required by supplier, contractor or landlord	Before opening, as required by supplier	Suppliers, Contractor and/or Landlord
Furniture & Fixtures	$10,000 - $15,000	As required by supplier	Before opening	Suppliers
Studio Equipment[4]	$10,000 - $12,000	As required by supplier	Before opening	Suppliers
Exterior & Interior Signage	$10,000 - $20,000	As incurred	Before opening	Suppliers
Opening Extension Fee	$0 - $3,000	Lump sum payment in cash or available funds	Upon approval of an extension	Us
Business Licenses and Permits	$50- $3,000	As required by government agencies	Before opening, as required by government agencies	Government Agencies
Computer Systems	$3,000 - $5,000	As required by suppliers	Before opening	Suppliers
Initial Inventory -- Uniforms and Class Equipment	$5,000 - $6,000	As required by suppliers	Before opening	Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Office and Cleaning Supplies	$500 - $1,000	As required by suppliers	Before opening	Suppliers
Professional Fees[5]	$2,000 - $5,000	As required by providers	As incurred	Attorney, Accountant, Other Professional Service Providers
Grand Opening Advertising	$20,000	As required by supplier	As required by supplier	Suppliers
Insurance[6]	$500 - $1,000	As required by insurer	Before opening	Insurer
Additional Funds – 3 months[7]	$50,000 - $60,000	As incurred	As arranged	Suppliers, Landlord, Employees.
TOTAL	$263,550 - $450,300			

[1] The cost of the Initial Training Program for up to three (3) individuals is included in the Initial Franchise Fee. Your travel costs will depend on the number of people attending training at our headquarters and/or affiliate-owned outlet. The duration of the training program at our headquarters and/or affiliate-owned outlet is approximately 10 days. This estimate is for transportation, lodging and meals for training participants.

[2] This estimate includes 1-3 month(s) deposit of rent for a 2,000 to 3,000 square foot commercial premises in a suburban shopping center or class B industrial space. Real estate costs vary widely from place to place. Rental rates may be more or less than this range depending on the location of your Franchised Business. You may also incur real estate broker fees, additional prepayments (e.g., first and./or last month's rent), advertising or promotional fund fees or other costs, depending on the terms of your lease. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract. Utility providers set the amounts of the utility deposits. A credit check may be required by the issuing utility company prior to the initiation of services, or a higher deposit required for first time customers. These costs will vary depending on the type of services required for the facility and the municipality or utility provider from which they are being contracted. The figures in the chart include deposits that may be refundable to you at a later time.

[3] This estimate is for the costs for improvements to your Franchised Business premises. The low end of the range assumes a light retrofit of existing space that already has a suitable layout, restrooms and utilities, or includes a tenant improvement allowance from the landlord.

[4] Studio equipment includes panel mats, balance beams, incline wedges, cones, floor markers, agility ladder, rings, dodge balls, kicking bags, target pads, blockers, and padded swords.

[5] You may incur professional fees depending on the scope of work performed, which may include legal and accounting fees to review franchise documents and review and negotiate your lease, and costs to form a separate business entity.

[6] Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Insurance costs and requirements may vary widely in different localities. The estimate is for the first quarterly premium for required minimum insurance coverage. We may require additional types of insurance and coverage as provided in the Franchise Agreement.

[7] This is an estimate of expected required expenses you may incur before operations begin and during the initial 3-month period of operation. This estimate reflects expenses for rent, utilities, initial payroll and payroll taxes, and advertising and CRM system fees. We relied upon the experience of our affiliate-owned outlets to compile the estimate of these additional funds.

We do not offer financing for any part of the initial investment.

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

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers, distributors and manufacturers of equipment, supplies and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase all equipment, furniture, fixtures, supplies and services from our designated suppliers and contractors or in accordance with our specifications. We maintain written lists of approved items of equipment, furniture, fixtures, inventory, supplies and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We will update these lists periodically and issue the updated lists to all franchisees.

You must purchase uniforms, shoes, belts, and certain martial arts equipment from us. We are the only approved supplier of these items.

Other than us, none of our officers owns any interest in any approved supplier of any product, good or service that you are required to lease or purchase for the operation of your Franchised Business.

Before you take possession of your Franchised Business premises, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. The minimum insurance required is comprehensive general liability insurance, including coverage for personal and advertising injury, in the amount of $1,000,000 per occurrence and $2,000,000 in the aggregate, with no exclusion for assault and battery; worker's compensation coverage as required by state law, employer liability insurance of at least $1,000,000, employer practices liability naming us as co-defendant of at least $1,000,000, with wage and hour defense coverage of at least $100,000; special form property insurance in an amount that covers the full replacement value of your furnishings, fixtures, equipment, inventory and leasehold improvements or the amount required by your lease, whichever is higher, as well as flood or earthquake coverage in geographically-prone areas; business interruption insurance for a minimum period of 12 months actual loss sustained to satisfy your obligations under your Franchise Agreement and lease, including an extended period of indemnity for 180 days; prior to operating a vehicle on behalf of the Franchised Business, comprehensive automobile liability insurance with a combined single limit of at least $1,000,000; and cyber liability coverage of $1,000,000 for all first and third party claims, with a social engineering fraud sublimit of $100,000. Each policy must be written by a responsible carrier or carriers acceptable to us and must name us, and our respective officers, directors, partners, agents and employees as additional insured parties, and contain a waiver of the insurance company's rights of subrogation against us.

We approve suppliers after careful review of the quality of the products and services they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such request in writing to us, pay the Evaluation Fee, and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meets our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. We reserve the right to revoke approval of any item or supplier that does not continue to

meet our then-current standards. Our criteria for approving items and suppliers are not available to you. If we approve your proposed item or supplier for use by the entire System, we will reimburse the Evaluation Fee you had paid to us.

Neither we nor any of our affiliates has received any revenue from franchisees' required purchases or leases. We and our affiliates also have not received any other revenue, rebates, discounts or other material consideration from any other suppliers based on your required purchases of products, supplies or equipment; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

We estimate that your purchase or lease of products, supplies and services from approved suppliers (or those which meet our specifications) will represent approximately 45% of your costs to establish your Franchised Business and approximately 5% of your costs for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

Although we do not do so currently, we may in the future negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Section or Article in Franchise Agreement	Section or Article in Mult-Unit Development Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	8.1	Not Applicable	11
b. Pre-Opening Purchase/Leases	8.1.3, 12.3.1	Not Applicable	7, 11
c. Site Development & other Pre-Opening Requirements	8.2, 8.3, 12.1.1, 12.1.3	Article 5	11
d. Initial and Ongoing Training	Article 7	Not Applicable	11
e. Opening	8.2.3, 8.3	Not Applicable	11
f. Fees	5.1, 5.2.7, Article 6, 7.4, 7.5, 8.4, 11.5.3, 12.2.5, 12.3.7, 12.6, 12.7, 12.8, 13.3.1, 15.3, 16.4, 18.1.8, 19.9	Article 4	5, 6, 7

Obligation	Section or Article in Franchise Agreement	Section or Article in Mult-Unit Development Agreement	Item in Franchise Disclosure Document
g. Compliance with Standards and Policies/Operating Manual	Article 9, Article 12, 19.1.1	Not Applicable	8, 11
h. Trademarks and Proprietary Information	9.4, 12.1.8, Article 14, 19.2, 19.3, 19.4	Not Applicable	13, 14
i. Restrictions on Products/Services Offered	12.1.1, 12.1.5, 12.6	Not Applicable	8, 16
j. Warranty and Customer Service Requirements	Not Applicable	Not Applicable	Not Applicable
k. Territorial Development and Sales Quotas	13.2	Article 5	12
l. Ongoing Product/Service Purchases	12.1.4, 12.3.2, 12.3.5	Not Applicable	8
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.2	Not Applicable	11
n. Insurance	Article 15	Not Applicable	7
o. Advertising	12.1.9, Article 13	Not Applicable	6, 11
p. Indemnification	15.6, 16.3.7, 17.4.2, 19.11, 21.1	Article 9	13, 14
q. Owner's Participation, Management, Staffing	11.1, 11.5, 12.1.6	Not Applicable	11, 15
r. Records /Reports	6.1.4, 12.2	Not Applicable	6
s. Inspections and Audits	9.2, 12.1.7, 12.2.5	Not Applicable	6, 11
t. Transfer	Article 16	Article 6	17
u. Renewal	Article 5	Not Applicable	17
v. Post-Termination Obligations	Article 18	Section 7.4	17
w. Non-Competition Covenants	19.5	Article 8	17
x. Dispute Resolution	Article 20	Article 10	17
y. Spouse Guaranty	11.4, Attachment 6	Not Applicable	15

ITEM 10: <u>FINANCING</u>

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

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

Except as listed below, we are not required to provide you with any assistance.

1. Pre-Opening Obligations

Before you open your Franchised Business, we will:

a. provide you with site selection guidelines and accept or reject a location for your Franchised Business. You must identify a site that is acceptable to us within 90 days after you sign the Franchise Agreement. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, vehicular and pedestrian traffic, parking availability, condition of premises, and demographic characteristics of the area. If you do not sign a lease for an acceptable site within 120 days of signing the Franchise Agreement, as we may extend in our reasonable discretion, you will be in default and we reserve the right to terminate the Franchise Agreement. We will not own and/or lease a site to you. You are responsible for negotiating a lease with the owner of a site we approve. (Franchise Agreement, Sections 8.1.2, 8.1.3, and 10.1).

b. provide you with specifications for the layout, design, materials, and signage for your Wushu Central's Kung Fu Kids outlet, approve your architect and contractor(s), and, at our discretion, make on-site inspections of your construction progress. You, your architect, and your contractor are required to adapt our specifications for the construction of your premises and obtain permits. We do not adapt plans or obtain permits for you. (Franchise Agreement, Sections 8.2, 10.2).

c. provide the Wushu Central's Kung Fu Kids Brand Standards Manual and other manuals and training aids we designate for use in the operation of your Franchised Business, as they may be revised from time to time (Franchise Agreement, Section 10.3).

d. following your payment to us, deliver to you your order of uniform shirts, pants, and shoes, belts, and Kung Fu staffs, spears, broad swords, and straight swords. (Franchise Agreement, Section 10.5).

e. provide a written list of other equipment, signage, supplies and products that will be required to open the Franchised Business. We do not provide, purchase, deliver, or install any of these items for you (Franchise Agreement, Sections 10.5).

e. provide you with initial training and opening assistance. We will determine, in our sole discretion, whether you satisfactorily complete the initial training (Franchise Agreement, Sections 7.1, 7.2 and 7.3).

f. approve your grand opening marketing plan (Franchise Agreement, Sections 13.2.3 and 13.6).

2. Time to Open

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is approximately 9 months. Before you may open, you must (a) complete all improvements to the Franchised Business premises, (b) complete our Initial Training Program, (c) hire and train your staff, (d) obtain all required insurance and licenses to operate the Franchised Business, and (e) commence your grand opening campaign. Factors that may affect this time period include your speed in securing suitable premises, acquiring licenses and permits, financing any portion of the initial investment and completion of required training. If you have not opened your Franchised Business within 12 months after you sign the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our

discretion. If we consent, you will pay us the Opening Extension Fee. Failure to open your Franchised Business within the original time, as may be extended, is a default of the Franchise Agreement. (Franchise Agreement, Section 8.3).

3. Obligations After Opening

During the operation of your franchise, we will:

a. offer from time to time, in our discretion, mandatory or optional additional training programs. If we require it, you must attend mandatory additional training course(s) for up to 5 days per year and a national business meeting or systemwide franchisee convention for up to 5 days per year at location(s) we designate. Failure to attend mandatory additional training or an annual business meeting or franchisee convention is a default of the Franchise Agreement. We may impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to (i) pay a non-attendance fee, and (ii) obtain the training at a location we designate, at your sole cost, which includes at the then-current rate, plus all of your travel costs and our trainer's travel costs. (Franchise Agreement, Section 7.4).

b. upon your request, or as we determine to be appropriate, provide remedial on-premises training and assistance. For any on-premises training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging (Franchise Agreement, Sections 7.5, 10.9)

c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, or e-mail, subject at all times to availability of our personnel and within reasonable limits (Franchise Agreement, Section 7.6).

d. from time to time, as may become available, provide you with samples of advertising and promotional materials (Franchise Agreement, Section 10.6);

e. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your products, service, and premises to ensure that they meet our standards (Franchise Agreement, Section 10.4);

f. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.7);

g. subject to applicable law, and in our discretion, set the advertised and/or maximum prices for products and services at your Wushu Central's Kung Fu Kids outlet (Franchise Agreement, Section 12.5);

h. approve or disapprove all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the

proposed material and/or campaign; however, if we do not respond within 10 business days, the proposed material and/or campaign is deemed "disapproved". (Franchise Agreement, Section 13.6).

i. administer the Brand Fund (Franchise Agreement, Sections 10.10 and 13.3).

4. Advertising

We will conduct advertising and other brand development activities on behalf of the System through the System-wide Brand Fund, which is described below. We have no obligation to conduct any other advertising or spend any amount in your territory, unless we collect some or all of your local advertising expenditures and implement your grand opening campaign on your behalf.

Local Advertising (Franchise Agreement, Sections 13.2 and 13.5)

We require you to spend a minimum of $5,000 per month on opening advertising and promotional activities beginning at least 1 month prior to, and for 12 months following, the opening of your Franchised Business. Thereafter, you must spend a minimum of $2,500 each month on advertising for the Franchised Business in your Territory. The Franchise Agreement allows us to increase your required minimum monthly advertising expenditure by 10% annually.

You may develop your own advertising materials at your own cost, and you may use marketing templates that we may offer; however, you cannot use any advertising or marketing materials, even if they are based on our templates, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval of proposed advertising, which must also include the proposed media and advertising duration, within 10 business days; however, if we do not respond within 10 business days, the proposed advertising or marketing material is deemed "disapproved". Our approval will be limited to the specific form, color, content, media, and time period requested and/or agreed upon by us. If you want to modify previously approved advertising material, or the media or duration of the advertising, or if you want to re-use previously approved advertising material in the same or different media for an additional time period, you must submit a new approval request to us.

We may require you to use our designated marketing vendor(s) to conduct some or all of your local advertising activities.

Unless we collect some or all of your expenditures and implement your grand opening campaign on your behalf, we do not provide for placement of local advertising for you. If feasible, you may do cooperative advertising with other Wushu Central's Kung Fu Kids franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, X, Bluesky, Instagram, LinkedIn, YouTube, Threads, Tik Tok, or any other social media and/or networking site, except with our prior approval and in accordance with our specifications.

System-wide Brand Fund (Franchise Agreement, Section 13.3)

You are required to contribute 2.5% of your Gross Revenue to our systemwide Brand Fund. Each Wushu Central's Kung Fu Kids outlet operated by our affiliates or us may, but is not obligated to, contribute to the Brand Fund on the same basis as System franchisees.

The Brand Fund is administered by our accounting and marketing personnel. We may use Brand Fund contributions to pay any and all costs for developing, producing and disseminating advertising, marketing,

promotional and public relations materials, programs, campaigns, sales and marketing seminars, and training programs of every kind and nature, through any media we determine; conducting marketing research and customer and/or franchise system surveys; employing advertising and/or public relations agencies and call centers; developing, enhancing and maintaining our website, social media platforms, apps, and other operations, communications, and customer service technology and providing such technology to our franchisees and customers for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that we internally administer or prepare.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we may use the Brand Fund for public relations, to explain the franchise system, and/or include "Franchises Available" or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends contributions for the benefit of the System as a whole. We may use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to use the Brand Fund to place advertising or conduct marketing campaigns in any particular area, including the geographical area where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

The Brand Fund is not audited. An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year.

Regional Advertising Cooperative (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative, and there are no governing documents available for your review. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, at our sole discretion. A regional cooperative will be comprised of all franchised Wushu Central's Kung Fu Kids outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Wushu Central's Kung Fu Kids outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We are allowed to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents.

If we establish a regional advertising fund or cooperative, you must contribute amounts equal to your share of the total cost of cooperative advertising. Your contributions to a regional advertising fund or cooperative will

be in addition to your required contributions to the Brand Fund, however these regional fund or cooperative contributions will be credited to up to 50% of your required minimum local advertising expenditure.

Advertising Council (Franchise Agreement, Section 9.6)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement allows us, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. This council will serve in an advisory capacity only with no decision-making authority. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance and profitability. We may change or dissolve the council at any time.

5. Computer Systems (Franchise Agreement, Section 12.3)

You must purchase and use the point-of-sale system ("POS System") we specify, and have the latest versions of hardware, software and computer platforms to operate the POS System. The current POS System is Spark Membership and performs a variety of functions, such as customer information management, scheduling, payment processing, and sales report generation.

You are required to use all software and applications that we specify and pay any subscription or access fees associated with them. The current cost to purchase the required hardware and software is $3,000 - $5,000. The monthly access fee for the POS System is approximately $250 per month, subject to increase by the vendor.

We may in the future establish or modify the sales reporting systems as we deem appropriate for the accurate and expeditious reporting of Gross Revenue, and you must fully cooperate in implementing any such system at your expense.

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We have no obligation to maintain, repair, update or upgrade your computer hardware and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. You must upgrade your computer hardware and software as necessary to operate the most current version of the POS System or any replacements thereto. We cannot estimate the cost of maintaining, updating and upgrading your computer hardware and software because it will depend on the make and model of your hardware, required upgrades to operate our current management and payment processing applications, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

The POS System allows us to independently and remotely access all of your sales data, including your Gross Revenue, through the Internet. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. We own all customer and financial data stored in your POS System.

6. Table of Contents of Operations Manual

The Table of Contents of our Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit E. The Operations Manual has a total of 211 pages. Our curriculum manuals have a total of 443 pages.

7. Training (Franchise Agreement, Article 7)

You (if the franchisee is an individual) or all of your owners (if the franchisee is a business entity) and your manager must complete our Initial Training Program, to our satisfaction, at least 2 weeks, but no more than 6 weeks, before opening your Franchised Business. We will train your headquarters and/or at an affiliate-owned outlet, or at another location we specify. You must complete the online components of our training program prior to attending in-person training.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Online Training			
Kung Fu Kids History, Mission, and Core Values	1	0	Online
Franchisor Relationship and Support	1	0	Online
Pre-Opening Procedures	2	0	Online
Martial Arts Overview	4	0	Online
Curriculum Overview	6	0	Online
The Student Parent Handbook	1	0	Online
The Instructor Manual	4	0	Online
Memberships and Pricing	1	0	Online
Software Training	3	0	Online
Building the Kung Fu Kids Culture	1	0	Online
Creating Class and Studio Calendars	1	0	Online
Studio Daily Procedures	1	0	Online
Customer Service	2	0	Online
Safety and Security	1	0	Online
Studio Cleaning and Maintenance	1	0	Online
The Manager Manual	2	0	Online
Building Your Team	4	0	Online
Marketing & Sales	2	0	Online
Grand Opening of the Kung Fu Kids Studio	2	0	Online
Martial Arts Training			
Kung Fu Techniques	0	4	San Jose, California
Mighty Tiger Forms	0	12	San Jose, California
Rising Dragons Forms	0	24	San Jose, California
Curriculum Training			
Grasshopper Class	1	3	San Jose, California
Little Pandas Class	1	3	San Jose, California

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Mighty Tigers Class	1	3	San Jose, California
Rising Dragons Class	1	3	San Jose, California
Spectrum Stars Class	1	3	San Jose, California
Intro Lessons/Sales	2	6	San Jose, California
Training Your Team	1	3	San Jose, California
Belt Testing	1	3	San Jose, California
Leadership Program	1	1	San Jose, California
Birthday Parties	1	1	San Jose, California
Totals	**51**	**69**	

We periodically conduct our Initial Training Program throughout the year, as needed. Training is currently provided under the direction of David Chang, our founder and Chief Executive Officer. David established the Wushu Central's Kung Fu Kids concept in 2003 and is the owner/operator of our affiliate-owned outlets. David oversees training in all aspects of operating the Franchised Business, including operations, marketing, curriculum, and financial reporting.

Our training materials consist of our Brand Standards Manual, videos, curricula, written instructions and exams.

The cost of our instructors and training materials for up to 3 individuals is included in the Initial Franchise Fee that you pay us. You must also pay for all travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainee is $1,000 per person.

If you do not complete our Initial Training Program to our satisfaction, we can terminate the Franchise Agreement.

We will provide you with on-site training, supervision and assistance for up to 5 days upon the opening of your Franchised Business at no additional charge.

If we require it, you must attend mandatory additional training course(s) for up to 5 days per year and a national business meeting or systemwide franchisee convention for up to 5 days per year at location(s) we designate. Failure to attend mandatory additional training or an annual business meeting or franchisee convention is a default of the Franchise Agreement. We may impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to (i) pay a non-attendance fee, and (ii) obtain the training at a location we designate, at your sole cost, which includes at the then-current rate, plus all of your travel costs and our trainer's travel costs.

ITEM 12: TERRITORY

Under the Franchise Agreement, you have the right to establish and operate 1 Wushu Central's Kung Fu Kids outlet within a territory that will be defined after the site of your Franchised Business is identified and accepted by us (the "Territory"). You are required to find and obtain possession of a specific site for your Franchised Business that meets our approval in a designated non-exclusive site search area of at least 200,000 in population. Your Territory is determined on an individual basis taking into account area demographics and household

incomes and will have a minimum population of 50,000 with at least 7,500 children ages 1-14 surrounding your Franchised Business designated by census tracks. Your Territory will be identified and attached to your Franchise Agreement as Attachment 2.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. We will charge you a relocation fee equal to 25% of the then-current initial franchise fee. Half of the relocation fee is payable with your relocation request, and the balance is due when you find a replacement premises, in accordance with our then-current site selection procedures, that is acceptable to us. The factors we consider in permitting a relocation include: loss of your original premises not due to your default, suitability of the proposed relocation site, distance from neighboring franchise territories, proximity to major roads and residential areas, vehicular and pedestrian traffic, parking availability, and condition of premises. You must complete build out the replacement premises and open for business within 180 days after you sign the replacement premises lease. If you do not identify a site and complete the build-out within this time period, you will be in default of the Franchise Agreement. If feasible, you must continue to operate at your original premises until construction of the new site is complete.

The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises within the Territory or contiguous territories. Unless you sign a Multi-Unit Development Agreement, we may, but have no obligation to, consider granting to you the right to establish additional Wushu Central's Kung Fu Kids outlets under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open 1 or more additional Wushu Central's Kung Fu Kids outlets in an area or at a site acceptable to us.

You will receive an exclusive territory, which means that we will not open another dedicated Wushu Central's Kung Fu Kids outlet or grant the right to anyone else to open a dedicated Wushu Central's Kung Fu Kids outlet within your Territory, provided that you are not in default of your Franchise Agreement. Although we grant you this territory protection, we reserve all rights to sell, either directly or through others, our products and services under the Marks in the Territory through alternative distribution channels, which are described below.

If you sign a Multi-Unit Development Agreement, you will receive an exclusive development territory in which to develop 2 Wushu Central's Kung Fu Kids outlets, or more if we mutually agree. Provided you are in compliance with the Multi-Unit Development Agreement and your development schedule, we will not grant anyone else the right to establish a Wushu Central's Kung Fu Kids outlet in your development territory during the term of your Multi-Unit Development Agreement.

There is no minimum sales requirement, market penetration or other contingency that will affect your territorial exclusivity during the term of your Franchise Agreement and/or Multi-Unit Development Agreement, unless you are in default of your obligations to us.

Notwithstanding the exclusive territory we grant to you, we are permitted to sell, either directly or through others, our products and services at retail or through co-branding with other businesses in the Territory, such as sporting goods stores and full-service health clubs and gyms. We or our affiliates may also own, operate, or authorize others to own or operate Wushu Central's Kung Fu Kids outlets outside of the Territory and may operate other kinds of businesses using the Marks or other trademarks within the Territory. We and our affiliates may own, acquire, be acquired by, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Marks, including a product or service similar to those you will sell at your Wushu Central's Kung Fu Kids outlet.

We and our affiliates may sell products and services, under both the Marks licensed to you and under different trademarks, within or outside the Territory through the Internet, catalog sales, telemarketing, or other direct

marketing ("Alternative Distribution Channels"). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

Your local advertising must target customers in your Territory. You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, you may conduct program registration and process payments online through our approved platform(s).

ITEM 13: TRADEMARKS

The Franchise Agreement will license to you the right to operate your Wushu Central's Kung Fu Kids outlet under the following trademarks ("Principal Trademarks"):

Mark	Registration Number	Registration Date	Register
Wushu Central's Kung Fu Kids	7569163	November 19, 2024	Principal
Kung Fu Kids	8097425	January 6th, 2026	Supplemental
Kung Fu Kids	8097426	January 6th, 2026	Supplemental
We turn children into successful adults	7959790	September 23rd, 2025	Principal
	8148369	February 24, 2026	Principal

If our right to use any of the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must notify us immediately when you learn about an infringement of or challenge to your use of the Principal Trademarks or other Marks. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Trademarks or other Marks. We have the right to control any administrative proceedings or litigation involving the Principal Trademarks or other Mark licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We have the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Trademarks, or to use one or more additional or substitute Marks.

You must not directly or indirectly contest our affiliate's right, or our right, to the Principal Trademarks or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition or cancellation. There is no pending material federal or state court litigation involving the Principal Trademarks or other Marks.

There are no currently effective agreements that significantly limit our parent's or our rights to use or license the use of the Principal Trademarks or other Marks in a manner material to the franchise.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Trademarks.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on our certain forms, advertisements, promotional materials, including social media content and photographs, and other written materials. We also claim copyrights and other proprietary rights in our Brand Standards Manual and the contents of our website.

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

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

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

If you develop any new concept, process, product, or improvement ("Improvement") in the operation or promotion of the Franchised Business, you are required to promptly notify us and provide us with all requested information related to the Improvement and sign all documents necessary for us to obtain full proprietary rights to the Improvement. We have no obligation to compensate you for the Improvement or for any cost you incur to sign over your rights to the Improvement to us.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, standards, know-how, designs, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, pricing formulae, equipment, marketing materials, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; curricula; instructional materials; electronic code, curriculum, access codes, identification codes, and similar information that allows access to restricted content; and any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade

secrets shall remain our exclusive property. You may never during the Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Any and all of your personnel who have access to our Confidential Information must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment 8).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement does not require that you personally direct the day-to-day operation of your Franchised Business, although we highly recommend it. You may appoint a non-owner manager of your Franchised Business; however, you are ultimately responsible for ensuring that your Franchised Business complies with our standards, the Manual and the Franchise Agreement. Your manager must meet our qualifications and successfully complete our Initial Training Program and all other training courses we require. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. Your manager is not required to have an equity interest in the franchisee entity.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Confidentiality and Non-Compete Agreement, which is attached to our Franchise Agreement as Attachment 8. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as a Principal. If you are a married individual, your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 6.

ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must offer and sell all products and services that are part of the System, and all services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved. You may only engage in providing products and services to end-consumers.

You may not use our Principal Trademarks or other trademarks for any other business, and you may not conduct any other business from your Franchised Business premises. You cannot engage in any other business (other than an additional Wushu Central's Kung Fu Kids outlet) that competes with your Franchised Business, with us or our affiliates, or with Wushu Central's Kung Fu Kids outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Art. 4	The term is 10 years
b.	Renewal or extension of the Term	Art. 5	If you are in good standing as defined below, you can sign up to 2 successor agreements for additional 10-year terms, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
c.	Requirements for franchisees to renew or extend	Sections 5.1 and 5.2	Provide written notice to us at least 6 months before the end of the term; be in full compliance; have not committed 3 or more events of default during current term; completion of any required additional training; have the right to continued occupancy of the Franchised Business premises or obtain our approval to relocate; repair, upgrade or replace the equipment and other Franchised Business assets to meet then-current specifications; execute a general release; execute a new franchise agreement; and pay us a successor agreement fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
d.	Termination by franchisee	Not Applicable	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	Article 17	We may terminate only if you default, subject to state law. The Franchise Agreement describes defaults throughout. Please read it carefully.
g.	"Cause" defined – curable defaults	Section 17.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
h.	"Cause" defined - non-curable defaults	Sections 17.1 and 17.2	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceedings that is not disclosed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Franchise; do not: acquire a site, complete construction, obtain permits and/or open the Franchised Business within required time frames; cease operations for 5 days or more, unless the premises are damaged and you apply to relocate; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to restore and re-open the Franchised Business within 120 days

	Provision	Section in Franchise Agreement	Summary
			after a casualty, as may be extended by us; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue 3 or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; are convicted or plead no contest to a felony or to a crime or do anything that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues, maintain false books, submit a false report, or circumvent the POS or other computer systems; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations 3 or more times during the term or receive 2 or more default notices in any 12-month period; have insufficient funds to honor a check or EFT 2 or more times within any twelve 12-month period; default under any other agreement with us or our affiliate; or terminate the Franchise Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Article 18	Upon termination, you must: cease operations; cease to identify yourself as a Wushu Central's Kung Fu Kids franchisee; cease to use the Marks; de-identify the premises; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur because of your default or in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorney's fees; deliver to us all Confidential Information, the Brand Standards Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all fixtures, equipment, and supplies of your Franchised Business; assign, at our option, your telephone numbers, directory and internet listings, and social media accounts and the lease for the location; and if applicable, pay us liquidated damages.
j.	Assignment of contract by franchisor	Section 16.1.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 16.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
l.	Franchisor approval of transfer by franchisee	Section 16.3	No transfer is allowed without our consent, which we will not unreasonably withhold.

	Provision	Section in Franchise Agreement	Summary
m.	Conditions for franchisor approval of a transfer	Sections 16.3 and 16.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully completes our Initial Training Program; transferee agrees to update premises and equipment to then-current specifications; you have paid us and third-party creditors all amounts owed; you and the transferee sign a General Release; you shall subordinate any claims you have against the transferee to us; you will indemnify us for misrepresentations in the transfer process (excluding our representations in the FDD); our approval of the material terms and conditions of the transfer; obtain landlord's consent to transfer the premises lease, if applicable; and payment of a transfer fee.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Section 18.2	Upon termination of the Franchise Agreement, we have the option to purchase any or all of your equipment, signs, advertising materials, and supplies at your cost or fair market value, whichever is less.
p.	Death or disability of franchisee	Sections 16.3, 16.4 and 16.7	The executor of your estate or other personal representative must transfer the Franchise within 6 months to a replacement franchisee that we approve.
q.	Non-competition covenants during the term of the franchise	Section 19.5.1	You may not: divert, or attempt to divert, customers of any Wushu Central's Kung Fu Kids outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any children's martial arts instruction business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 19.5.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Wushu Central's Kung Fu Kids business (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any children's martial arts instruction business within 15 miles of your former Wushu Central's Kung Fu Kids Territory or any other Wushu Central outlet location; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.

	Provision	Section in Franchise Agreement	Summary
s.	Modification of the agreement	Sections 9.4, 14.6 19.1.4 and 21.12	No oral modifications generally, but we may change the Brand Standards Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.
t.	Integration/merger clause	Section 21.12	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in any Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 20.1, 20.2 and 20.3	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 20.5	Litigation takes place in Delaware, subject to applicable state law.
w.	Choice of law	Section 20.5	Delaware, subject to applicable state law.

THE FRANCHISE RELATIONSHIP
(UNDER THE MULTI-UNIT DEVELOPMENT AGREEMENT)

This table lists certain important provisions of the multi-unit development agreement. You should read these provisions in the agreement attached to this disclosure document.

	Provision	Section in Multi-Unit Development Agreement	Summary
a.	Length of the franchise term	Art. 3	As determined by you and us based on the number of Wushu Central's Kung Fu Kids outlets you are to develop.
b.	Renewal or extension of the Term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	Article 7	We may terminate only if you default. The Multi-Unit Development Agreement describes defaults throughout. Please read it carefully.
g.	"Cause" defined – curable defaults	Section 7.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Multi-Unit Development Agreement and described in h. immediately below).
h.	"Cause" defined - non-curable defaults	Sections 7.1 and 7.2	The Multi-Unit Development Agreement will terminate automatically, without notice for the

	Provision	Section in Multi-Unit Development Agreement	Summary
			following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Multi-Unit Development Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Development Rights; falsify any report to us; fail to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of your Wushu Central's Kung Fu Kids outlets; fail to develop Wushu Central's Kung Fu Kids outlets in accordance with the Mandatory Development Schedule; attempt a transfer in violation of the Multi-Unit Development Agreement; are convicted or plead no contest to a felony or to crime or do anything that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; fail to comply with non-disclosure and non-competition covenants; default, or your affiliate defaults, under any other agreement, including any Franchise Agreement, with us or any of our affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or terminate the Multi-Unit Development Agreement without cause.
i.	Franchisee's obligations on termination/ non-renewal	Section 7.4	Upon termination, you must: cease all development operations and comply with the non-disclosure and non-competition covenants.
j.	Assignment of contract by franchisor	Section 6.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	Section 6.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Multi-Unit Development Agreement or Development Rights.
l.	Franchisor approval of transfer by franchisee	Sections 6.2, 6.3	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Sections 6.3 and 6.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying developers; you have paid us all amounts owed; transferee signs our then-current form of Multi-Unit Development Agreement, which may have materially different terms from your Multi-Unit Development Agreement; you and the transferee sign a General Release; you shall subordinate any claims you have against the transferee to us; you will indemnify us for

	Provision	Section in Multi-Unit Development Agreement	Summary
			misrepresentations in the transfer process (excluding our representations in the FDD); our approval of the material terms and conditions of the transfer; payment of a transfer fee.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 6.5	You must promptly notify us of any written offer to purchase your Development Rights. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Section 6.6	The executor of your estate or other personal representative must transfer the Development Rights within 6 months to a replacement developer that we approve.
q.	Non-competition covenants during the term of the franchise	Section 8.3.1	You may not: divert, or attempt to divert, customers of any Wushu Central's Kung Fu Kids outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any children's martial arts instruction business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 8.3.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Wushu Central's Kung Fu Kids outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, partner, officer, director, employee or agent, in any other capacity in any children's martial arts instruction business within 15 miles of your Development Area on or any other Wushu Central's Kung Fu Kids outlet location; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Section 11.12	No oral modifications. No amendment of the provisions will be binding upon either party unless the amendment has been made in writing and executed by all interested parties.
t.	Integration/merger clause	Section 11.12	Only the terms of the Multi-Unit Development Agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of Multi-Unit Development Agreement may not be enforceable. Notwithstanding the

	Provision	Section in Multi-Unit Development Agreement	Summary
			foregoing, nothing in the Multi-Unit Development Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	Sections 10.1, 10.2, 10.3, and 10.4	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations. Subject to state law.
v.	Choice of forum	Section 10.5	Litigation takes place in Delaware, subject to applicable state law.
w.	Choice of law	Section 10.5	Delaware, subject to applicable state law.

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

ITEM 18: PUBLIC FIGURES

We do not currently use any public figures to promote our franchise.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

As of the most recent fiscal year ended December 31, 2025, we had four (4) affiliate-owned outlets in operation and no franchised outlets open and operating. Our most recently opened outlet began operations in July 2025 and has not been in operation for a full twelve (12) months; therefore, its results are not included in this Financial Performance Representation.

This Financial Performance Representation reflects the historical performance of affiliate-owned outlets that have been in operation for at least twelve (12) full months. These affiliate-owned outlets operate under substantially the same business model, offer the same products and services, and utilize similar systems and procedures as those that will be used by franchised outlets.

Financial Performance[1]
January 1 – December 31, 2025

	San Jose – Coleman Ave CA	Palo Alto CA	Pleasanton CA
Date Opened	January 2003	June 2021	February 2023
Square Footage	3,533	5,215	2,800
Number of Students	425	415	200
Gross Revenue[2]	$ 1,381,229	$ 1,277,651	$ 615,614
Cost of Goods Sold[3]	$ 22,876	$ 22,337	$ 10,765
Gross Profit	**$ 1,358,353**	**$ 1,255,314**	**$ 604,849**
Expenses			
Payroll[4]	$ 311,122	$ 295,296	$ 189,629
Occupancy	$ 310,000	$ 325,283	$ 139,217
Insurance	$ 29,524	$ 27,741	$ 27,741
Marketing	$ 51,279	$ 51,279	$ 51,279
Utilities, Security, Phone[5]	$ 20,699	$ 0	$ 2,878
Repair, Maintenance	$ 26,134	$ 13,169	$ 606
Supplies, Printing, Technology	$ 22,708	$ 5,525	$ 1,813
Bank Charge	$ 41,826	$ 39,825	$ 18,273
Other Expenses[6]	$ 37,984	$ 5,257	$ 5,191
Total Expenses	**$ 851,276**	**$ 723,590**	**$ 436,627**
EBITDA[7]	**$ 486,940**	**$ 548,504**	**$ 171,579**
Imputed Fees[8]			
Royalties	$ 107,057	$ 101,768	$ 48,656
Brand Fund Contribution	$ 33,455	$ 31,802	$ 10,371
Adjusted EBITDA	**$ 366,427**	**$ 398,154**	**$ 109,195**

Notes:

[1] The information contained in this Table has not been audited.
[2] Gross Revenue is defined as total revenue derived from the sale of products and services less state/local taxes and customer refunds.
[3] Costs of Goods Sold includes the cost of uniforms, shoes, belts, and retail items.
[4] Payroll is defined as all wages, payroll taxes, and benefits paid to our employees. It does not include owners' compensation.
[5] Our Palo Alto outlet did not incur utility expenses. Utilities are included in the lease for this outlet.
[6] Other Expenses include licenses and permits, interest expense, legal and accounting costs, dues and subscriptions, and employee training.
[7] Earnings before Interest, Taxes, Depreciation, and Amortization are deducted.
[8] Our affiliate-owned outlets are not subject to the same territorial restrictions or fees that a franchisee will experience. Item 6 of this disclosure document outlines the fees to which a franchisee will be subject.

Specifically, a franchisee who achieved the same sales results that our affiliate achieved would incur royalty fees and Brand Fund contributions.

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented above has not been audited.

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

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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, 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 David Chang at 879 Coleman Avenue, #40, San Jose, California, 95110, or 888-591-8999, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
System-wide Outlet Summary
For Years 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	0	0	0
	2024	0	0	0
	2025	0	0	0
Company – Owned	2023	2	3	+1
	2024	3	3	0
	2025	3	4	+1
Total Outlets	2023	2	3	+1
	2024	3	3	0
	2025	3	4	+1

Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2023 to 2025

State	Year	Number of Transfers
None	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table No. 3
Status of Franchised Outlets
For Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
None	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
Total	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0

Table No. 4
Status of Company Owned Outlets
For Years 2023 to 2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2023	2	1	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	1	0	0	0	4
Total	2023	2	1	0	0	0	3
	2024	3	0	0	0	0	3
	2025	3	1	0	0	0	4

Table No. 5
Projected Openings as of December 31, 2025

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
California	2	0	2
Total	0	0	2

Exhibit F lists the location of each Wushu Central's Kung Fu Kids franchised outlet in our System and each franchisee during our last fiscal year who has had an outlet terminated, canceled, not renewed, or has otherwise voluntarily or involuntarily ceased to do business under the franchise agreement or has not communicated with

us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisee has signed confidentiality clauses during the last three years.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Kung Fu Kids Franchise LLC was formed on January 14, 2025. Because we have not been in business for three years, we are not able to include the three prior years of audited financial statements normally required by this Item 21. Our audited financial statements for the period from January 14, 2025 (inception) through December 31, 2025 are included in Exhibit D.

Our fiscal year end is December 31st.

ITEM 22: CONTRACTS

A copy of all proposed agreements regarding the franchise offering are included in this Disclosure Document, as follows:

Exhibit B – Franchise Agreement
Exhibit C – Multi-Unit Development Agreement
Exhibit G – Form of Release
Exhibit I – Franchisee Acknowledgement Statement, as permitted by state law.

ITEM 23: RECEIPT

A receipt in duplicate is attached as the last two pages of this Disclosure Document. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to David Chang, Kung Fu Kids Franchise LLC, 879 Coleman Avenue, #40, San Jose, California, 95110.

EXHIBIT A

AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
MINNESOTA	Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B

FRANCHISE AGREEMENT

KUNG FU KIDS FRANCHISE LLC

WUSHU CENTRAL'S KUNG FU KIDS FRANCHISE AGREEMENT

FRANCHISEE

EFFECTIVE DATE

KUNG FU KIDS FRANCHISE LLC
FRANCHISE AGREEMENT
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Attachments
1 - Trademarks
2 - Territory
3- ACH Authorization
4 - Collateral Assignment of Lease
5 - Statement of Ownership Interests in Franchisee
6 - Spousal Guaranty
7 - Internet Advertising, Social Media, Software, and Telephone Account Agreement
8 - Confidentiality and Non-Compete Agreement
9.- Provisions Applicable to SBA Financing

THIS FRANCHISE AGREEMENT (the "Agreement") is being entered into this day of _____ _____ (the "Effective Date"), by and between Kung Fu Kids Franchise LLC, a Delaware limited liability company, with its principal place of business at 879 Coleman Avenue, #40, San Jose, California, 95110 (herein "Franchisor"), and _____, a(n) _____ _____, with its principal place of business located at _____ _____, and _____'s principal(s) _____ _____, an individual, residing at _____ _____, and _____, an individual, residing at _____ _____ ("Principal(s)"). _____ and Principal(s) shall be individually and collectively referred to, and each is, the "Franchisee".

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a high quality, martial arts instruction brand that features children's martial arts training classes, special programs and parties using the Wushu Central's Kung Fu Kids trademarks and Franchisor's confidential brand standards manual ("Brand Standards Manual") of business practices and policies, and Franchisor's distinctive, décor, fixtures and furnishings, operations methods, curriculum, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the "System").

The System is identified by certain trade names, service marks**,** trademarks, logos, emblems and indicia of origin, including but not limited to the Wushu Central's Kung Fu Kids service marks, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the "Marks").

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

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

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1. RECITATIONS. The Recitations set out above form part of this Agreement.

2. GRANT OF FRANCHISE. Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a Wushu Central's Kung Fu Kids franchise (the "Franchise" or "Franchised Business"), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved, and further developed by Franchisor from time to time. This grant applies only to the single premises and within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the "Territory").

3. TERRITORY.

3.1 Protected Territory. Franchisor agrees that Franchisor will not, and will not permit any other Wushu Central's Kung Fu Kids franchisees, to operate a dedicated Wushu Central's Kung Fu Kids

facility in the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee is not in default under this Agreement or this Agreement has not expired or been terminated, subject to Section 3.2 below. Notwithstanding, Franchisee acknowledges that the Territory does not grant Franchisee any exclusive customer base. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise Wushu Central's Kung Fu Kids outlets around, bordering, and adjacent to the Territory.

3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights within and/or outside of the Territory to (i) offer and sell other products or services not offered under the Marks; (ii) offer and sell other fitness concepts under the Marks or other trademarks; (iii) offer and sell Wushu Central's Kung Fu Kids products or services at retail or through co-branding with other businesses; and (iv) engage in solicitation and sales through the Internet, catalog sales, telemarketing and direct marketing ("Alternate Distribution Channels"). Franchisor further specifically reserves the right to solicit, sell to, negotiate rates with, and provide Wushu Central's Kung Fu Kids goods and service commercial customers that conduct business across multiple areas or have multiple locations either regionally or nationally, such as educational or full-service fitness chains ("Commercial Accounts"). Franchisor may offer Franchisee the right to service Commercial Accounts in the Territory, provided that Franchisee accepts negotiated terms; otherwise, Franchisor may service the Commercial Accounts either directly or permit another franchisee to provide such service. Franchisee will receive no compensation for Franchisor's sales through Alternate Distribution Channels or declined Commercial Accounts made within the Territory. Franchisee agrees that such implementation of Franchisor's rights pursuant to this Section 3.2 is deemed not to impair or injure Franchisee's rights pursuant to Section 2 hereof.

3.3 Solicitation and Sales Restrictions. Franchisee must target Franchisee's advertising within the Territory and may only sell and deliver Wushu Central's Kung Fu Kids goods and services to customers at the approved Franchised Business premises or, with Franchisor's prior approval, at off-site events in the Territory. Franchisee is prohibited from selling and soliciting customers through Alternate Distribution Channels, provided that Franchisee may conduct program registration and process payments online through Franchisor's approved platform(s).

4. TERM. Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the "Term").

5. SUCCESSOR AGREEMENT OPTION.

Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Successor Franchise Agreement") for up to two (2) additional terms of ten (10) years each. The term of each Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee equal to fifteen percent (15%) of the initial franchise fee then being charged to new System franchisees ("Successor Agreement Fee") for each successor term. In the event Franchisee is not in full compliance with Section 5.2 below at the time Franchisee notifies Franchisor of Franchisee's desire to enter into a successor agreement, it shall be in Franchisor's sole and absolute discretion whether to permit a successor term.

5.1 Form and Manner of Exercise. If Franchisee desires to exercise Franchisee's option to enter into a Successor Franchise Agreement, it shall be done in the following manner:

5.1.1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement).

5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then current Disclosure Document.

5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees; provided, however, Franchisee shall not be required to pay the Initial Franchise Fee set forth in the Successor Franchise Agreement.

5.1.4 If Franchisee fails to perform any of the acts or deliver any of the notices required pursuant to this Paragraph 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause Franchisee's right and option to automatically lapse and expire, without further notice by Franchisor.

5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of Exercise. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Brand Standards Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.

5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the then current Term of this Agreement, whether or not such defaults were cured.

5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.

5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business to a new premises.

5.2.5 Franchisee shall execute Franchisor's then-current form of general release of all claims Franchisee may have against Kung Fu Kids Franchise LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

5.2.6 Franchisee performs such remodeling, repairs, replacements, and redecoration as Franchisor may require in order to cause the Franchised Business premises, equipment, fixtures, furnishings, and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the Successor Franchise Agreement date.

5.2.7 Franchisee shall pay applicable required Successor Agreement Fee and sign the Successor Franchise Agreement.

5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new Wushu Central's Kung Fu Kids franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then-current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.2 hereof that Franchisee desires to exercise Franchisee's option to enter into a Successor Franchise Agreement, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate successor term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state-mandated notice periods.

5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a Successor Franchise Agreement as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

6. FEES.

6.1 Initial Franchise and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee of Sixty Thousand Dollars ($60,000.00) (the "Initial Franchise Fee"). **The Initial Franchise Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Franchise Fee to Franchisor upon Franchisee's execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, throughout the Term, a royalty fee equal to eight percent (8%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor's methods, operations and/or trade secrets (the "Royalty Fee"). The term "Gross Revenue" includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor's methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit, or otherwise. Gross Revenue shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e., coupons).

6.1.3 Method of Payment. Franchisee shall pay Franchisor the Royalty Fee and the Brand Fund Contribution, as defined and more particularly described in Article 13, on each transaction as it is (i) made through Franchisor's required electronic payment processing systems or (ii) otherwise consummated. At Franchisor's request, Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 3, that allows Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due, as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House ("ACH") payments. Franchisee's failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. Franchisor reserves the right to modify the method and frequency of collection of the Royalty Fee and Brand Fund Contribution upon forty-five (45) days' prior notice to Franchisee.

6.1.4 Gross Revenue Reports. Within ten (10) days following the close of each calendar month, Franchisee shall provide to Franchisor a Gross Revenue Report of revenue generated by the Franchised Business for the immediately preceding calendar month (the "Gross Revenue Report"). In the event that the total amount of Royalty Fees and/or Brand Fund Contributions Franchisee has paid for the immediately preceding calendar month is less than the all Royalty Fees and/or Brand Fund Contributions, payable, Franchisee shall remit payment of the difference at the time Franchisee submits the Gross Revenue Report. The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. Franchisor reserves the right to establish one (1) or more point of sale systems (collectively "POS System") that Franchisor may require Franchisee to use from time to time in the operation of the Franchised Business. At Franchisor's option, Franchisor may extract Franchisee's Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.

6.2 Late Fee. If the Royalty Fee, Brand Fund Contribution, any other fee due and payable to Franchisor, or any Gross Revenue Reports is not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of One Hundred Fifty Dollars ($150.00). This late fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay amounts to Franchisor and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.

6.3 Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of eighteen percent (18%) per annum or at the highest rate permitted by law, whichever is lower.

6.4 Insufficient Funds Fee. In the event any of Franchisee's checks are returned, or an electronic funds transfer from Franchisee's bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, an insufficient funds fee of Two Hundred Fifty Dollars ($250.00). This insufficient fund fee is reasonably related to Franchisor's costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.

6.5 Taxes. If any withholding, sales, excise, use, privilege or other tax (excepting Franchisor's income tax obligation) ("Tax Charge") is imposed or levied by any government or governmental agency on Franchisor or Franchisee for any fee due and payable under this Agreement, including but not limited to, the Royalty Fee and Brand Fund Contribution (for the purpose of this Section 6.6, such fee shall be referred to as a "Taxable Payment"), then Franchisee shall pay Franchisor a sum equal to the amount of the Tax Charge, together with the Taxable Payment, such that the net sum received by Franchisor equals the amount of the Taxable Payment without deduction, withholding, payment or application of the Tax Charge.

7. TRAINING.

7.1 Initial Training Program. Franchisee (specifically including all Franchisee's principals) and Franchisee's general manager shall attend and complete to Franchisor's sole and absolute satisfaction, Franchisor's initial training program ("Initial Training Program") prior to the opening of the Franchised Business. All attendees shall have completed Franchisor's online training modules prior to attendance at the in-person Initial Training Program. The in-person Initial Training Program is conducted at Franchisor's headquarters and/or an affiliate-owned outlet. Franchisee must at all times during the term of this Agreement have principal(s) and a general manager who have successfully completed the Initial Training Program to Franchisor's sole and complete satisfaction. No charge shall be made for up to three (3) individuals to attend the Initial Training Program prior to opening the Franchised Business ("Initial Trainees"). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals, and wages.

7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor's sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Training Program. If the Initial Training Program is not satisfactorily completed or if Franchisor, in Franchisor's reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Training Program cannot be satisfactorily completed by Franchisee and Franchisee's Principal(s), Franchisor may terminate this Agreement.

7.3 Opening Assistance. Immediately prior to and upon the opening of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative(s) of Franchisor. The trainer(s) will provide on-site opening training, supervision, and assistance to Franchisee for up to five (5) days at no charge to Franchisee.

7.4 Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time and as may be set forth in the Manual. If required by Franchisor, Franchisee, Principal(s) and/or Franchisee's manager or trainer shall participate in additional training for up to five (5) days per year, and attend an annual systemwide business meeting or conference for up to five (5) days per year, at location(s) designated by Franchisor. Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee's personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals, and wages. Franchisee's failure to attend and/or complete mandatory additional training or failure to attend Franchisor's national business meeting or annual convention is a material default of this Agreement. Franchisee shall be required to (i) pay a non-attendance fee, as set forth in the Brand Standards Manual, and (ii) obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Principal(s), and/or Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing therefor.

7.5 On-Site Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's personnel at the Franchised Business premises. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

7.6 Counseling and Assistance. In addition to visits by Franchisor's field representatives, as

Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either by telephone, video conferencing, e-mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding training, marketing, operation issues, supplier issues, bookkeeping and System improvements.

8. FRANCHISED BUSINESS SITE REQUIREMENTS.

8.1 Site Selection.

8.1.1 Franchisee assumes all cost, liability, expense, and responsibility for obtaining and developing a site for the Franchised Business within the Territory and for constructing and equipping the Franchised Business at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Franchised Business unless and until Franchisor consents. While Franchisor may render assistance to Franchisee in the selection of a site, as set forth in Section 8.1.2 below, Franchisee has sole responsibility for procuring and developing a site for the Franchised Business and Franchisee may and is encouraged to consult with professionals of Franchisee's choosing in discharging such responsibility. Franchisee acknowledges that Franchisor's acceptance of a prospective site is permission only, does not constitute a representation, promise, warranty, or guarantee, express or implied, by Franchisor that the Franchised Business operated at that site will be profitable or otherwise successful, and cannot, and does not, create a liability for Franchisor. Franchisee releases Franchisor from any claims over the site location selection and evaluation by Franchisor, and Franchisee shall hold Franchisor harmless with respect to Franchisee's selection of the site for the Franchisee's Franchised Business.

8.1.2 Franchisee shall locate a site in the non-exclusive site search area ("Site Search Area") set forth on Attachment 2 hereof that satisfies the site selection guidelines provided to Franchisee by Franchisor and shall submit to Franchisor, in writing, a description of the site, together with written certification the site complies with Franchisor's site selection guidelines, and such other information and materials as Franchisor may reasonably require. Recognizing that time is of the essence, Franchisee shall submit such information and materials for a proposed site to Franchisor, and obtain Franchisor's consent thereto, within ninety (90) days after the execution of this Agreement. No site may be used for the location of the Franchised Business unless it is accepted in writing by Franchisor.

8.1.3 Within thirty (30) days after Franchisor has consented to the site for the Franchised Business (or such longer period as Franchisor consents to in writing), Franchisee shall submit to Franchisor a copy of the proposed lease for Franchisor's review thereof prior to its execution. Any lease must include Franchisor's Conditional Assignment of Lease Agreement, a copy of which is attached hereto as Attachment 4. In the event that the landlord requests changes to the Conditional Assignment of Lease Agreement, Franchisee shall pay Franchisor a lease review fee of Five Hundred Dollars ($500.00) for consideration of such request. Franchisor's lease review and consent is limited to provisions for the benefit of the System and Franchisor only. Franchisor does not review and/or negotiate the proposed lease on Franchisee's behalf or for Franchisee's benefit. Within fifteen (15) days after Franchisor's lease review and consent (or such longer period as Franchisor consents to in writing), Franchisee shall execute the lease and obtain physical possession of the premises. Failure by Franchisee to acquire the site for the Franchised Business within the time and in the manner required herein shall constitute a material event of default under this Agreement.

8.1.4 Upon consent by Franchisor to the site for the Franchised Business, Franchisor shall set forth the premises address and Territory in Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and

made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, the Attachment 2 provided to Franchisee shall be deemed final.

8.2 Construction.

8.2.1 Franchisee shall be responsible for obtaining clearances that may be required by state or local laws, ordinances, or regulations or that may be necessary as a result of any restrictive covenants or regulations relating to the Franchised Business premises. Prior to beginning the construction of the Franchised Business, Franchisee shall (a) obtain Franchisor's approval of Franchisee's architect and/or contractor(s), which approval shall not be unreasonably withheld, (b) adapt Franchisor's prototypical construction plans and specifications, provided to Franchisee, for the construction of the Franchised Business premises and submit such adapted plans and specifications to Franchisor for approval, (c) obtain all permits, licenses, insurance and certifications required for the lawful construction or remodeling and operation of the Franchised Business, including, but not limited to, permits for the installation of signage, and (d) certify in writing to Franchisor that all required approvals, clearances, permits, insurance and certifications have been obtained.

8.2.2 During the time of construction or remodeling, Franchisee shall provide Franchisor, or its designated representative, with such periodic reports regarding the progress in obtaining all licenses and permits; and of the construction or remodeling as may be reasonably requested by Franchisor or its representative. In addition, Franchisor or its representative may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. At least thirty (30) days prior to completion of the construction or remodeling, Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling. Within a reasonable time after the date of completion of construction or remodeling, Franchisor or its representative may, at its option, conduct a virtual or in-person inspection of the completed Franchised Business premises improvements.

8.2.3 Franchisee acknowledges and agrees that it will not open the Franchised Business for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

8.3 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business and commence business within one hundred eighty (180) days after Franchisee has executed a lease or purchase contract for the Franchised Business premises, unless Franchisee obtains a written extension of such time period from Franchisor. Franchisor may approve an extension to open of up to ninety (90) days upon Franchisee's request and payment of an opening extension fee of Three Thousand Dollars ($3,000.00) and may approve further thirty (30)-day extension requests for an additional One Thousand Dollars ($1,000.00) each. The date the Franchised Business opens for business to the public shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) complete all exterior and interior preparations for the Franchised Business, including installation and cleaning of equipment, fixtures, furnishings and signs, in accordance with System requirements and the plans and specifications consented to by Franchisor, (ii) satisfactorily complete Franchisor's Initial Training Program, as further set forth in Article 7, (iii) hire and train staff, as required, (iv) obtain all required licenses and insurance (as described in Article 15 hereof) to operate the Franchised Business, and (v) commenced the Grand Opening Campaign in accordance with Section 13.2.3 hereof. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) within twelve (12) months following the Effective Date of this Agreement shall be deemed a material event of default under this Agreement.

8.4 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to Franchised Business premises address and Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the premises of the Franchised Business at any time without Franchisor's written approval and payment of a relocation fee equal to twenty-five percent (25%) of the initial franchise fee then being charged to new System franchisees ("Relocation Fee"). Franchisee shall submit to Franchisor a written request to relocate with a payment of fifty percent (50%) of the Relocation Fee. Franchisor's approval of Franchisee's relocation request shall be granted or denied, in Franchisor's sole and complete discretion of Franchisor, and, if granted, shall be at Franchisee's sole expense. In the event such permission is granted, Franchisee shall (i) identify a site for the replacement premises in accordance with Section 8.1 hereof; (ii) pay the balance of the Relocation Fee upon Franchisor's acceptance of the replacement premises, (iii) construct the replacement premises in accordance with Section 8.2 hereof within one hundred eighty (180) days of executing a lease for the replacement premises (iv) if feasible, continue to operate at the original premises during the construction of the replacement premises, and (v) upon relocation, remove any signs or other property from the original Franchised Business premises which identified the original Franchised Business premises as part of the System. Franchisee's failure to comply with the foregoing requirements shall be a default of this Agreement. Franchisor shall issue a revised Attachment 2, in accordance with Section 8.1.4, to reflect the address of the new Franchised Business premises and adjustment to the Territory, upon approval of the replacement premises site.

9. MAINTENANCE AND IMPROVEMENT OF THE PREMISES AND SYSTEM.

9.1 Maintenance of Franchised Business Premises. Franchisee shall equip and maintain the Franchised Business premises to the standards of décor, sanitation, repair, and condition required by Franchisor, which standards are specified in the Brand Standards Manual and other written directives, standards, and specifications. Franchisee, at Franchisee's expense, shall make such additions, alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repainting and repairs or replacement of worn or impaired décor, materials, furniture, fixtures, equipment, and signage as Franchisor may direct.

9.2 Inspections. Franchisee shall operate and maintain the Franchised Business and Franchised Business premises in conformance with best safety practices and in a manner that will ensure the highest rating possible for businesses of like kind from the governmental authorities that may inspect such businesses in the Territory. Franchisee shall submit to Franchisor a copy of any inspection reports. It shall be a default of this Agreement if, upon inspection, Franchisee does not obtain such rating or if Franchisee fails to operate in accordance with the general standards of quality, maintenance, repairs, and sanitation required by the System, and Franchisor may, at its option, terminate this Agreement.

9.3 Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, all martial arts and fitness equipment, POS Systems, and computer hardware and software, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.4 Trade Dress Modifications.

9.4.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new exterior premises designs, new interior decors, new color schemes, new or modified marks, new or modified interior or exterior signage, and new furnishings (collectively, "Trade Dress Modifications").

9.4.2 No more than once in a five (5)-year period, at Franchisor's request, Franchisee shall refurbish the Franchised Business premises at Franchisee's sole expense, as required by Franchisor, to conform to Trade Dress Modifications. This includes, without limitation, structural changes, remodeling, redecoration, and modifications to existing improvements. Notwithstanding the foregoing restriction on the frequency of Trade Dress Modifications, Franchisee, upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.4.3 Franchisee will accept, use, and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.5 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.6 Franchisee Advisory Council. Franchisor reserves the right to create (and if created the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. Such council will serve in an advisory capacity only with no decision-making authority. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on factors, including but not necessarily limited to, a franchisee's level of success, superior performance, and outlet profitability.

10. FRANCHISOR'S OBLIGATIONS.

Franchisor and/or its designated representative will provide the services described below:

10.1 Site Selection Guidelines. Site selection criteria, as Franchisor may deem advisable. Franchisor shall also accept or reject Franchisee's proposed site in accordance with Section 8.1.2.

10.2 Construction. Criteria and specifications for a Wushu Central's Kung Fu Kids outlet. Such criteria and specifications include, but are not necessarily limited to, criteria with respect to design, materials, and layout. Franchisee shall independently, and at Franchisee's expense, have such criteria and specifications incorporated into the construction of the Franchised Business premises in accordance with Article 8.

10.3 Brand Standards Manual. Access to the Confidential Brand Standards Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.

10.4 Inspection. Inspection of the Franchised Business and evaluations of the services rendered and products sold therein whenever reasonably determined by Franchisor.

10.5 Pre-Opening Requirements. A list of equipment, fixtures, furnishings, signage, supplies, and products that will be required and/or recommended to open the Franchised Business for business.

Franchisor shall also deliver to Franchisee uniforms, shoes, belts, and certain class equipment, following Franchisee's payment therefor.

10.6 Advertising Materials. Samples of certain advertising and promotional materials and information as may be developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.

10.7 List of Supplies/Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of required and/or recommended products and services for System franchisees and a list of approved and/or recommended suppliers of such items. Franchisee acknowledges that Franchisor or Franchisor's affiliate(s) may be the sole approved supplier(s) of certain products and services that Franchisee is required to purchase to operate the Franchised Business.

10.8 Training. The training programs specified in Article 7 herein.

10.9 On-Site Assistance. On-site post-opening assistance at the Franchised Business premises in accordance with the provisions of Article 7.

10.10 Brand Fund. Administration of a Brand Fund in accordance with Section 13.3.

11. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

Franchisee represents and warrants to Franchisor as follows:

11.1 Best Efforts. Franchisee, including each Principal, covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant and covenant that:

11.2.1 The Franchisee entity is duly organized and validly existing under the state law of its formation;

11.2.2 Attachment 5 of this Agreement accurately reflects all individuals with an ownership interest, whether direct or beneficial, in the Franchisee entity;

11.2.3 The Franchisee entity is duly qualified and is authorized to do business in the jurisdiction of the Franchised Business premises and the Territory;

11.2.4 The Franchisee entity's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion; and

11.2.5 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee.

11.2.6 Designated Principal. The Principal designated on Attachment 5 has full authority to communicate to Franchisor decision-making on behalf of Franchisee, notwithstanding any deadlock or tie-breaking mechanism set forth in the Franchisee entity's organizational documents ("Designated Principal").

All communications to Franchisor by the Designated Principal shall be binding upon the Franchisee entity and all Principals and such communications may be relied upon by Franchisor, without the need for independent verification. Franchisee and all Principals shall indemnify and hold harmless Franchisor from any claims arising from Franchisor's reliance on communications of the Designated Principal.

11.3 Financial Documents. All financial statements and tax returns that Franchisee or Principal provides to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.4 Spouse Guaranty. If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 6 hereof.

11.5 Appointment of Manager.

11.5.1 Franchisee may appoint a non-owner general manager ("General Manager") to direct the day-to-day operation and management of the Franchised Business premises in accordance with Sections 1015.2 and 11.5.3 below; provided, however, Franchisee shall remain at all times ultimately responsible for ensuring that the operation of the Franchise complies with Franchisor's standards and all provisions of the Operations Manual and this Agreement.

11.5.2 The General Manager shall, during the entire period he or she serves as General Manager, meet the following qualifications:

11.5.2.1 The General Manager shall meet Franchisor's standards and criteria for such individual, as set forth in the Brand Standards Manual or otherwise in writing by Franchisor and shall be an individual otherwise acceptable to Franchisor in its sole discretion.

11.5.2.2 The General Manager shall devote his or her full time and best efforts to the supervision and management of the Franchised Business and may not engage in any other competitive business activity without the Franchisor's consent, which may be withheld in Franchisor's sole discretion.

11.5.2.3 The General Manager shall satisfy the training requirements set forth in Article 7.

11.5.3 If the General Manager is not able to continue to serve in such capacity, or no longer qualifies to act as such in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate a replacement within thirty (30) days after the General Manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee's replacement General Manager shall attend and satisfactorily complete the Initial Training Program, at Franchisee's sole cost and expense, including the payment of the then-current tuition. Until such replacement is designated and trained, Franchisee shall provide interim management of the Franchised Business, who shall act in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section shall be deemed a material event of default under this Agreement. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee the then-current interim management support fee until such General Manager is properly trained or certified in accordance with Franchisor's requirements, plus any and all costs of travel, lodging, meals and other

expenses reasonably incurred by Franchisor, and shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.3.

11.6 Legal Compliance. Franchisee shall comply with all federal, state, and local laws, rules and regulations and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business; health and sanitation inspections, if and when required; fictitious name registrations; sales and other tax permits; reporting and payment of all taxes; Privacy Laws, fire and police department clearances; Americans With Disability Act compliance; compliance with all federal, state or local data privacy laws, rules, and regulations; certificates of occupancy; any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation, and compliance otherwise with all environmental laws, rules, and regulations; and any other requirement, rule, law or regulation applicable to Franchisee or in the jurisdiction of the Territory. Franchisee shall further comply with all industry best practices with respect to children's fitness instruction and safety.

11.7 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which in any way relating to or affecting the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business premises, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment on any broadcast medium, except as directed by Franchisor.

11.8 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents included in Attachment 7 to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers, listings, and passwords and administrator rights for all email and social media accounts used or created by Franchisee. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.

11.9 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all tax returns and reports related to the Franchised Business filed by Franchisee with any state or federal taxing authority.

11.10 Security Agreement. To secure payment of all sums owing to Franchisor from Franchisee, whether they be Royalty Fees, Brand Fund Contributions, and/or other fees, costs, damages, or reimbursements pursuant to this Agreement or any other agreement between Franchisor and Franchisee and/or Principal(s), Franchisee grants Franchisor a security interest in the Collateral (as hereafter defined) and further agrees:

11.10.1 The Collateral means all furniture, fixtures, equipment, signage, inventory, and supplies of the Franchised Business, wherever located, that are now owned or hereafter acquired, and any additions, substitutions, replacements, or products thereof or proceeds therefor.

11.10.2 This Agreement shall be deemed a security agreement, and Franchisor, in Franchisor's discretion, may file with applicable state agencies or offices with this Agreement and/or one or more financing statements indicating Franchisor's secured interest in the Collateral. Franchisee shall cooperate with Franchisor and shall execute such documents as may be necessary for Franchisor to perfect its security interests.

11.10.3 Upon a default of this Agreement by Franchisee, all sums owing to Franchisor from Franchisee shall be immediately due and payable, and Franchisor shall have the immediate right to possession and use of the Collateral, which includes Franchisor right to enter upon any premises, without legal process, where the Collateral may be found. Franchisor further shall have all rights, options, duties, and remedies of a secured party pursuant to the Uniform Commercial Code, as adopted by the State where the Collateral is located, including the right to dispose of the Collateral in accordance therewith.

11.10.4 Franchisor's exercise of its rights with regard to the Collateral are in addition to and not exclusive of any other rights or remedies that Franchisor may have pursuant to this Agreement, at law, or in equity for Franchisee's breach of this Agreement.

11.11 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties, and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties, and covenants.

12. FRANCHISEE'S OPERATIONS.

12.1 Operation of Franchised Business Premises. To maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Brand Standards Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

12.1.1 Use only those furnishings, fixtures, décor, equipment, inventory, supplies and signage that conform with Franchisor's specifications and/or which shall be purchased from only those vendors then-currently designated and approved by Franchisor. Franchisee acknowledges and agrees that: (i) Franchisor and/or Franchisor's affiliate may be a designated supplier or sole approved supplier of any product or service that Franchisee is required to lease or purchase, (ii) Franchisor and/or Franchisor's affiliate may receive payment from supplier(s) related to Franchisee's required purchases or leases, and (iii) any payments so received are for Franchisor's benefit only and may be used or applied in any manner determined by Franchisor in Franchisor's sole and absolute discretion;

12.1.2 Maintain and operate the Franchised Business premises in attractive condition and good repair, using Franchisee's best efforts to maintain a clean, enjoyable and inviting atmosphere therein in accordance with System standards, the Brand Standards Manual and all other directives and requirements of Franchisor, and do such redecoration, repairing, refurbishing and restoration as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time. Franchisee, at Franchisee's sole expense, shall cause Franchisee's equipment to be regularly serviced in accordance with any warranty and manufacturer's guidelines and the Brand Standards Manual;

12.1.3 Procure the necessary licenses or permits, and otherwise comply with all applicable governmental laws, ordinances, rules and regulations relating to all aspects of the operation of the Franchised Business;

12.1.4 Maintain sufficient inventories of equipment, supplies and merchandise held for resale, as prescribed by Franchisor;

12.1.5 Conduct sales in accordance with Franchisor's standards and specifications. Franchisee acknowledges and accepts that Franchisee may only engage in providing martial arts instruction and programming to end-consumers. Franchisee is expressly prohibited from selling products or services using the Franchised Business operations, assets and/or premises (i) that are not a part of the Wushu Central's Kung Fu Kids System or that are not approved by Franchisor, (ii) outside of the Franchised Business premises (excluding off-site events in the Territory permitted with Franchisor's prior approval), (iii) on the internet (provided that Franchisee may conduct program registration and payment online through Franchisor's approved platform(s)), or (iv) to dealers and/or distributors for subsequent re-sale. Engaging in such sales shall be a material default of this Agreement;

12.1.6 Employ only qualified individuals, with first aid and CPR certifications as set forth in the Brand Standards Manual and other certification(s) required by the laws and regulations of the Territory, who Franchisee has trained to provide System goods and services in accordance with Franchisor's standards, which includes but is not limited to, the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to customers of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;

12.1.7 Permit Franchisor or its agents, to inspect the Franchised Business premises and any services, products, or equipment, to determine whether they meet Franchisor's then-current standards, specifications, and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;

12.1.8 Prominently display signs in and upon the Franchised Business premises using the Marks and/or other advertising and/or signs of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to not display in or upon the Franchised Business premises or elsewhere any sign or advertising media of any kind to which Franchisor reasonably objects, including signs and advertising media which have not been approved by Franchisor, or which have been improperly made or are outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon the Franchised Business premises or elsewhere and remove any objectionable or non-approved signs or advertising media and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort;

12.1.9 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks. In particular, Franchisee shall comply with all applicable federal, state, and local telemarketing, telephone solicitation, do-not-call, text/SMS marketing, and related consumer protection laws, rules, and regulations applicable to the Franchised Business ("Telemarketing

Laws"). Such Telemarking Laws include compliance with the Federal CAN-SPAM Act's general rules for commercial email, opt-out rules, and other communication messages and the Telephone Consumer Protection Act, as amended, and compliance with any registration, license, and/or permit requirements. Franchisor may at any time inspect, audit, and review Franchisee's advertising and telemarketing-related procedures, and Franchisee shall, at Franchisee's sole expense, implement any corrective actions that Franchisor's requires.

12.1.10 Accept and honor all loyalty cards, promotional coupons, or other System-wide offers, on a uniform basis, as accepted by other franchisees in the System.

12.2 Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures and chart of accounts specified by Franchisor. Franchisee agrees to purchase the POS System and other computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial data of Franchisee's Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's proprietary information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System.

12.2.2 Within ten (10) days after the close of each calendar month and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate.

12.2.4 Franchisor reserves the right to require Franchisee, at Franchisee's expense, to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds an understatement of any Gross Revenue Report, Franchisee shall pay Franchisor the amounts due together with interest thereon at the rate provided herein, and if understated by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination. Such understatement may be considered a material default hereunder. Three (3) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the POS System and computer hardware, software and applications Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Brand Standards Manual or otherwise in writing.

12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.

12.3.3 Franchisee may capture customer data only in strict accordance with Franchisor's specifications and only using those technologies and processes that are approved by Franchisor. Franchisee shall comply with Franchisor's data privacy policies, as well as industry standards, Payment Card Industry Data Security Standard, and applicable law regarding the collection, storage, disclosure, processing, and use of customer data, including, if and when required, providing privacy notices and obtaining customer consents. Notwithstanding, Franchisee is expressly prohibited from selling, sharing, or otherwise disclosing any customer data to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising.

12.3.4 Any and all customer data collected or provided by Franchisee, retrieved from Franchisee's POS System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and will be considered to be Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; and in compliance with all data privacy, security, and other applicable laws; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

12.3.5 Franchisee shall comply with industry standards and applicable law in connection with the collection, storage, disclosure, processing, and use of customer data, including, if required under applicable law, providing all necessary privacy notices and obtaining consents from customers to use of the customer data. Franchisee shall comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements, as well as data privacy and security policies, procedures, and other requirements Franchisor may periodically establish ("Privacy Laws").

12.3.6 Franchisee shall not sell, share, make available, or otherwise disclose any customer data to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising. Franchisee warrants and represents that it shall not transmit or cause any other party to transmit advertisements or solicitations via e-mail, SMS text message, or other electronic media without first obtaining Franchisor's written consent as to both the content and Franchisee's plan for transmitting such advertisements. Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), and to use of automatic dialing systems, SMS text messages, and artificial or prerecorded voice messages, including but not limited to the Telephone Consumer Protection Act of 1991 ("TCPA"), as amended from time to time. Franchisee shall comply with the Fair and Accurate Credit Transactions Act (FACTA) and all other consumer protection laws and regulations.

12.3.7 Franchisor has the right, but not the obligation, to create data protection and securities policies. If created, Franchisee shall comply with all such policies as described in the Manual, which may be supplemented, modified, or amended from time to time in Franchisor's sole discretion upon thirty (30) days' notice to Franchisee.

12.3.8 Franchisee shall notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Business and shall fully cooperate with Franchisor and its counsel. Franchisee is responsible for any financial losses incurred or remedial actions required as a result of breach of Privacy Laws, security, or unauthorized access to customer data in its control or possession, including but not limited to, costs associated with preparing and sending legally-required notifications to affected individuals, regulators and attorneys general, engagement of information technology consultants, public relations, and other similar crisis management services, legal and accounting fees and expenses associated with Franchisor's investigation of and response to the data breach, and costs for credit reporting services that are associated with legally required notifications or are advisable under the circumstances.

12.3.9 Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops or acquires for use in the System.

12.3.10 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall utilize the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the internet except as provided and specifically permitted herein.

12.3.11 Franchisor has established a website that provides information about the System and the products and services offered by the Wushu Central's Kung Fu Kids System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website with Franchisee's Franchised Business address, and may, at Franchisor's option, provide Franchisee with a linked webpage for the Franchised Business. Franchisee has no ownership or other proprietary rights to Franchisor's Website and Franchisee will lose all rights to such listing and/or webpage of Franchisee's outlet upon expiration or termination of this Agreement for any reason.

12.3.12 In addition to Franchisee's obligation pursuant to Section 6.2 hereof, Franchisee shall pay all fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software and applications, installation costs and regularly recurring fees for software, internet access, webpage maintenance fees, telecommunication systems, license fees, help desk fees, and licensing or user-based fees.

12.3.13 Franchisee shall abide by Franchisor's data privacy policies. Nonetheless, Franchisee is solely responsible for maintaining the security and integrity of the computer and payment processing systems used in the Franchised Business and the customer and other data stored therein and shall comply with all data protection, privacy, or security laws as well as then-current Payment Card Industry Data Security Standard of the PCI Security Standards Council (PCI-DSS). Franchisee, at Franchisee's sole cost and expense, shall implement all computer hardware, software, and internet security procedures, including required updates or upgrades thereto, that are reasonably necessary to protect Franchisee's computer and payment processing systems and the data stored therein from viruses, malware, privacy breaches or other unauthorized access. Franchisee shall notify Franchisor immediately of any actual or suspected data breach of Franchisee's computer systems and shall, at Franchisee's sole expense, cooperate fully with Franchisor and Franchisor's counsel to investigate the data breach and implement remedial measures. Franchisee shall defend, indemnify, and hold harmless Franchisor for any and all costs, expenses, and/or attorney's fees incurred in connection with the data breach, including but not limited to, costs associated with legal notifications, credit monitoring, and crisis management services.

12.4 Safety and Security of Premises. Franchisee is solely responsible for the safety and security of the Franchised Business premises for Franchisee, Franchisee's personnel, agents, customers, and the general public. Any suggestions by Franchisor on such matters are for guidance only and not binding on Franchisee. All matters of safety and security are within Franchisee's discretion and control, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.

12.5 Prices. Subject to applicable law, Franchisor may set advertised and/or maximum prices for System services and products. Franchisee shall have the right to sell its products and services at any price within Franchisor's parameters as Franchisee determines. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.

12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, together with the then-current evaluation fee ("Evaluation Fee"), prior to purchasing, leasing, or utilizing such product, service or supplier. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. If Franchisor fails to respond to Franchisee's submission within said thirty (30) days, such item or supplier shall be deemed "disapproved." Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier. Should Franchisor approve Franchisee's proposed item or supplier for use by the entire System, Franchisor will reimburse to Franchisee the Evaluation Fee.

12.7 External Quality Assurance Services. Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, mystery shop programs and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's request and at Franchisee's sole cost and expense, Franchisee shall subscribe to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor.

12.8 Operational Standards Violation. Franchisor has established certain operational standards, as set forth in the Brand Standards Manual. Franchisee acknowledges that any deviation from an operational standard constitutes a violation of this Agreement and will require Franchisor to incur incalculable administrative and management costs to address such violation. Accordingly, Franchisee agrees that, to compensate Franchisor for its incalculable administrative and management costs due to any repeated operational standard violations by Franchisee, in the event that Franchisee violates the same operational standard twice or more in any twelve (12) – month period, Franchisee shall pay Franchisor an Operational Standards Violation Fee, as set forth in the Brand Standards Manual. Thereafter, Franchisor may charge a continuing Operational Standards Violation Fee weekly until such time as the violation is cured. Franchisee hereby authorizes Franchisor to take payment of the Operational Standards Violation Fee(s), at Franchisor's option, through electronic funds transfer or ACH payment. Franchisor need not give Franchisee a cure opportunity before charging the Operational Standards Violation Fee, and Franchisor's imposition of an Operational Standards Violation Fee does not preclude Franchisor from seeking injunctive relief to restrain any subsequent or continuing violation, formally defaulting and terminating this Agreement or exercising any of Franchisor's rights under this Agreement.

12.9 Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

13. ADVERTISING, PROMOTIONS AND RELATED FEES.

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

13.2 Local Advertising.

13.2.1 Following the expenditures set forth in Section 13.2.3 below, Franchisee shall spend monthly, throughout the term of this Agreement, not less than Two Thousand Five Hundred Dollars ($2,500.00) per month in the Territory set forth in Attachment 2 ("Local Advertising"). Franchisor reserves the right to increase Franchisee's minimum Local Advertising expenditure by up to ten percent (10%) annually. Franchisor reserves the right to require Franchisee to engage Franchisor's designated marketing vendor(s) to conduct some or all of Franchisee's Local Advertising on Franchisee's behalf. Franchisor further may require Franchisee to allocate to an advertising cooperative, as described in Section 13.4, up to fifty percent (50%) Franchisee's required Local Advertising expenditures. Such allocation will be in partial satisfaction of Franchisee's obligations pursuant to this Section 13.2.1.

13.2.2 Within ten (10) business days of Franchisor's request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee's Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall ***not*** be included in Franchisee's expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee's personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.2.3 Franchisee shall spend a minimum of Five Thousand Dollars ($5,000.00) per month on Local Advertising and promotional activities in the Territory commencing one (1) month prior to, and for the twelve (12) months following, the Opening Date ("Grand Opening Campaign"). Franchisee shall conduct the Grand Opening Campaign in accordance with plans approved by Franchisor pursuant to Section 13.6. Franchisor reserves the right to collect some or all of Franchisee's Grand Opening Campaign expenditures and implement Grand Opening Campaign activities on Franchisee's behalf.

13.2.4 Notwithstanding any Local Advertising or Grand Opening Campaign activities conducted by Franchisor or Franchisor's designated marketing vendor(s) in the Territory on Franchisee's behalf, Franchisor makes no representation or warranty that such activities will be successful or will yield any particular level of sales for Franchisee, and Franchisee hereby waives any and all claims against Franchisor relating thereto.

13.3 Brand Fund.

13.3.1 Franchisor has established a national Brand Fund (the "Brand Fund") on behalf of the System for national advertising, marketing, and business system development and enhancements. Franchisee is required to contribute up to four percent (4%) of the Gross Revenues generated by Franchisee's Franchised Business to the Brand Fund ("Brand Fund Contribution"). Payments will be made in the same manner and time as the Royalty Fees in accordance with Sections 6.1.3 and 6.1.4 hereof. Brand Fund Contributions are separate, and in addition to, Franchisee's required Local Advertising expenditures.

13.3.2 Franchisor shall direct all Brand Fund activities and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Wushu Central's Kung Fu Kids outlets operated by Franchisor or Franchisor's affiliates.

13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising); public relations activities; customer and franchise system surveys; call center services; System-wide franchisee development programs and activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website, social media platforms, apps, and other operations, communications, and customer service technology and providing such technology to Wushu Central's Kung Fu Kids franchisees and/or customers for the benefit of the Wushu Central's Kung Fu Kids brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Brand Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating "Franchises Available."

13.3.5 The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs, staff salaries of Brand Fund personnel and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit except that any resulting technology and intellectual property shall be deemed the property of Franchisor.

13.3.6 Franchisor will prepare an unaudited annual statement of the Brand Fund's operations and will make it available to Franchisee upon request. In administering the Brand Fund,

Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

13.4 Regional Advertising. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee's share of the total cost of cooperative advertising, in addition to required Brand Fund Contributions.

13.5 Directory Listings and Social Media Presence. At Franchisee's sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on internet search engines. If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Facebook, Instagram, Twitter, X, Bluesky, LinkedIn, YouTube, Threads, Tik Tok, blogs, or any other social media and/or networking site without Franchisor's prior written approval, and use of any social media accounts shall be in strict accordance with Franchisor's requirements. Franchisor reserves the right, in Franchisor's sole discretion, to revoke approval of Franchisee's social media use at any time. Franchisor further reserves the right to manage all social media accounts on Franchisee's behalf or require Franchisee, at Franchisee sole expense, to use Franchisor's designated marketing vendor to provide such management. Franchisee shall provide Franchisor with all passwords and administrative rights to any and all social media accounts for the Franchised Business, and Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking whatever action as is necessary for the best interest of the System, if Franchisee fails to maintain such accounts in accordance with Franchisor's standards. Franchisee acknowledges that Franchisee's maintenance of social media accounts for the Franchised Business confers upon Franchisee no ownership interest in Franchisor's Intellectual Property, as described in Article 14.

13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval all proposed advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use ("Proposed Local Advertising"), including, without limitation, any Proposed Local Advertising in digital, electronic, or computerized form; any Proposed Local Advertising based on a template provided by Franchisor; or any Proposed Local Advertising in any form of media. Franchisee's approval request shall also include the proposed media and duration in which Franchisee intends to broadcast the Proposed Local Advertising. Franchisor shall approve or disapprove such Proposed Local Advertising within ten (10) business days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within ten (10) business days, such Proposed Local Advertising shall be deemed "disapproved". Franchisee shall not use such unapproved Proposed Local Advertising until they have been approved by Franchisor in writing and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee acknowledges that any approved Local Advertising shall be limited to the specific form, color, content, media, and time period requested and/or set forth in Franchisor's approval notice. If Franchisee desires to (i) modify any aspect of approved Local Advertising, or the medium or duration of broadcast, or (ii) re-use

previously approved Local Advertising, whether in the same or different media, after the expiration of the initially approved time period, Franchisee shall submit to Franchisor a new request for approval. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Wushu Central's Kung Fu Kids brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

14. INTELLECTUAL PROPERTY.

14.1 Ownership.

14.1.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) are the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) claim copyrights on certain material used in the System, including but not limited to, instructional material, the Website, documents, photographs, videos, social media content, advertisements, promotional materials and the Brand Standards Manual, whether or not Franchisor and/or Franchisor's affiliate(s) have filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor's trade secrets, service marks, trade dress and proprietary systems are hereafter collectively referred to as the "Intellectual Property".

14.1.2 As between Franchisor and Franchisee, Franchisor and/or Franchisor's affiliate(s) are the owner of all right, title, and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor's and/or Franchisor's affiliate(s)'s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's and/or Franchisor's affiliate(s)'s service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business premises or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and/or Franchisor's affiliate(s), and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.

14.4 Validity. Franchisee shall not contest the validity of, or Franchisor's and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property.

14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor's and/or Franchisor's affiliate(s)'s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor and/or Franchisor's affiliate(s) with all assignments, affidavits, documents, information and assistance Franchisor and/or Franchisor's affiliate(s) reasonably request to fully vest in Franchisor and/or Franchisor's affiliate(s) all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor and/or Franchisor's affiliate(s) to register, maintain and enforce such rights in the Intellectual Property.

14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions, or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses, or damages.

14.7 Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "Wushu Central's Kung Fu Kids" and design. Franchisee shall not use the Marks, or any portions, variations, or derivatives thereof, as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of Kung Fu Kids Franchise LLC".

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent Wushu Central's Kung Fu Kids franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 License to Others. Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under

such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

14.10 Registration Prohibited. Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity, or corporation.

15. INSURANCE AND INDEMNIFICATION.

15.1 Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies, which shall be primary and non-contributory to any insurance that Franchisor may carry. Franchisee's insurance shall be provided by insurance companies with an A.M. Best rating of not less than A-VII, protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Brand Standards Manual or otherwise in writing):

15.1.1 Liability. Commercial general liability insurance for bodily injury and property damage, including personal and advertising injury, in the amount of at least One Million ($1,000,000) per occurrence and Two Million ($2,000,000) aggregate, with no exclusion for assault and battery;

15.1.2 Employment. Worker's compensation coverage in the limits required by state law of the Territory; employer liability insurance in the amount of One Million Dollars ($1,000,000); employer practices liability insurance that names Franchisor as co-defendant in the amount of One Million Dollars ($1,000,000) for employment wrongful acts, including third party liability for harassment and discrimination of non-employees; and wage and hour defense coverage in the minimum amount of One Hundred Thousand Dollars ($100,000), as well as such other insurance as may be required by statute or rule of the state in which the Franchised Business is operated;

15.1.4 Property. Special Form coverage for all property damage with primary and excess limits of not less than the full replacement value of the leasehold improvements, equipment, furniture, fixtures, inventory, and supplies, or the amount required by the lease for the Franchised Business premises, whichever is greater, as well as flood or earthquake coverage in geographically-prone areas;

15.1.5 Business Interruption. Business interruption insurance for a minimum of twelve (12) months, in an amount necessary to satisfy Franchisee's obligations under this Agreement and the lease for the Franchised Business premises, including an extended period of indemnity for one hundred eighty (180) days;

15.1.6 Automobile Insurance. Prior to operating a vehicle on behalf of the Franchised Business, comprehensive automobile liability insurance in the amount of One Million Dollars ($1,000,000) combined single limit for all owned, non-owned and hired vehicles used in the operation of the Franchised Business; and

15.1.7 Cyber Liability. Cyber Liability Insurance in the amount of One Million Dollars ($1,000,000) for all first and third party claims, including but not limited to, cyber data breaches, identity theft, PCI compliance, ransomware, notification costs and defense expenses and social engineering sublimit of no less than One Hundred Thousand Dollars ($100,000).

15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with

Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. Franchisee shall deliver the initial Certificate of Insurance no later than ten (10) days before Franchisee opens the Franchised Business. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Brand Standards Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of fifteen percent (15%) of the cost for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. The laws and regulations of the Territory or the landlord of the Franchised Business premises may require other coverages or higher minimum limits in addition to the insurance set forth in Section 15.1. Franchisor further reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor and their affiliates and their members, officers, agents, and employees as additional insureds as their interests may appear. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees, and all required insurance policies shall contain a waiver of subrogation in favor of the additional insureds.

15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS KUNG FU KIDS FRANCHISE LLC, AND ANY OF ITS PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS AND MEMBERS (COLLECTIVELY REFERRED TO AS THE "FRANCHISOR PARTY INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO FRANCHISEE'S FRANCHISE AND/OR THE OPERATION THEREOF, INCLUDING BUT NOT LIMITED TO, ANY CLAIM IN CONNECTION WITH FRANCHISEE'S EMPLOYEES OR AGENTS; FRANCHISEE'S COMPUTER SYSTEMS (INCLUDING COMPLIANCE WITH PRIVACY LAWS); THE FRANCHISED BUSINESS PREMISES; OR FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL FRANCHISOR PARTY INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE FRANCHISOR PARTY INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE FRANCHISOR PARTY INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE FRANCHISOR PARTY INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE FRANCHISOR PARTY INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE FRANCHISOR PARTY INDEMNITEES.

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16. TRANSFERS.

16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation, or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory, proximate thereto, or proximate to any of Franchisee's outlets). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory to a Wushu Central's Kung Fu Kids franchise outlet during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the martial arts instruction business or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principal(s) of the Franchise as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Neither Franchisee nor any Principal(s) shall directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law, unless Franchisee or Principal(s) first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it

is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee and Principal(s) have complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor and be individuals of good character and otherwise meet Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude, and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;

16.3.5 The transferee agrees to renovate, refurbish, remodel, and/or replace, at the transferee's own cost, elements of the Franchised Business premises, signage and/or equipment within timeframes specified by Franchisor to comply with Franchisor's then-current specifications;

16.3.6 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;

16.3.7 Franchisee and the transferee and each of Franchisee's and the transferee's Principal(s) shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;

16.3.8 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;

16.3.9 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or Principal has agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor; and

16.3.10 If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.

16.4 As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee ("Transfer Fee") equal to fifty percent (50%) of the initial franchise fee then being charged to new System franchisees; provided however, for a transfer to (i) an existing franchisee in good standing, the Transfer Fee is one-third

(1/3) of the initial franchise fee then being charged to new System franchisees, or (ii) a spouse, parent or child upon death or permanent disability of Franchisee or Franchise's Principal, as the case may be, the transfer fee is Three Thousand Five Hundred Dollars ($3,500.00). For all proposed transfers (excluding those pursuant to clause (ii) of this Section), Franchisee shall pay Franchisor Five Thousand Dollars ($5,000.00), as a non-refundable deposit of the transfer fee, at the time Franchisee requests Franchisor's consent pursuant to Section 16.3. The balance of the transfer fee is due and payable on or before the transferee's execution of the new franchise agreement or assignment of this Agreement. No transfer fee will be assessed to add as a party to this Agreement a business entity or new shareholder or member of the Franchisee entity where such addition does not change management control of the franchise.

16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer and shall provide such information and documentation relating to the offer as Franchisor may require.

16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.

16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (vi) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.

16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

16.7 Death or Permanent Disability. The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any Principal, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall transfer Franchisee's or Principal's interest in the Franchise within six (6) months from the date of death or permanent disability to a third party approved by Franchisor. A transfer under this Section 16.7,

including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise, or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Principal(s) nor waive its right to demand that the transferee comply strictly with this Agreement.

16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee seeks and/or obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any Collateral Franchisee uses to secure the SBA Financing, and Franchisor and Franchisee further agree that (i) the provisions of Attachment 9 are fully incorporated herein and applicable to Franchisor and Franchisee, (ii) Franchisor shall subordinate its security interest or other lien on Franchisee's Collateral to that of the lender of the SBA Financing and (iii) Franchisor waives the requirement of the written acknowledgement referenced in this Section.

17. DEFAULTS.

17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee entity is dissolved; or if execution is levied against Franchisee's business or property; or if suit

to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

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

17.2.1 has misrepresented or omitted material facts in applying for the Franchise;

17.2.2 fails to (i) acquire a site for the Franchised Business, (ii) complete construction of the Franchised Business premises, (iii) obtain all licenses and permits before opening, or (iv) open the Franchised Business within the time and in the manner specified in Article 8.

17.2.3 ceases to operate the Franchised Business for a period of five (5) days or more, subject to loss or casualty which is governed by Section 17.2.4 and Section 17.2.5;

17.2.4 loses for any cause whatsoever the right of possession of the Franchised Business premises; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.4;

17.2.5 fails to restore the Franchised Business premises to full operation within a reasonable period of time but not more than one hundred twenty (120) days from the date the Franchised Business premises is rendered inoperable by any casualty, as may be extended by Franchisor in Franchisor's reasonable discretion;

17.2.6 fails to comply with any federal, state, or local law, rule, or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;

17.2.7 defaults under any lease or sublease of the real property on which the Franchised Business premises is located;

17.2.8 understates Gross Revenue on three (3) occasions or more, whether or not cured on any or all of those occasions;

17.2.9 fails to comply with the covenants in Article 15;

17.2.10 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

17.2.11 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal as required by Section 16.7.

17.2.12 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks; or engages in any other conduct that may harm the reputation of the System or the goodwill associated with the Marks;

17.2.13 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is

likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

17.2.14 conceals revenues, knowingly maintains false books or records, submits any false reports, fails to input all sales into the POS System, or otherwise attempts to circumvent Franchisor's sales and data reporting requirements;

17.2.15 creates a threat or danger to public health or safety from the construction, maintenance, or operation of the Franchised Business;

17.2.16 refuses to permit Franchisor to inspect the Franchised Business premises or audit Franchisee's books or records;

17.2.17 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);

17.2.18 fails to comply with the non-competition covenants in Section 19.5;

17.2.19 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)–month period, whether or not the defaults have been corrected;

17.2.20 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;

17.2.21 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or

17.2.22 terminates this Agreement without cause.

17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)–month period, and the third such late payment in any twelve (12)–month period shall be a non-curable default under Sections 17.2.19 and/or 17.2.20;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)–month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 17.2.19.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 enter upon the Franchised Business premises and exercise complete authority with respect to the operation thereof until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control, and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor the then-current interim management support fee, plus any and all costs of travel, lodging, meals, and other expenses reasonably incurred by Franchisor during Franchisor's operation thereof as compensation therefor. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals, and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement. Franchisee further agrees that, notwithstanding Franchisor's exercise of control of the Franchised Business pursuant to this Section, Franchisee shall indemnify and hold harmless Franchisor and Franchisor's representatives for any and all claims arising during such period of Franchisor's control or otherwise arising therefrom.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee to direct suppliers to stop furnishing any and all products and supplies until such time as Franchisee's default is cured. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Principal's Default. Franchisee and each Principal acknowledge and agree that a default event described in this Article 17 that is committed by any Principal is deemed a default by the Franchisee entity and all Principals, such that Franchisor may exercise its rights pursuant to this Article 17, whether or not the Franchisee entity or any other Principal had or has involvement or knowledge of the default event.

17.7 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorneys' fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

18. POST-TERMINATION.

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

18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly, or indirectly identify himself, herself, or itself as a current Wushu Central's Kung Fu Kids owner, franchisee, or licensee;

18.1.2 immediately and permanently (i) cease to use the Marks, any imitation of any Mark, logos, copyrighted material, or other intellectual property, confidential or proprietary material or indicia of a Wushu Central's Kung Fu Kids outlet, (ii) cease to use any trade name, trade or service mark or other commercial symbol that suggests a current or past association with Franchisor, Franchisor's affiliates, or the System and (iii) de-identify the Franchised Business premises. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms, and any other articles, which display the Marks;

18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business premises at the time of default;

18.1.5 pay to Franchisor all damages for any breach or early termination of this Agreement, plus, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor, including injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;

18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Brand Standards Manual and all records, files, instructions, correspondence, invoices, agreements, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to customer lists and records, and advertising material (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;

18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19; and

18.1.8 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to the greater of: (A) Fifty Thousand Dollars ($50,000) or (B) (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of Franchisee's termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

18.2 Right to Purchase.

18.2.1 Franchisor shall have the option, to be exercised within thirty (30) days after the termination of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including computer systems), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after Franchisor notifies Franchisee that Franchisor exercises its option to purchase the assets.

18.2.2 With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its option in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.8, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4 Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

19.1 Brand Standards Manual.

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

19.1.2 Franchisee and Principal(s) shall at all times treat the Brand Standards Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Principal(s) shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform Franchisee's employees on all the restrictions, terms, and conditions under which it is permitted to use Franchisor's intellectual, proprietary, and confidential information; and shall ensure Franchisee's employees' compliance with such restrictions, terms, and conditions. Franchisee, Principal(s), and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Brand Standards Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Brand Standards Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Brand Standards Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies and return and cease using any physical copy of the Brand Standards Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination, or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Brand Standards Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Brand Standards Manual, the terms of the master copy of the Brand Standards Manual maintained by Franchisor shall control.

19.2 Confidential Information. Franchisee and Principal(s) acknowledge and accept that during the term of this Agreement, Franchisee and Principal(s) will have access to Franchisor's trade secrets, including, but not limited to, methods, processes, standards, know-how, designs, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, pricing formulae, equipment, marketing materials, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; curricula; instructional materials; electronic code, curriculum, access codes, identification codes, and similar information that allows access

to restricted content; and any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Franchisee and Principal(s) covenant and agree that Franchisee and Principal(s) shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or Principal(s) or of which Franchisee or Principal(s) may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and Principal(s) shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.11 hereof. Franchisee and Principal(s) shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenants in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

19.4 New Concepts. If Franchisee or Principal(s) develops any new concept, process, product, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and Principal(s) acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate. Franchisee acknowledges and agrees that nothing in this Section 19.4 permits Franchisee to test, introduce, provide, or otherwise offer any Improvement to customers, or use any Improvement in the operation of the Franchised Business, unless and until Franchisor consents to the use of the Improvement for such purpose.

19.5 Noncompetition Covenants. Franchisee and Principal(s) specifically acknowledge that, pursuant to this Agreement, Franchisee and Principal(s) will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee and Principal(s). Franchisee and Principal(s) acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and Principal(s) are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and Principal(s) covenant and agree that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and each Principal shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any capacity in any children's martial

arts instruction business ("Competitive Business"); or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Wushu Central's Kung Fu Kids franchisees or Franchisor-affiliated outlets.

19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any Competitive Business within fifteen (15) miles of the Territory or of any Wushu Central's Kung Fu Kids or Wushu Central Martial Arts Academy outlet; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Wushu Central's Kung Fu Kids franchisees.

19.6 Reasonableness of Restrictions. Franchisee and Principal(s) acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principal(s) since Franchisee or Principal(s), as the case may be, have other considerable skills, experience and education which afford Franchisee or Principal(s), as the case may be, the opportunity to derive income from other endeavors.

19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and Principal(s) acknowledge that a violation of the covenants of confidentiality and non-competition contained in this Agreement would result in immediate and irreparable injury to Franchisor for which monetary damages cannot fully remedy. Accordingly, Franchisee and Principal(s) hereby consent to the entry of a temporary and permanent injunction prohibiting any conduct by Franchisee or Principal(s) in violation of the terms of the covenants set forth in this Article 19 and hereby agree to waive any and all defenses to the entry of such injunction(s). Notwithstanding, Franchisee and Principal(s) acknowledge and agree that the foregoing injunctive relief is in addition to, and does not restrict Franchisor from pursuing, any and all claims for monetary damages resulting from a breach by Franchisee or Principal(s) of the covenants contained herein.

19.9 Liquidated Damages – Violation of Confidentiality or Non-Competition Covenants. In the event Franchisee and/or Principal(s) violate the covenants of confidentiality and/or non-competition set forth herein, Franchisee and/or Principal(s) shall pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) an amount equal to One Hundred Thousand Dollars ($100,000.00), plus Franchisor's attorney's fees, for each such violation. Franchisee and Principal(s) acknowledge that a precise calculation of the full extent of the damages that Franchisor will incur in the event of Franchisee's and/or Principal(s)' violation of the covenants of confidentiality and/or non-competition is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 19.9 shall be in addition to all other amounts payable under this

Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision hereof.

19.10 No Defense. Franchisee and Principal(s) expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Article 19.

19.11 Covenants of Employees, Agents, and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Article 19 (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors or third persons who will have access to Franchisor's Confidential Information, and Franchisee shall provide Franchisor with executed versions thereof. Such covenants shall be substantially in the forms set forth in Attachment 8 as revised and updated from time to time and contained in the Manual. Franchisee shall indemnify and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of Franchisee's failure to obtain executed restricted covenants by employees, agents and third persons as required by this Section.

20. DISPUTE RESOLUTION.

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution by providing notice as set forth in Section 21.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

20.2 Mediation. At Franchisor's option, any claim, controversy, or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy, or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy, or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorney's fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

20.3 Arbitration.

20.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

20.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq*.) and the federal common law of arbitration. All hearings and other proceedings will take place in Kent County,

Delaware, or, if Franchisor so elects, at the offices of the American Arbitration Association or in the county where the principal place of business of Franchisee is then located.

20.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

20.3.4 The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

20.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify, or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone, or rescind the effectiveness of any termination of this Agreement.

20.3.6 Except as expressly required by law, Franchisor, Franchisee, and Principal(s) shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

20.4 Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:

20.4.1 Franchisor's claims for injunctive or other extraordinary relief;

20.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

20.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;

20.4.4 disputes and controversies relating to actions to obtain possession of the premises of the Franchised Business; and

20.4.5 enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

20.5 Governing Law and Venue. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the State of Delaware. Franchisee and Principal(s), except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Delaware. Franchisee and Principal(s) hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.6 Mutual Benefit. Franchisee, Principal(s), and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principal(s), and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

20.7 Waiver of Jury Trial and Certain Damages. Franchisee and Principal(s) hereby waive, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual damages sustained.

20.8 Injunctive Relief. Nothing herein contained (including, without limitation, Sections 20.1 through 20.3 above) shall bar Franchisor from the right to obtain immediate injunctive relief from any court of competent jurisdiction against threatened conduct by Franchisee that may cause Franchisor loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

20.9 Limitations of Claims. Any and all claims asserted by Franchisee arising out of or relating to this Agreement or the relationship with Franchisor will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee knew or should have known of the facts giving rise to such claims.

20.10 Attorney's Fees. In the event of any action in law or equity by and between Franchisor and Franchisee concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

20.11 Survival. The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement.

21. GENERAL.

21.1 Relationship of the Parties.

21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which

directly or indirectly arise from or relate to Franchisee operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Brand Standards Manual or otherwise, does not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards Franchisee must adhere to when exercising control of the day-to-day operations of the Franchised Business.

21.1.3 Franchisee's Employees. Franchisor has no authority to control, either directly or indirectly, the essential terms and conditions of employment of Franchisee's employees. Franchisee acknowledges and agrees that Franchisee, in Franchisee's sole and absolute discretion, shall determine all such essential terms and conditions of employment, which are defined in the Brand Standards Manual or otherwise defined by law. Franchisee specifically agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a Wushu Central's Kung Fu Kids Franchise and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf, participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principal(s) in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

21.4 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and any Principals shall be deemed to be joint and several covenants, agreements, and obligations of each of the persons named as Franchisee, if more than one person is so named.

21.5 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

21.6 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

21.7 Effect of Waivers. No waiver, delay, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business premises approved by Franchisor shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the approved Franchised Business premises.

21.8 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement.

21.9 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement and its Attachments, and by attaching their signature electronically to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature as the respective party's signature.

21.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

21.11 Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.

21.12 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, provided that nothing in this Agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

The parties hereto have executed this Franchise Agreement on the day and year first above written.

FRANCHISOR:

Kung Fu Kids Franchise LLC

By:_____

_____,_____
(Print Name, Title)

FRANCHISEE (Entity):

_____

By:_____

_____,_____
(Print Name, Title)

FRANCHISEE (Principal):

_____

_____
(Print Name)

ATTACHMENT 1

TRADEMARKS

WUSHU CENTRAL'S KUNG FU KIDS

ATTACHMENT 2

TERRITORY DESCRIPTION AND FRANCHISED BUSINESS ADDRESS

(If there is no Approved Site on the Effective Date, include: **TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A SITE FOR THE WUSHU CENTRAL'S KUNG FU KIDS OUTLET IS APPROVED BY FRANCHISOR IN THE NON-EXCLUSIVE SITE SEARCH AREA OF _____.)

Territory (insert map and/or define by zip codes):

_____

_____

_____

_____

Approved Franchised Business Address:

_____

_____

ATTACHMENT 3

ACH AUTHORIZATION

Franchisor Name: Kung Fu Kids Franchise LLC

I (We) hereby authorize Kung Fu Kids Franchise LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name:_____ Branch: _____

City:_____ State:_____ Zip:_____ Phone: _____

ACH/Routing Number:_____ Account Number:_____

(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

_____	_____
Print Franchisee / Account Holder Name	Print Franchisee/Co-Account Holder Name
_____	_____
Franchisee/ Account Holder Signature-Date	Franchisee/Co-Account Holder Signature-Date
_____	_____
Daytime Phone Number	Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to:

Kung Fu Kids Franchise LLC
879 Coleman Avenue, #40
San Jose, CA 95110

ATTACHMENT 4

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned _____ ("Assignor") hereby assigns and transfers to Kung Fu Kids Franchise LLC, a Delaware limited liability company, with its principal place of business at 879 Coleman Avenue, #40, San Jose, California, 95110 ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Wushu Central's Kung Fu Kids outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

DATED: _____ By:_____

_____,_____
(Print Name, Title)

DATED: _____ _____

DATED: _____ _____

CONSENT AND AGREEMENT OF LANDLORD

to that Conditional Assignment of Lease from _____ (Assignor) to Kung Fu Kids Franchise LLC (Assignee) dated _____ for the property known as _____ _____.

The undersigned Landlord under the aforedescribed Lease further hereby:

(a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

(b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;

(c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease;

(d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

(e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as a Wushu Central's Kung Fu Kids outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: _____ LANDLORD:

_____

_____

ATTACHMENT 5

STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE ENTITY

Name	**Percentage of Ownership**

Pursuant to Section 11.2.6 of the Franchise Agreement, the Designated Principal is: _____.

ATTACHMENT 6

SPOUSE GUARANTY

This Guaranty and Covenant (this "Guaranty") is given by the undersigned ("Guarantor") on ____ _____, (the "Effective Date") to Kung Fu Kids Franchise LLC, a Delaware limited liability company ("Franchisor"), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the Effective Date hereof (the "Franchisee Agreement") with ____ _____, a(n) _____ _____, _____ and _____ (collectively "Franchisee").

Guarantor acknowledges that Guarantor is the spouse of Franchisee's Principal, as that term is used in the Franchise Agreement.

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

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement ("Guaranteed Obligations"). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

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

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

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

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

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

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

_____
Signature
Name:_____
Address:_____
_____
_____

ATTACHMENT 7

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT (the "Agreement") is made and entered into this day of _____ (the "Effective Date") by and between Kung Fu Kids Franchise LLC, a Delaware limited liability company (the "Franchisor"), and _____ a(n)_____ _____, with its principal place of business located at _____ and _____ _____'s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ ("Principal(s)"). _____ _____ and Principal(s) shall be individually and collectively referred to, and each is, the "Franchisee".

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a Wushu Central's Kung Fu Kids business ("Franchise Agreement") which will allow Franchisee, among other things, to conduct internet-based advertising, maintain social media accounts, software accounts, and use telephone listings linked to the Wushu Central's Kung Fu Kids brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee's agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. "Termination" of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **Internet Advertising and Telephone Accounts**

2.1 Interest in Websites, Social Media, and Software Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, "Electronic Advertising") related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the "Telephone Listings") related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the "Internet Companies") with which Franchisee has Electronic Advertising and Telephone Listings: (i) to transfer all of Franchisee's interest in such Electronic Advertising and Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Telephone Listings, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising and Telephone Listings or will take such other actions with respect to the Electronic Advertising and Telephone Listings as Franchisor directs; and

2.3.1 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the "Telephone Companies") with which Franchisee has Telephone Listings: (i) to transfer all Franchisee's interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor's benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee's interest in and to the Electronic Advertising and Telephone Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising and Telephone Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee's interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee's interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee's interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing,

Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware, without regard to the application of Delaware conflict of law rules.

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:
Kung Fu Kids Franchise LLC

By:_____
_____, _____
(Print Name, Title)

FRANCHISEE (Entity):
_____

By:_____
_____,_____
(Print Name, Title)

FRANCHISEE (Principal):

_____
_____
(Print Name)

FRANCHISEE (Principal):

_____
_____
(Print Name)

ATTACHMENT 8

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the "Agreement") is made and entered into this day of_____, by _____ _____, a(n) _____ _____ ("Franchisee"), a franchisee of Kung Fu Kids Franchise LLC a Delaware limited liability company ("Franchisor"), and_____, an individual ("Covenantor").

WHEREAS, Franchisee and Franchisor are parties to a franchise agreement dated _____ (the "Franchise Agreement"), whereby Franchisor has granted Franchisee the right to use certain of Franchisor's trademarks and copyrights, including but not limited to, the Wushu Central's Kung Fu Kids trademarks and logo, website, documents, advertisements, photographs, videos, social media content, promotional materials and Brand Standards Manual (collectively referred to as the "Intellectual Property") for the establishment and operation of a Wushu Central's Kung Fu Kids franchised business;

WHEREAS, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Intellectual Property and other confidential information, knowledge, know-how, techniques, training, and other materials used in or related to the Wushu Central's Kung Fu Kids brand and/or concerning the methods of operation of a Wushu Central's Kung Fu Kids franchised business (collectively referred to as "Confidential Information");

WHEREAS, the Intellectual Property and Confidential Information provide economic advantages to Franchisor and licensed users of Franchisor, including Franchisee;

WHEREAS, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Intellectual Property and Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Intellectual Property and Confidential Information and further protecting the Wushu Central's Kung Fu Kids brand against unfair competition; and

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

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

1. Confidentiality Agreement.

a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use the Intellectual Property and such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Wushu Central's Kung Fu Kids franchised business under the Franchise Agreement and in accordance with the requirements thereof.

b. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Intellectual Property or Confidential Information, and shall not reproduce, in whole or in part, any of the Intellectual Property or Confidential Information, without Franchisor's express written permission.

c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of Franchisee's Wushu Central's Kung Fu Kids franchised business.

d. Covenantor shall surrender any material containing some or all of the Intellectual Property or Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Wushu Central's Kung Fu Kids brand.

f. Upon termination of employment or association with Franchisee, Covenantor shall immediately lose all rights to access and/or use the Intellectual Property and Confidential Information for any purpose whatsoever.

2. Covenants Not to Compete.

a. In order to protect the goodwill and unique qualities of the Wushu Central's Kung Fu Kids brand, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of Franchisee's Wushu Central's Kung Fu Kids franchised business or of other franchisees in the Wushu Central's Kung Fu Kids system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any children's martial arts instruction business ("Competitive Business") other than Franchisee's Wushu Central's Kung Fu Kids franchised business.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the Wushu Central's Kung Fu Kids system, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business or customer of Franchisee's Wushu Central's Kung Fu Kids franchised business or of other franchisees in the Wushu Central's Kung Fu Kids system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational, or supervisory capacity in any Competitive Business within fifteen (15) miles of Franchisee's Territory or of any other Wushu Central's Kung Fu Kids or Wushu Central Martial Arts Academy outlet.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

3. General.

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

d. Any failure by Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

e. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE FRANCHISEE'S WUSHU CENTRAL'S KUNG FU KIDS FRANCHISED BUSINESS IS LOCATED, WITHOUT REFERENCE TO SUCH STATE'S CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN SUCH STATE; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

f. The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

g. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

h. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

i. All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

_____
_____
_____

If directed to Covenantor:

_____
_____
_____

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

j. Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

k. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

_____

By: _____
Name: _____
Title: _____

COVENANTOR:

_____

Name: _____

ATTACHMENT 9

PROVISIONS APPLICABLE TO SBA FINANCING

For the purpose of Franchisee's application for funding from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (the "SBA"), and at all times that the SBA has an interest in any SBA-assisted financing provided to Franchisee, Franchisor and Franchisee agree as follows:

1. With respect to a partial interest in the Franchised Business, Franchisor may exercise its option to purchase or its right of first refusal only if the proposed transferee is not a current owner or family member of a current owner of Franchisee.

2. If Franchisor's consent is required for any transfer (full or partial) of the Franchised Business, Franchisor will not unreasonably withhold such consent.

3. If Franchisee owns the real estate where the Franchised Business operates, Franchisee will not be required to sell the real estate upon default or termination of the Franchise Agreement, but Franchisee may be required to lease the real estate for the remainder of the Term (excluding additional renewals) for fair market value.

4. If Franchisee owns the real estate where the Franchised Business operates, Franchisor has not and will not during the Term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental indemnification, control or use restrictions. If any such restrictions are currently recorded against Franchisee's real estate, they must be removed in order for Franchisee to obtain SBA financial assistance.

5. If Franchisee owns the real estate where the Franchised Business operates, the right of Franchisor to assume Franchisee's lease has not and will not during the Term of the Franchise Agreement be recorded against the real estate and may not include any attornment language unless it is subordinated to any SBA financial assistance.

6. For other than regularly scheduled payments and payments otherwise authorized in the Franchise Agreement, Franchisor does not have the authority to unilaterally share, commingle, or withdraw funds from Franchisee's bank account.

7. The Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business. Meaningful oversight includes the authority to:

i. Approve the annual budget of the Franchised Business;
ii. Have control over the bank accounts of the Franchised Business; AND
iii. Have oversight over the employees operating the Franchised Business (who must be employees of Franchisee).

Franchisee agrees that the Franchise Agreement does not prevent Franchisee from having meaningful oversight over the operations of the Franchised Business by requiring Franchisee to comply with quality, marketing, and operations standards that govern Franchisee's use of Franchisor's System.

EXHIBIT C

MULTI-UNIT DEVELOPMENT AGREEMENT

KUNG FU KIDS FRANCHISE LLC

WUSHU CENTRAL'S KUNG FU KIDS
MULTI-UNIT DEVELOPMENT AGREEMENT

DEVELOPER

EFFECTIVE DATE

Kung Fu Kids Franchise LLC

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MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (this "Agreement") is being entered into this day of_____, (the "Effective Date") by and between Kung Fu Kids Franchise LLC, a Delaware limited liability company, with its principal place of business at 879 Coleman Avenue, #40, San Jose, California, 95110 (herein "Franchisor"), and _____, an individual residing at _____ and _____, an individual residing at _____ _____ (herein "Developer").

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has established a high quality, martial arts instruction brand that features children's martial arts training classes, special programs and parties using the Wushu Central's Kung Fu Kids trademarks and Franchisor's confidential brand standards manual of business practices and policies, and Franchisor's distinctive, décor, fixtures and furnishings, operations methods, curriculum, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the "System").

The System is identified by certain trade names, service marks**,** trademarks, logos, emblems and indicia of origin, including, but not limited to, the Wushu Central's Kung Fu Kids service marks, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the "Marks").

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

Pursuant to franchise agreements, Franchisor licenses to others the right to operate Wushu Central's Kung Fu Kids outlets, using the Marks and System, in strict conformity therewith, which may be changed, improved and further developed by Franchisor from time to time (each a "Franchise Agreement").

Developer understands and acknowledges the importance of Franchisor's high and uniform standards of quality, service, and appearance, and the necessity of operating franchised businesses of the System in conformity with Franchisor's standards and specifications.

Developer desires to obtain the right to further develop and expand the System in accordance with the development schedule described in Section 5.2 and Attachment 2 hereof (the "Mandatory Development Schedule") within the development area described in Attachment 1 (the "Development Area"), under the System and Marks, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1 RECITATIONS.

The Recitations set out above form part of this Agreement.

2 GRANT OF DEVELOPMENT RIGHTS.

2.1 Grant. Franchisor hereby grants to Developer, and the Developer hereby accepts from the Franchisor, on the terms and conditions set forth in this Agreement, which includes, but is not limited to, the execution of a Franchise Agreement pursuant to Section 4.2 hereof, the right to develop, construct, open, and operate one (1) Wushu Central's Kung Fu Kids outlet within the Development Area set forth in Attachment 1. Developer shall be granted rights to establish additional Wushu Central's Kung Fu Kids outlets in the Development Area, up to the total number of outlets set forth in the Mandatory Development Schedule set forth in Attachment 2 hereof, subject to Developer's full compliance with all conditions precedent to the grant of such rights outlined below, which rights shall be exercised in accordance with Sections 5.1 and 5.4 hereof.

2.2 Reservation of Rights. Notwithstanding the provisions of Section 2.1 above, Developer understands and agrees Franchisor fully reserves all other rights, other than as specified in this Agreement, for sales, solicitation and distribution of Wushu Central's Kung Fu Kids products and services within or outside of the Development Area. This reservation of Franchisor's rights includes, but is not limited to, Franchisor's right to (i) offer and sell other products or services not offered under the Marks; (ii) offer and sell other fitness concepts under the Marks or other trademarks; (iii) offer and sell Wushu Central's Kung Fu Kids products or services at retail or through co-branding with other businesses; and (iv) engage in solicitation and sales through the Internet, catalog sales, telemarketing, and direct marketing.

2.3 No License to System and Marks. Developer expressly acknowledges that this Agreement is not a Franchise Agreement and does not grant to Developer any right or license to operate a Wushu Central's Kung Fu Kids outlet, distribute any product or service, or use the Marks. This Agreement sets forth conditions which, if fully satisfied, confer upon Developer the rights to enter a Franchise Agreement with Franchisor to establish one or more Wushu Central's Kung Fu Kids outlets in the Development Area only. Developer's rights to open and operate a Wushu Central's Kung Fu Kids outlet and use the System and Marks shall be derived only through the execution of a Franchise Agreement for each Wushu Central's Kung Fu Kids outlet to be established in the Development Area.

3 TERM.

Unless sooner terminated in accordance with this Agreement, the term of this Agreement and all rights granted by Franchisor under this Agreement shall expire on the date on which Developer successfully and in a timely manner has complied with all of Developer's obligations hereunder and has completed the development obligations in accordance with the Development Schedule.

4 DEVELOPMENT AND FRANCHISE FEES.

4.1 Multi-Unit Development Fee. In consideration of the rights granted under this Agreement, Developer shall pay Franchisor a development fee ("Development Fee"), as follows:

# of Outlets for Development	Development Fee	Initial Fee Per Outlet
2	$100,000	$50,000
3	$130,000	$43,333.33
4	$160,000	$40,000
5	$190,000	$38,000

The Development Fee is fully earned at the time this Multi-Unit Development Agreement is signed and is not refundable under any circumstances. Developer shall pay the full amount of the Development Fee to Franchisor upon Developer's execution of this Agreement.

4.2 Application of Development Fee. Contemporaneous with the execution of this Agreement, Developer shall execute the initial Franchise Agreement for the first Wushu Central's Kung Fu Kids outlet to be established pursuant to the Mandatory Development Schedule. Franchisor shall apply the applicable Initial Fee Per Outlet set forth in Section 4.1 as payment in full of the Initial Franchise Fee due under the initial Franchise Agreement. Upon the execution of each additional Franchise Agreement pursuant to the Mandatory Development Schedule, Franchisor shall apply the applicable Initial Fee Per Outlet set forth in Section 4.1 as payment in full of the Initial Franchise Fee due under such Franchise Agreement. Upon Franchisor's approval, Developer may enter into the initial Franchise Agreement or any subsequent Franchise Agreement as required under this Agreement using a newly formed entity, such as a limited liability company, corporation or partnership, for the sole purpose of entering into a Franchise Agreement and operating the Wushu Central's Kung Fu Kids outlet pursuant thereto, provided that Developer shall also personally sign such Franchise Agreement as a principal.

5 EXERCISE OF DEVELOPMENT RIGHTS.

5.1 Valid Exercise. Developer shall exercise the development rights granted hereunder only by entering into a separate Franchise Agreement with Franchisor for each Wushu Central's Kung Fu Kids outlet for which a development right is granted. Developer shall execute and deliver to Franchisor, concurrently with the execution and delivery of this Agreement, Franchisor's current form of Franchise Agreement for the first Wushu Central's Kung Fu Kids outlet to be established by Developer pursuant to the Mandatory Development Schedule. For each subsequent Wushu Central's Kung Fu Kids outlet to be established hereunder, Developer shall execute and deliver to Franchisor Franchisor's then-current form of Franchise Agreement, which shall be presented to Developer together with Franchisor's then-current Franchise Disclosure Document. The then-current form of Franchise Agreement may differ from the current form of Franchise Agreement; provided however, the initial franchise fee for each additional outlet shall be the applicable Initial Fee Per Outlet set forth in in Section 4.1 hereof. Further, Developer acknowledges and agrees that Developer shall not receive any initial training related to the second and any additional Wushu Central's Kung Fu Kids outlet that Developer develops. Developer hereby waives all obligations by Franchisor to provide any training to Developer contained in each Franchise Agreement, other than the initial Franchise Agreement executed concurrently with this Agreement, by and between Franchisor and Developer. Developer hereby acknowledges and agrees that the training Developer receives pursuant to the initial Franchise Agreement executed concurrently with this Agreement is sufficient to allow Developer to construct, equip, open, and operate each of Developer's Wushu Central's Kung Fu Kids outlets in the Development Area.

5.2 Mandatory Development Schedule. Subsequent to Developer's signing of this Agreement and the initial Franchise Agreement, and provided that all conditions in Section 5.4 hereof are satisfied or waived, Developer shall execute additional Franchise Agreement(s) for the development of each other Wushu Central's Kung Fu Kids outlet to be opened under the Mandatory Development Schedule within sufficient time, in Developer's reasonable discretion, to ensure that all Wushu Central's Kung Fu Kids outlets are open by the Mandatory Open Date set forth in Attachment 2 hereof. Developer acknowledges and agrees that the terms of the Mandatory Development Schedule are reasonable and viable based upon Developer's independent investigation and analysis. Failure by Developer to adhere to the Mandatory Development Schedule (including any extensions thereof approved by Franchisor in writing pursuant to Section 5.3 below) shall constitute a material event of default under this Agreement.

5.3 Extension of Mandatory Development Schedule. If Developer is unable to meet the Mandatory Development Schedule for any outlet, Developer may seek a reasonable extension from Franchisor. Any

request for an extension must be in writing and submitted to Franchisor at least ninety (90) days prior to the Mandatory Open Date. Franchisor shall not unreasonably withhold consent for such reasonable extension provided that Developer has (i) submitted its extension request in a timely manner; (ii) demonstrated diligent efforts to meet the original Mandatory Open Date; and (iii) has at all times acted in good faith and is otherwise fulfilling its obligations under this Agreement.

5.4 Conditions to Exercise Developer's Rights. All of the following conditions must be satisfied or waived, in Franchisor's sole discretion, before Franchisor grants Developer the right to develop an additional Wushu Central's Kung Fu Kids outlet in accordance with Section 4.2 hereof and pursuant to a Franchise Agreement:

5.4.1 Developer shall (i) request Franchisor's then-current Franchise Disclosure Document, (ii) submit to Franchisor all information and other documents requested by Franchisor prior to and as a basis for the issuance of Franchise Agreements in the System, (iii) submit to Franchisor all financial statements reasonably requested by Franchisor, and (iv) satisfy Franchisor's then-current financial criteria.

5.4.2 Developer shall be in full compliance with this Agreement, the Mandatory Development Schedule, and all Franchise Agreements with Franchisor and any other agreement with Franchisor or Franchisor's affiliates;

5.4.3 Developer has demonstrated the management skills necessary for competent operation, organization, customer service, and record keeping of an additional Wushu Central's Kung Fu Kids outlet as determined by Franchisor, in Franchisor's sole discretion.

5.5 Termination for Failure of Condition. Notwithstanding anything to the contrary contained herein, in the event that Franchisor determines, in Franchisor's sole and absolute discretion, that any condition set forth in Section 5.4 hereof cannot be satisfied, Franchisor may terminate this Agreement upon written notice to Developer. Termination of this Agreement in accordance with this Section 5.5 shall have no effect on the validity of any other agreement between Franchisor and Developer, provided that Developer is in full compliance therewith.

6 TRANSFER

6.1. Transfers by Franchisor.

6.1.1. Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Developer's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Developer expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other business entities, or be acquired by another business entity, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Developer expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor.

6.1.2. Developer agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's

purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Developer acknowledges may be within the Development Area, proximate thereto, or proximate to any of Developer's Wushu Central's Kung Fu Kids outlets).

6.1.3. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor or any of its affiliates to remain in any line of business or to offer or sell any products or services to Developer.

6.2 Restrictions on Transfers by Developer. Developer's rights and duties under this Agreement are personal to Developer, and Franchisor has made this Agreement with Developer in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Developer. Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

6.3 Transfers by Developer. Developer shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right granted or interest herein or hereunder (a "Transfer") or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless Developer first obtains the written consent of Franchisor, which Franchisor may or may not grant in Franchisor's sole discretion, and subject to the following:

6.3.1 The proposed transferee must be an individual of good moral character and otherwise meet Franchisor's then-applicable standards for multi-unit franchisees.

6.3.2 The transferee must have sufficient business experience, aptitude, and financial resources to operate multiple Wushu Central's Kung Fu Kids outlets and to comply with this Agreement;

6.3.3 Developer has paid all amounts owed to (i) Franchisor pursuant to this Agreement and all Franchise Agreements and other agreements between Franchisor and/or Franchisor's affiliates and Developer and (ii) third-party creditors;

6.3.4 The transferee has executed Franchisor's then-standard form of Multi-Unit Development Agreement, which may have terms and conditions different from this Agreement, for a term no less than the unexpired term of future development obligations due pursuant to the Mandatory Development Schedule of this Agreement;

6.3.5 Developer and the transferee shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Developer agrees to subordinate any claims Developer may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the franchise disclosure document given to the transferee;

6.3.6 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the transferee's development obligations. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Developer's development rights on such terms and conditions. Developer shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer; and

6.3.7 If Developer, through Developer or any entity, finances any part of the sale price of the Transfer, Developer agrees that all obligations of the transferee under any notes, agreements or security interests to Developer or Developer's entity will be subordinate to the transferee's obligations to Franchisor.

6.4 Transfer Fee. As a condition to any Transfer, Developer shall pay Franchisor a transfer fee equal to Ten Thousand Dollars ($10,000.00); provided however, for transfers among the individuals named as Developer in the introductory paragraph of this Agreement, no transfer fee is payable.

6.5 Franchisor 's Right of First Refusal.

6.5.1 If Developer wishes to transfer all or part of his or her interest in this Agreement pursuant to any bona fide offer received from a third party to purchase such interest, then Developer shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

6.5.2 Franchisor has the right, exercisable by written notice to Developer within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement for the price and on the terms and conditions contained in the offer.

6.5.3 Developer further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the third-party offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from Developer all customary representations and warranties given by a seller of franchise development rights.

6.5.4 If Franchisor does not exercise its right to buy within thirty (30) days, Developer may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor 's prior written approval pursuant to Section 6.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

6.6 Death or Permanent Disability. The grant of rights under this Agreement is personal to Developer, and on the death or permanent disability of Developer, the executor, administrator, conservator or other personal representative of Developer shall transfer Developer's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. A transfer under this Section 6.6, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 6 and unless transferred by gift, devise or inheritance, subject to the terms of Section 6.5 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Developer from supervising the development and operation of Developer's Wushu Central's Kung Fu Kids outlets continuously for six (6) months from its onset.

7 DEFAULT AND TERMINATION.

7.1 Default and Automatic Termination. Developer shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer shall become insolvent or makes a general assignment for the benefit of creditors; or if Developer

files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing his or her inability to pay debts when due; or if Developer is adjudicated a bankrupt or insolvent in proceedings filed against Developer under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer's business or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer's business or property; or if suit to foreclose any lien or mortgage against any of Developer's Wushu Central's Kung Fu Kids outlet premises or equipment is instituted against Developer and not dismissed within thirty (30) days.

7.2 Defaults With No Opportunity to Cure. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon notice to Developer, if Developer:

7.2.1 has misrepresented or omitted material facts in applying for the development rights granted hereunder;

7.2.2 falsifies any report required to be furnished Franchisor under this Agreement or any Franchise Agreement;

7.2.3 fails to comply with any federal, state or local law, rule or regulation, applicable to the development and operations of Developer's Wushu Central's Kung Fu Kids outlets;

7.2.4 fails to develop the Wushu Central's Kung Fu Kids outlets in accordance with the Mandatory Development Schedule, as may be extended by Franchisor pursuant to Section 5.3 hereof;

7.2.5 attempts a Transfer in violation of the provisions of Article 6 of this Agreement;

7.2.6 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything that may harm the reputation of the System or the goodwill associated with the Marks;

7.2.7 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

7.2.8 fails to comply with the non-disclosure and non-competition covenants in Article 8 hereof;

7.2.9 defaults, or an affiliate of Developer defaults, under any other agreement, including any Franchise Agreement, with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement; or

7.2.10 terminates this Agreement without cause.

7.3 Curable Defaults. Developer shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Developer fails to cure the default within the time period set forth in this Section 7.3, effective immediately upon notice to Developer, if Developer:

7.3.1 fails to pay when due any amounts due to Franchisor under any Franchise Agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)–month period, and the third such late payment in any twelve (12)–month period shall be a non-curable default under Section 7.2;

7.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 7.1 and 7.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Developer proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)–month period, and the third such default, whether monetary or non-monetary, in any twelve (12) – month period shall be a non-curable default under Section 7.2.

7.4. Post-Termination Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Developer shall immediately terminate and Developer shall (i) immediately cease all development operations pursuant to this Agreement; and (ii) comply with the non-disclosure and non-competition covenants contained in Article 8.

8 NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

8.1 Confidential Information. Developer acknowledges and accepts that during the term of this Agreement, Developer will have access to Franchisor's trade secrets, including, but not limited to, methods, processes, standards, know-how, designs, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, pricing formulae, equipment, marketing materials, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; curricula; instructional materials; electronic code, curriculum, access codes, identification codes, and similar information that allows access to restricted content; and any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Developer shall not, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for Developer's own benefit, any Confidential Information that may be communicated to Developer or of which Developer may be apprised in connection with the development of Wushu Central's Kung Fu Kids outlets under the terms of this Agreement. The foregoing limit on disclosure of Confidential Information includes a prohibition on Developer from uploading or sharing any Confidential Information to any artificial intelligence platforms, learning algorithms, machine learning models, or other generative artificial intelligence applications. Developer shall not at any time copy, duplicate, record, or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person, without Franchisor's prior written consent. The covenant in this Section 8.1 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Developer.

8.2 Protection of Information. Developer shall take all steps necessary, at Developer's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Developer finds

that any Confidential Information has been divulged in violation of this Agreement.

8.3 Noncompetition Covenants. Developer acknowledges that, pursuant to this Agreement and the Franchise Agreement(s), Developer will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Developer. Developer acknowledges that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to him or her in the development and operation of Wushu Central's Kung Fu Kids outlets, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Developer is entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Developer covenants that, except as otherwise approved in writing by Franchisor:

8.3.1 During the term of this Agreement, Developer shall not, either directly or indirectly, for himself or herself or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Developer's Wushu Central's Kung Fu Kids outlets or of other developers or franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any children's martial arts instruction business ("Competitive Business"); or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor, Franchisor's affiliate-owned outlets, or any Wushu Central's Kung Fu Kids developers or franchisees.

8.3.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Developer shall not, either directly or indirectly, for himself or herself or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of Developer's Wushu Central's Kung Fu Kids outlets or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any Competitive Business within fifteen (15) miles of the Development Area or of any Wushu Central's Kung Fu Kids outlet; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor, Franchisor's affiliate-owned outlets, or any Wushu Central's Kung Fu Kids developers or franchisees.

8.4 Reasonableness of Restrictions. Developer acknowledges and agrees that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Developer since Developer has other considerable skills, experience and education which afford Developer the opportunity to derive income from other endeavors.

8.5 Reduction of Time or Scope. If the period of time or the geographic scope specified above is either beyond applicable law or is adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as permitted by applicable law and/or as adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Article 8 or any portion thereof, without Developer's consent, effective immediately upon receipt by Developer of written notice thereof, and Developer agrees to forthwith comply with any covenant as so modified.

8.6 Injunctive Relief. Developer acknowledges that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no

adequate remedy at law will be available. Accordingly, Developer hereby consents to the entry of an injunction prohibiting any conduct by Developer in violation of the terms of the covenants not to compete set forth in this Agreement.

8.7 No Defense. Developer expressly agrees that the existence of any claims he or she may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

9 INDEMNIFICATION.

TO THE FULLEST EXTENT PERMITTED BY LAW, DEVELOPER AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS KUNG FU KIDS FRANCHISE LLC, AND ANY OF ITS PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "FRANCHISOR PARTY INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE DEVELOPMENT, OPERATION, CONDITION, OR ANY PART OF ANY OF DEVELOPER'S WUSHU CENTRAL'S KUNG FU KIDS OUTLETS TO BE DEVELOPED HEREUNDER, INCLUDING BUT NOT LIMITED TO, CLAIMS RELATED TO DEVELOPER'S CONTRACTORS, EMPLOYEES OR AGENTS OR CONSTRUCTION, ADVERTISING, OR OTHER BUSINESS PRACTICES. DEVELOPER AGREES TO PAY FOR ALL THE FRANCHISOR PARTY INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY DEVELOPER HEREUNDER. THE FRANCHISOR PARTY INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE FRANCHISOR PARTY INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. DEVELOPER AGREES THAT TO HOLD THE FRANCHISOR PARTY INDEMNITEES HARMLESS, DEVELOPER WILL REIMBURSE THE FRANCHISOR PARTY INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE FRANCHISOR PARTY INDEMNITEES.

_____
Initial

10 DISPUTE RESOLUTION

10.1 Internal Dispute Resolution. Developer shall first bring any claim, controversy or dispute arising out of or relating to this Agreement or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 11.6 below. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

10.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 10.1 hereof shall be submitted to non-binding mediation. Developer shall provide Franchisor with written notice of Developer's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Developer's notice to exercise Franchisor's option to submit such claim, controversy, or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall

take place in the then-current principal place of business of Franchisor. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

10.3 Arbitration.

10.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 10.4, any dispute between Franchisor and Developer arising out of or relating to this Agreement, or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 10.1 or 10.2, will be resolved by submission to the American Arbitration Association or its successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

10.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 10 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq*.) and the federal common law of arbitration. All hearings and other proceedings will take place in Kent County, Delaware, or, if Franchisor so elects, at the offices of the American Arbitration Association or in the county where the principal place of business of Developer is then located.

10.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Developer, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

10.3.4 The provisions of this Section 10.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

10.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone, or rescind the effectiveness of any termination of this Agreement.

10.3.6 Except as expressly required by law, Franchisor and Developer shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

10.4 Exceptions. Notwithstanding the requirements of Sections 10.2 or 10.3, the following claims shall not be subject to mediation or arbitration:

10.4.1 Franchisor's claims for injunctive or other extraordinary relief;

10.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

10.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of Franchisor's trademarks; and

10.4.4 enforcement of Developer's post-termination obligations, including but not limited to, Developer's non-competition covenants.

10.5 Governing Law and Venue. Any claims, controversies, disputes or actions arising out of this Agreement shall be governed, enforced and interpreted pursuant to the laws of the State of Delaware. Developer, except where specifically prohibited by law, hereby irrevocably submit himself and/or herself to the sole and exclusive jurisdiction of the state and federal courts in Delaware. Developer hereby waives all questions of personal jurisdiction for the purpose of carrying out this provision.

10.6 Mutual benefit. Developer and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 10.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Developer and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

10.7 Waiver of Jury Trial and Certain Damages. Developer hereby waives, to the fullest extent permitted by law, any right to or claim for (i) a trial by jury in any action, proceeding or counterclaim brought by or against Franchisor, and (ii) any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Developer agrees that in the event of a dispute, Developer shall be limited to the recovery of any actual damages sustained.

10.8 Limitations of Claims. Any and all claims asserted by Developer arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Developer knew or should have known of the facts giving rise to such claims.

10.9 Attorneys' Fees. In the event of any action in law or equity by and between Franchisor and Developer concerning the operation, enforcement, construction or interpretation of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees and court costs incurred.

10.10 Survival. The provisions of this Article 10 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Developer of his/her respective interests in this Agreement.

11 GENERAL

11.1 Independent Licensee. Developer is and shall be an independent licensee under this Agreement, and no partnership shall exist between Developer and Franchisor. This Agreement does not constitute Developer as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Developer is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Developer agrees not to incur or contract any debt or obligation on behalf of

Franchisor or commit any act, make any representation or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other developers or franchisees of Franchisor. Pursuant to the above, Developer agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs or judgments against Franchisor arising out of the relationship hereby established which specifically, but not exclusively, includes costs, losses, expenses, attorneys fees relative to assignment or the transfer of right to develop and transactional costs relative thereto, defaults under any leases, subleases, notes, receipt of revenues or any other relationships arising directly or indirectly out of the development and operation of the Wushu Central's Kung Fu Kids outlets.

11.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Developer and his or her respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Developer in this Agreement, except in accordance with Article 6 hereof.

11.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

11.4 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Developer shall be deemed to be joint and several covenants, agreements and obligations of each of the persons named as Developer, if more than one person is so named.

11.5 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

11.6 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as first above written, or at such other address or addresses as the parties may from time to time designate in writing.

11.7 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Developer shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind.

11.8 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Developer or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. Neither the expiration or earlier termination of this Agreement nor the exercise of Franchisor's

rights pursuant to Article 7 shall discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination, or the exercise of such rights under this Agreement.

11.9 Consent to Do Business Electronically. The parties to this Multi-Unit Development Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act, the parties hereby affirm to each other that they agree with the terms of this Multi-Unit Development Agreement, and by attaching their signature electronically to this Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to this Agreement can rely on an electronic signature as the respective party's signature.

11.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

11.11 Survival. Any obligation of Developer that contemplates performance of such obligation after termination, expiration or transfer of this Agreement shall be deemed to survive such termination, expiration or transfer.

11.12 Entire Agreement. This Agreement is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Developer, provided that nothing in this Agreement is intended to disclaim the representations made to Developer in Franchisor's franchise disclosure document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

The parties hereto have executed this Multi-Unit Development Agreement on the day and year first above written.

FRANCHISOR:

KUNG FU KIDS FRANCHISE LLC

By: _____
Name: _____
Title: _____

DEVELOPER:

_____
Name: _____

DEVELOPER:

_____
Name: _____

ATTACHMENT 1

DEVELOPMENT AREA

(insert map and/or define by zip codes):

ATTACHMENT 2

MANDATORY DEVELOPMENT SCHEDULE

Outlets for Development	Mandatory Open Date
1	12 months following the Effective Date
2	24 months following the Effective Date
3 (if applicable)	36 months following the Effective Date
4 (if applicable)	48 months following the Effective Date
5 (if applicable)	60 months following the Effective Date

EXHIBIT D

FINANCIAL STATEMENTS

Kung Fu Kids Franchise, LLC

(A Delaware Limited Liability Company)

Financial Statements with Report of Independent Auditors
December 31, 2025

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DA ADVISORY GROUP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

To the Member of
Kung Fu Kids Franchise, LLC

Opinion
We have audited the accompanying financial statements of Kung Fu Kids Franchise, LLC (the Company), a Delaware limited liability company, which comprise the balance sheet as of December 31, 2025, and the related statement of operations and member's equity and cash flows for the period January 14, 2025 (inception) through December 31, 2025, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the period January 14, 2025 (inception) through December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after March 20, 2026.

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 and auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

DA Advisory Group PLLC

Troy, MI
March 20, 2026

Kung Fu Kids Franchise, LLC
BALANCE SHEET
As of December 31, 2025

		2025
ASSETS		
Current assets:		
Cash and cash equivalents	$	106,383
Accounts receivable		-
Inventory		16,733
Deferred franchise acquisition costs - current		-
Franchise fee receivable		-
Total current assets		123,116
Total assets	$	123,116
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Related party payable	$	18,023
Accrued liabilities		-
Loan from members		210
Deferred revenue - franchise sales, current portion		-
Total current liabilities		18,233
Long term liabilities:		
Deferred revenue - franchise sales, net of current portion		90,000
Total long term liabilities		90,000
Total liabilities		108,233
Member's equity:		14,883
Total liabilities and member's equity	$	123,116

see accompanying notes

Kung Fu Kids Franchise, LLC
STATEMENT OF OPERATIONS
For the Year Ended December 31, 2025

	2025
Operating revenues:	
Franchisee revenue	$ 10,000
Operating revenues	10,000
Operating expenses:	
Rent	72,215
Advertising	19,053
Legal & accounting	2,338
State tax provision	800
Licenses & permits	490
Startup expenses	210
Registration fees	210
Office expenses	20
Total operating expenses	95,336
Operating loss	(85,336)
Other income (expense):	
Other income	-
Interest income	9
Total other income (expense)	9
Net loss	$ (85,327)

see accompanying notes

Kung Fu Kids Franchise, LLC
STATEMENT OF MEMBER'S EQUITY
For the Year Ended December 31, 2025

	Total Equity
BALANCE, JANUARY 1, 2025	$ -
Contributions	100,000
Distributions	-
Net loss	(85,327)
BALANCE, December 31, 2025	$ 14,673

see accompanying notes

Kung Fu Kids Franchise, LLC
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$	(85,327)
Change in:		
Accounts payable		18,023
Inventory		(16,733)
Loan from members		210
Net cash used in operating activities		(83,827)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets		-
Net cash used by investing activities		-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributed capital		100,000
Net cash provided by financing activities		100,000
Net change in cash and cash equivalents	$	16,173
Cash and cash equivalents at beginning of year	$	-
Cash and cash equivalents at end of year	$	16,173
Total cash and cash equivalents	$	16,173

see accompanying notes

1. Organization

Kung Fu Kids Franchise, LLC (the "Company") is a Delaware Limited Liability Company martial arts franchises focused on children, providing franchising opportunities regionally in the United States.

For the period ended December 31, 2025 total contributed capital was $100,000 and total distributions were $0.

2. Summary of significant accounting policies and nature of operations

Basis of presentation
The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

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

Cash and cash equivalents
Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

The Company maintains its cash in bank deposit accounts which could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since their inception and have not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents. Balances of individual cash accounts do not exceed the insured limit of $250,000 as of December 31, 2025.

Concentration of credit risk
The Company is subject to credit risk related to amounts due from franchisees. The financial condition of the franchisees is largely dependent upon the underlying business trends of the brands and market conditions within the industries represented. The concentration of risk is mitigated by the number of franchisees and the short-term nature of the receivables from the franchisees.

Accounts receivable
Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. For the period ended December 31, 2025, there were no write-offs and no allowance deemed necessary.

2. Summary of significant accounting policies and nature of operations (continued)

Inventory
Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists of finished goods.

Revenue and expenses
Operating income consists of contractual franchise royalties based on a percentage of monthly sales which are recognized as revenue in the month earned as well as revenue from other contractual agreements.

Initial franchise fees are recognized as revenue once substantially all of the initial services of the Company required by franchise agreement have been performed and no other material conditions or obligations related to the determination of substantial performance exist. For the period ended December 31, 2025, initial franchise fees billed were $0.

Other revenue sources include initial fees for new franchisees which is mainly focused on marketing and initial set up of the franchisee, royalties, technology, and other service fees that are invoiced and earned either monthly or when a franchisee signs a franchise agreement.

Revenue recognition
The Company recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606") which outlines a single, comprehensive model for accounting for revenue from contracts with customers.

Under ASC 606, revenue is recognized in accordance with a five-step model, as follows: identifying the contract with the customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations and recognizing revenue when (or as) the Company satisfies a performance obligation.

The Company derives its revenues primarily from franchisees in accordance with contractual agreements.

Each franchise agreement is comprised of several performance obligations. The Company identifies those performance obligations, determines the contract price for each obligation, allocates the transaction price to each performance obligation and recognizes revenue when the Company has satisfied the performance obligation by transferring control of the good or service to the franchisee.

The remainder of performance obligations represent a single performance obligation and are recognized over the term of the respective franchise agreement from the date the agreement is executed. Unearned initial fee revenues from franchisee acquisition and acceptance will be recorded as deferred revenue and recognized as revenue over the term of the contract with each franchisee.

2. Summary of significant accounting policies and nature of operations (continued)

Fair value of financial instruments

The Fair Value Measurements and Disclosure Topic of the FASB Accounting Codification establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs.

The accounting guidance describes a hierarchy of three levels of input that may be used to measure fair value:

Level 1	Inputs based on quote prices in active markets for identical assets and liabilities.
Level 2	Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities: quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
Level 3	Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.

The Company's material financial instruments consist of primarily cash and cash equivalents, accounts and notes receivable, and accounts payable and accrued expenses. The fair values of cash, accounts and notes receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity. The fair value measurement of these assets is categorized as Level 1.

Advertising expenses
Advertising and marketing costs are expensed as incurred and amount to $0 for the period ended December 31, 2025.

Income taxes
Income taxes on Company income are levied on the Member at the individual level. Accordingly, all profits and losses of the Company are recognized on the Member's respective tax return. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Company to report information regarding its exposure to various tax positions taken by the Company. Management has determined whether any tax positions have met the recognition threshold and has measured the Company's exposure to those tax positions, noting none at the Company level.

3. Related party activities

During the period ended December 31, 2025, an expense was paid by the Member in the amount of $210 for registration fees and is included in the balance sheet as Loan from members. There was an inventory transaction of $16,733 during the period that was paid by the Member and is included in the balance sheet as a related party payable. The remaining amount of $1,210 was for various other minimal transactions and is accounted for as a related party payable.

4. Commitments and contingencies

The Company must assess if they are a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, there are no matters of such kind, or involve such amounts, that they are aware of or require disclosure.

5. Subsequent events

Subsequent events have been evaluated through March 20, 2026 which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the financial statements.

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FRANCHISED OUTLETS

As of December 31, 2025

NONE

FRANCHISEES WITH SIGNED AGREEMENTS OUTLETS NOT YET OPEN

As of December 31, 2025

Entity Name	Individual Contact	Territory	Contact Phone/Email
KRONIKARE	Nikhil Kulkarni Asmita Kulkarni	Alameda County, California	nskulkarni@gmail.com
SAMURVI MARTIAL ARTS LLC	Urvashi Samaresh Nair Samaresh Nair	Santa Clara County, California	urvashi.samaresh.nair@gmail.com

FORMER FRANCHISEES

As of December 31, 2025

that had an outlet 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 has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document:

NONE

EXHIBIT G

FORM OF RELEASE

GENERAL RELEASE

This release (the "Release") is given this day of _____ by _____ _____, a(n) _____, with its principal place of business located at_____ _____ ("Franchisee") and _____'s principals _____, an individual residing at _____and ("Principal(s)").

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

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

Release given this day of _____ by:

FRANCHISEE (Entity):

_____

By:_____

_____,_____
(Print Name, Title)

FRANCHISEE (Principal):

_____

_____
(Print Name)

FRANCHISEE (Principal):

_____

_____
(Print Name)

EXHIBIT H

STATE ADDENDA

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA

1. **Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.**

2. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

3. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

4. With regard to interest on late payments, as disclosed in Item 6 of the Franchise Disclosure Document, the highest interest rate currently allowed by California law is 10%.

5. OUR WEBSITE, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT at www.dbo.ca.gov.

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

ADDENDUM TO FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA

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

The parties hereto have duly executed this California Addendum to the Franchise Agreement on the same date as that on which the Multi-Unit Development Agreement was executed.

FRANCHISOR:
Kung Fu Kids Franchise LLC

By:_____
_____, _____
(Print Name, Title)

FRANCHISEE (Entity):
_____

By:_____
_____,_____
(Print Name, Title)

FRANCHISEE (Principal):

_____
_____
(Print Name)

FRANCHISEE (Principal):

_____
_____
(Print Name)

EXHIBIT I

FRANCHISEE ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify the Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

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.

Franchisee hereby acknowledges the following:

1. Franchisee has conducted an independent investigation of all aspects relating to the financial, operational and other aspects of the business of operating the Franchised Business. Franchisee further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee by Franchisor and Franchisee and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee may experience as a franchisee under this Agreement.

_____
Initial

2. Franchisee has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee and its efforts as an independent business operation.

_____
Initial

3. Franchisee agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement and that it/she/he understands all the terms and conditions of the Franchise Agreement. Franchisee further acknowledges that the Franchise Agreement contains all oral and written agreements, representations and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

_____
Initial

4. Franchisee has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement that are contrary to the terms of the Franchise Agreement or the documents incorporated herein. Franchisee acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement. Franchisee represents,

as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement.

_____
Initial

5. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement.

_____
Initial

6. Franchisee acknowledges that Franchisor's approval or acceptance of Franchisee's Business location does not constitute a warranty, recommendation or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

_____
Initial

7. Franchisee acknowledges that it has received the Kung Fu Kids Franchise LLC, Franchise Disclosure Document with a complete copy of the Franchise Agreement and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement was executed. Franchisee further acknowledges that Franchisee has read such Franchise Disclosure Document and understands its contents.

_____
Initial

8. Franchisee acknowledges that it has had ample opportunity to consult with its own attorneys, accountants and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee with respect to the Franchise Agreement or the relationship thereby created.

_____
Initial

9. Franchisee, together with Franchisee's advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement.

_____
Initial

10. Franchisee is aware of the fact that other present or future franchisees of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

_____
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant

that such products will not be sold within the Franchisee's Territory by others who may have purchased such products from Franchisor.

_____
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT, FRANCHISEE AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE KUNG FU KIDS FRANCHISE LLC, AND ANY OF ITS PARENT COMPANIES, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, AND SHAREHOLDERS FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE IS SPECIFICALLY INAPPLICABLE TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE.

_____
Initial

FRANCHISEE (Entity):

_____

By:_____
Name:_____
Title:_____
Date:_____

FRANCHISEE (Principal):

_____
Name:_____
Date:_____

FRANCHISEE (Principal):

_____
Name:_____
Date: _____

State Effective Dates

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

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

State	Effective Date
California	TBD
Hawaii	TBD
Illinois	TBD
Indiana	TBD
Maryland	TBD
Michigan	TBD
Minnesota	TBD
New York	TBD
North Dakota	TBD
Rhode Island	TBD
South Dakota	TBD
Virginia	TBD
Washington	TBD
Wisconsin	July 1, 2026

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPTS

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Kung Fu Kids Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kung Fu Kids Franchise LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

David Chang
879 Coleman Avenue, #40
San Jose, California, 95110
888-591-8999

Issuance Date: April 9, 2026, as amended June 24, 2026

I received a Disclosure Document dated April 9, 2026, as amended June 24, 2026, that included the following Exhibits:

EXHIBIT A:	State Franchise Administrators and Agents for Service of Process
EXHIBIT B:	Franchise Agreement
EXHIBIT C:	Multi-Unit Development Agreement
EXHIBIT D:	Financial Statements
EXHIBIT E:	Operations Manual Table of Contents
EXHIBIT F:	Franchised Outlets
EXHIBIT G:	Form of Release
EXHIBIT H:	State Addenda
EXHIBIT I:	Franchisee Acknowledgment Statement State Effective Dates
EXHIBIT J:	Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)

KEEP FOR YOUR RECORDS

RECEIPT

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Kung Fu Kids Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Kung Fu Kids Franchise LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC, 20580, and to your state authority listed on Exhibit A.

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EXHIBIT H:	State Addenda
EXHIBIT I:	Franchisee Acknowledgment Statement State Effective Dates
EXHIBIT J:	Receipts

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

_____
(Signature of recipient)

Please return signed receipt to:
Kung Fu Kids Franchise LLC
879 Coleman Avenue, #40, San Jose, California, 95110