

## FRANCHISE DISCLOSURE DOCUMENT

*the*  
**BUNNY  
HIVE.**

The Bunny Hive Franchising, LLC  
A Georgia limited liability company  
2715 Creek Edge  
Powhatan, Virginia 23139  
Tel: (804) 356-0134  
Email: [brittany@thebunnyhive.com](mailto:brittany@thebunnyhive.com)

The franchise described in this Disclosure Document is for the operation of a business that provides classes, social opportunities, community, educational programming, events, workshops, and other age-appropriate activities for children ages newborn through kindergarten and their caregivers under the name The Bunny Hive. The total investment necessary to begin operation of a The Bunny Hive business is \$126,650 to \$330,850. This includes \$42,000 that must be paid to franchisor or affiliate. Under a Development Agreement, you must agree to open at least two franchises and pay us a development fee of \$42,000 plus half of the reduced initial franchise fee (\$16,800) for each additional franchise. The total investment for two to five franchises under the Development Agreement is \$143,410 to \$398,050. This includes \$58,800 to \$109,200 that must be paid to franchisor or 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 this Disclosure Document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Brittany Schmid at 2715 Creek Edge, Powhatan, Virginia 23139, telephone: (804) 356-0134.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or an accountant. Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising. There may also be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 29, 2025

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to clients, 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**.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Virginia. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Virginia than in your own state.
2. **Financial Condition.** The franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** This franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
4. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
- 6.

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

INFORMATION FOR RESIDENTS OF THE STATE OF MICHIGAN

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

(A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE BEFORE THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE SUCH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE, AT THE TIME OF EXPIRATION, OF THE FRANCHISEE'S INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, EQUIPMENT, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISED BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF: (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS; AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS ADVANCE NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS

SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

\* \* \* \*

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

\* \* \* \*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING, OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED. AT THE OPTION OF THE FRANCHISOR, A SURETY BOND MAY BE PROVIDED IN PLACE OF ESCROW.

\* \* \* \*

THE NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATIONS AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

\* \* \* \*

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:  
DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE  
CONSUMER PROTECTION DIVISION  
ATTN: FRANCHISE SECTION  
670 LAW BUILDING  
LANSING, MICHIGAN 48913

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## **EXHIBITS**

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement (with Payment and Performance Guarantee, Authorization Agreement for Prearranged Payments, Site Acceptance Letter, Lease Addendum, Nondisclosure and Non-Compete Agreement, Nondisclosure Agreement and Conditional Assignment of Brand Accounts)
- C. Development Agreement
- D. Financial Statements
- E. Table of Contents to Manuals
- F. List of Current and Former Franchisees
- G. State Specific Addenda to Disclosure Document
- H. State Specific Addenda to Franchise Agreement and Development Agreement

**Item 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this Disclosure Document, “**TBH**” or “**we**”, “**our**” or “**us**” means The Bunny Hive Franchising, LLC, the franchisor of the “The Bunny Hive®” concept. This Disclosure Document will refer to the person or entity that buys the franchise from us as “**you**” or “**your**”. This term includes your owners if you are an entity. In addition, if you are an entity, your owners are required to guarantee your obligations and are obligated to comply with the terms of the Franchise Agreement and ancillary documents described in this Disclosure Document.

A “**Studio**”, as used in this Disclosure Document, means a studio that offers classes, social opportunities, community, educational programming, events, workshops, and other age-appropriate activities for children ages newborn through kindergarten and their caregivers under the Marks.

Studios may be owned and operated by us or our affiliates (each, a “**company-owned Studio**”) or a franchisee (each, a “**franchised Studio**”).

The “**Marks**” include the service mark “The Bunny Hive”, and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and commercial symbols we or our affiliates may designate from time to time for the operation of Studios.

**Franchisor, Parent, Predecessors and Affiliates**

We were formed as a Georgia limited liability company on March 22, 2023. We have been offering franchises for Studios since June 20, 2023. We do business under the name “The Bunny Hive” and our legal name. Our principal business address is 2715 Creek Edge, Powhatan, Virginia 23139.

As of the date of this Disclosure Document, we do not own or operate any Studios. We have not offered franchises in any other line of business, nor do we engage in any other business activities other than offering, selling and supporting franchised Studios.

Our affiliate, The Bunny Hive GA, LLC, a Georgia limited liability company, owns and operates a Studio in Atlanta, Georgia. The business address of The Bunny Hive GA, LLC is 5576 Peachtree Road, Atlanta, Georgia 30341. Our affiliate, The Bunny Hive Richmond, LLC, a Virginia limited liability company, owns and operates a Studio in Richmond, Virginia. The business address of The Bunny Hive Richmond, LLC is 401 Libbie Avenue, Richmond, Virginia 23226.

Our parent, The Bunny Hive Holdings, LLC, a Georgia limited liability company, owns the Marks. Its principal business address is 2715 Creek Edge, Powhatan, Virginia 23139.

As of the date of this Disclosure Document, we have no affiliates that offer franchises in any line of business or that offer products or services to our franchisees.

We have no predecessors.

Our agents for service of process are listed in **Exhibit A**.

## **The Studios**

Our Founders, Brittany Schmid and Kathryn Doar, founded The Bunny Hive concept in 2019. After moving to large cities, both saw a need for a place where mothers and other caregivers could build a community while providing stimulating activities for their children. The first company-owned Studio opened in Atlanta, Georgia in September 2019, and the second company-owned Studio opened in Richmond, Virginia in October 2022.

Studios offer a blend of experiential learning, playtime, and “just-for-fun” experiences to stimulate little ones, create opportunities to practice social engagement, and enhance bonds between the child and his or her caregiver, all in a gorgeous setting.

Classes are typically offered six days a week including music, art, sensory, ballet, culinary exploration, learning lab, baby massage, story time, exploratory play, kindergarten prep and more for children two weeks through kindergarten and their caregivers. Caregivers can be mothers, fathers, grandparents, nannies, au pairs and more. Classes are 30 minutes in duration. Studios also offer unique social opportunities for adult caregivers, including book clubs, “brunch and learns”, workshops and more. In addition, Studios provide seasonal events, workshops, and host private parties. Children and their caregivers can enroll by purchasing memberships, class packs or single drop-in classes.

Under the Franchise Agreement, the current form of which is attached as **Exhibit B** (the “**Franchise Agreement**”), you are granted the right to operate a single Studio under the Marks. Under the Franchise Agreement, you will operate your Studio at a location selected by you that has been accepted by us. A suitable site will range from 1,000 to 2,500 square feet and will typically be located in a multi-use commercial building or retail building.

Your Territory will be designated by us once your site has been determined in accordance with the Franchise Agreement.

You must utilize The Bunny Hive franchise system (the “**System**”) in the operation of your Studio. The distinguishing characteristics of the System include, but are not limited to, our distinctive interior design and décor, signage, equipment, furnishings and materials; the Marks; our confidential operations manuals (the “**Manuals**”); our curriculum, teaching and merchandising techniques, methods and systems; our vendor lists and vendor relationships; our operating methods and procedures; our record keeping and reporting systems and methods; our marketing and advertising materials; and our personnel and staffing recommendations; all of which may be changed, improved and/or otherwise developed by us or our affiliates from time to time. We may from time to time add or delete products and/or services and change specifications, standards, procedures and methods of operation, and you will be expected to comply with any changes.

*Development Program.* We offer qualified parties who have entered into a Franchise Agreement and wish to have the right to develop one or more additional Studios in a specified Development Area the opportunity to enter into a Development Agreement with us. The form of Development Agreement is attached to this Disclosure Document as **Exhibit C** (the “**Development Agreement**”). If you sign a Development Agreement, you must agree to open more than one Studio in the Development Area according to the schedule described in the Development Agreement (the “**Development Schedule**”). The Development Schedule will be mutually determined by you and us before the Development Agreement is signed based on a variety of factors, including demographics and economic factors related to the Development Area, expected demand for the Studio, your desire and ability to develop and operate Studios, and other factors. For the first Studio, you must sign the Franchise Agreement. For each

additional Studio you will be required to enter into our then-current form of Franchise Agreement which could be materially different from the Franchise Agreement attached to this Disclosure Document.

### **Market and Competition**

The general market includes infants and young children and their caregivers and is developed and competitive. Goods will be sold to one primary group (i.e., caregivers of infants and small children). The market for recreational and development programs is competitive. Your Studio will compete with other child-focused recreational and development programs. Recreational activities are subject to changes in consumer spending and increases in the number and location of competing concepts. Sales are not seasonal.

### **Regulations Specific to the Industry**

Studios are subject to regulations relating to the operation of a business that provides physical fitness, motor skills development and other programs for children. In some jurisdictions, daycare or childcare laws may apply, which may require licensing, bonding, insurance, building code, fire safety, teacher to student ratios, hours, health (e.g., immunizations), instructor licensing, fingerprinting, criminal background checks, and other requirements. In some jurisdictions, you may be subject to regulations as a school or daycare, including regulations requiring teacher and curriculum accreditation. In addition, some jurisdictions may regulate Studios as a health club, which may involve additional regulations unique to health clubs, including required financial disclosures to customers and limitations on advance membership fees.

Studios are also subject to laws and regulations normally applicable to retail businesses.

You must follow local and state laws, orders, and ordinances, especially short-term closure or lowered onsite occupancy capacity requirements or mask requirements to address COVID-19 and other pandemic concerns. Further, you may want to consider relevant guidance issued by federal agencies such as the Center for Disease Control and Occupational Safety and Health Administration for the safety of your clients and employees.

You should check with your local attorney for advice on complying with applicable law before you purchase a franchise and during the operation of your Studio. You must investigate and satisfy and stay current on all local, state, and federal laws and regulations since they vary from place-to-place and can change over time.

## **Item 2. BUSINESS EXPERIENCE**

### **Brittany Schmid: Chief Executive Officer**

Brittany Schmid has served as our Chief Executive Officer since our inception in March 2023. She also serves as the Chief Executive Officer of The Bunny Hive GA, LLC, a position she has held since May 2019 in Atlanta, Georgia and Richmond, Virginia, and The Bunny Hive Richmond, LLC, a position she has held since March 2022. She holds her current positions from Richmond, Virginia.

### **Kathryn Doar: President**

Kathryn Doar has served as our President since our inception in March 2023. She also serves as the President of The Bunny Hive GA, LLC, a position she has held since May 2019, and The Bunny Hive Richmond, LLC, a position she has held since March 2022. She holds her current positions from Carmel, Indiana. From January 2019 to May 2019, Kathryn was self-employed and working on tasks associated with commencing business at the first The Bunny Hive location in Chicago, Illinois.

### **Maria Vincent: Vice President of Franchise Sales**

Maria Vincent has served as our Vice President of Franchise Sales since May 2023. She also serves as the Program Manager for Chapter One (formerly Innovations for Learning). She has held this position since August 2016. She holds her current positions from Atlanta, Georgia.

#### **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**

The initial franchise fee (the “**Initial Franchise Fee**”) for your first Studio is \$42,000 and is payable when you sign the Franchise Agreement. The Initial Franchise Fee is reduced to \$33,600 for additional Studios to be developed under a Development Agreement, as further described below.

We will refund 50% of the Initial Franchise Fee if we terminate the Franchise Agreement because you have failed to satisfactorily complete the initial training program, subject to your execution of a general release. Except as described above, the Initial Franchise Fee is not refundable. Except as described above, the Initial Franchise Fee is uniformly charged to all our franchisees.

##### **Development Fee**

If you purchase rights to develop two or more Studios under a Development Agreement, you must pay a development fee upon signing the Development Agreement that is equal to (a) \$42,000; plus (b) half of the reduced Initial Franchise Fee of \$33,600 for each additional Studio (i.e., \$16,800 times the number of additional Studios to be developed) (the “**Development Fee**”). The Development Fee is payable at the time you sign the Development Agreement. No portion of the Development Fee is refundable under any circumstances. The formula used to determine the Development Fee is uniform for all franchisees.

All developers will enter into a Franchise Agreement for the first Studio concurrently with the signing of the Development Agreement and will subsequently sign Franchise Agreements for each additional Studio to be developed under the Development Agreement. \$42,000 of the Development Fee will be credited against the Initial Franchise Fee for the first Studio (which means no Initial Franchise Fee is due under the first Franchise Agreement issued under the Development Agreement.) For all remaining

Studios, \$16,800 of the Development Fee will be credited against the Initial Franchise Fee and you must pay the balance (\$16,800) when you sign the Franchise Agreement for each remaining Studio.

**Extension Fee.** An extension fee of \$3,000 must be paid only if you wish to extend the deadlines for site selection, site procurement and/or opening the Studio. The extension fee is paid prior to the first deadline you wish to extend. You may extend any or all of these deadlines for a period of up to three months if we determine you are using reasonable efforts and diligence to open the Studio. The extension fee is not refundable under any circumstances and is uniformly applied to all our franchisees.

**In-Person Site Visit Fee.** We will provide one site visit at our cost and expense. Subject to the availability of our personnel, if we determine additional site visits are necessary, or, if you desire additional site visits, you must reimburse us for our reasonable out-of-pocket expenses incurred in connection with the site visit, plus a site visit fee of \$500. To the extent practicable, we agree to review multiple proposed sites on a single in-person visit.

## Item 6. OTHER FEES

Name of Fee	Amount	Due Date	Remarks
Royalty Fee <sup>1</sup>	7% of Gross Revenues	No later than Wednesday of each week following the week in which Gross Revenues were received	We will debit your bank account for the Royalty Fee.
Brand Awareness Fund Contribution	\$115 per week plus a variable amount that we designate that is up to 3% of Gross Revenues	No later than Wednesday of each week following the week in which Gross Revenues were received	We will debit your bank account for the contributions to The Bunny Hive Brand Awareness Fund (the “ <b>Brand Awareness Fund</b> ”). <i>Currently, we require that you contribute \$115 weekly, plus 1% of Gross Revenues</i>
Local Advertising Expenditure <sup>2</sup>	\$500 monthly	As arranged	Commencing at the beginning of the fourth month after you open your Studio, this amount must be spent on local advertising during each month.  Amounts paid to a Marketing Cooperative are credited towards your local marketing expenditure requirement.

Name of Fee	Amount	Due Date	Remarks
Marketing Cooperative Contribution <sup>3</sup>	An amount we determine that is up to 50% of the local advertising expenditure (currently not assessed)	As arranged	<p>You are required to become a member of a marketing cooperative if one is established by us for your area.</p> <p>Amounts paid to a Marketing Cooperative are credited towards your local advertising expenditure requirement.</p> <p><i>There are currently no Marketing Cooperatives and, therefore, no Marketing Cooperative Contributions are charged.</i></p>
Technology Fee	Up to \$100 per week as designated by us (currently, \$77.30 per week)	No later than Wednesday of each week	You must pay us a Technology Fee for the use, support and development of our Intranet, technology systems and platforms, technology services that we provide in-house for the System and third-party software that we procure on behalf of System franchisees. We may increase the maximum Technology Fee to take into account increased technology costs; provided, however, any increase shall be commensurate with the amount of increased technology costs.
Digital Marketing Services Fee <sup>4</sup>	A reasonable fee (currently not assessed)	As incurred	<p>If we manage your Studio's digital marketing, we may charge a reasonable fee for these services.</p> <p><i>We do not currently charge a Digital Marketing Services Fee.</i></p>
Proprietary Technology License Fee	A reasonable license fee (currently not assessed)	As incurred	<p>We may require that you license proprietary software or other technology developed or maintained for the System and may charge a reasonable license fee.</p> <p><i>We do not currently charge a Proprietary Technology License Fee.</i></p>
Successor Term Fee	10% of the then-current initial franchise fee	By the expiration of the initial term	Payable if you choose to enter a successor term for your franchise rights.

Name of Fee	Amount	Due Date	Remarks
Transfer Fee	\$10,000, plus broker fees, if any	Prior to transfer	Payable if you engage in a transfer. The transfer fee is reduced to \$2,000 (or our actual legal fees if greater) for a non-controlling interest in the franchisee entity or a transfer to an entity having identical ownership and \$5,000 if the transfer is to a current franchisee. You are also responsible for reimbursing us for any broker fees payable to third parties incurred by us in connection with any transfer by you. You must pay a non-refundable deposit of \$2,000 upon submission of your request to transfer (this deposit is not required if the transfer is of a non-controlling interest or a transfer to an entity having identical ownership).
Management Fee	Amount of any actual expenses we incur that are not paid out of the operating cash flow of the Studio, plus 10% of Gross Revenues	On demand	Payable if (a) we assume operation of the Studio until a replacement Managing Owner is appointed by you or the Managing Owner's interest is transferred under the terms of the Franchise Agreement following any death or disability of your Managing Owner; or (b) we assume operation of the Studio due to your default of the Franchise Agreement.
Initial Training Fee <sup>5,6</sup>	A reasonable fee (currently, \$3,000 per person)	On demand	Payable for additional persons (beyond two) attending initial training or replacing a person who did not successfully complete the initial training course. After opening, you are required to pay a reasonable fee for replacement Managing Owners or replacement Directors who may be required by us to attend initial training or additional training.
Additional Training Fee <sup>5,6</sup>	A reasonable fee (currently \$400 per trainer per day) plus travel and living expenses (if any)	On demand	Payable if you request additional training or if we require that your Managing Owner, your Director and other designated personnel attend additional training.
Annual Refresher Training <sup>5</sup>	A reasonable fee, plus out-of-pocket costs (currently \$500 per person for each training session)	On demand	We may require that your Managing Owner, your Director and other designated personnel attend up to four days of refresher training per year.
National Meeting or Annual Convention <sup>5</sup>	A reasonable registration fee (currently \$500 per person)	Upon demand	We may require your Managing Owner, Director and other designated personnel attend one national business meeting or annual convention per year.

<b>Name of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Insurance	Actual cost of premium, plus a reasonable administrative fee	Upon demand	Payable if you fail to obtain and maintain insurance coverage as required by us.
Inspection Fee	Costs and expenses	Upon demand	Payable only if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Franchise Agreement.
Advertising Materials Fees	A reasonable fee (currently not assessed)	Upon demand	We may make advertising and promotional materials available to you for purchase from time to time and may charge a reasonable fee.
New Supplier/Product Evaluation Fee	\$750 or the actual cost of testing/evaluation, whichever is greater	Upon demand	Payable if you would like to purchase any products, supplies, equipment, or services that we have not approved or to purchase these items from a supplier or service provider that we have not approved. You must submit a written request for approval and provide us with any information that we request. If we approve and the product/service/supplier or service provider is thereafter required to be used on a System-wide basis, we will refund or waive all inspection charges paid hereunder.
Noncompliance Fee	A reasonable fee that we designate up to \$250 per day	Upon demand	Payable if you violate a brand standard and fail to cure the violation within 10 days after notice.
Audit Fee	Costs and expenses	Upon demand	Payable if audit or review shows an understatement of Gross Revenues for the audited or reviewed period of at least 2%.
Interest	18% per annum or maximum interest rate allowed by law (whichever is less) from due date to date of payment	When amount owed becomes past due	Payable if you make a required payment after its due date.
Late/Insufficient Funds Fee	\$250 for each late payment or each draft payment that is dishonored; \$150 insufficient funds fee for each check or automated bank draft payment that is not honored by your financial institution	Upon demand	Payable if you make a required payment after its due date or if there are insufficient funds in your account to draft payment on the due date.

Name of Fee	Amount	Due Date	Remarks
Relocation	25% of the then-current initial franchise fee	Half of the relocation fee is due and payable when we have agreed to work with you to relocate your Studio and the remainder due and payable when we have accepted the site for the relocated Studio	Payable if you relocate the Studio.
Franchisee Advisory Council Fee <sup>7</sup>	Due as assessed by the Franchisee Advisory Council (currently not assessed)	Upon demand	<p>We will not assess fees or dues for participation in or on the Franchisee Advisory Council, but you may be required to pay dues to the Franchisee Advisory Council if the Franchisee Advisory Council, which will be controlled by franchisees, determines that fees will be assessed.</p> <p><i>No Franchise Advisory Council fees are currently assessed.</i></p>
Purchasing Association Fees	As assessed by the Purchasing Association (currently not assessed)	Upon demand	<p>We may require you to become a member of any purchasing association designated by us and pay all membership dues or fees that are assessed by the purchasing association.</p> <p><i>There are currently no purchasing associations and therefore no purchase association member dues or fees are charged.</i></p>
Renovations	Actual costs and expenses	As arranged	On notice from us, but not more often than every five years, you must redesign, refurbish, and remodel the Studio from time to time at our request.
Quality Assurance Fee <sup>8</sup>	Actual costs and expenses of participation in such systems	On demand	You must participate in programs required by us for quality assurance.
Liquidated Damages	Liquidated damages are (i) the average of your monthly Royalty Fees and Brand Awareness Fund contributions due for the last 12 months, (ii) multiplied by the lesser of 24 or the number of months remaining in the initial term; (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank.	On demand	Only payable if we terminate the Franchise Agreement based on your default or if you terminate the Franchise Agreement in violation of its terms.

Name of Fee	Amount	Due Date	Remarks
Costs and Expenses	Actual legal fees and expenses	As incurred	Payable if we prevail in any legal dispute with you or if we incur costs in enforcing the terms of the Franchise Agreement against you.
Tax Reimbursement	Actual amount of taxes	On demand	You must reimburse us for all sales taxes, franchise taxes, trademark license taxes, and any other taxes imposed on us or our affiliates related to any fees or transactions described in the Franchise Agreement, unless the tax is imposed based on our or our affiliates' income.
Indemnification	Actual amount of damages we sustain	On demand	You agree to hold harmless, defend, and indemnify us and our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees against any claims or losses arising in connection with your Studio's construction, your activities under the Franchise Agreement, non-compliance with laws, a data security incident and breach of the Franchise Agreement.

NOTES:

- 1 **“Gross Revenues”** means the total amount of consideration, whether cash, credit, or payment in kind, received by you and your affiliates for all goods sold and services rendered at or from your Studio (whether or not provided in connection with or under the Marks) and for all goods sold and services rendered by you under the Marks, excluding amounts refunded and amounts paid to a taxing authority. For avoidance of doubt, payment processing fees shall not be deducted from Gross Revenues.
- 2 The required local advertising expenditure may be increased by up to 10% annually upon notice. If you fail to submit satisfactory evidence of your expenditures, we may, upon 30 days advance notice, require that you pay us the amount of your local advertising expenditures by the payment method designated by us and we will make these expenditures on your behalf.
- 3 You will become a member at the opening of your Studio of any existing Marketing Cooperative for your Studio's area, and you must become a member of any Marketing Cooperative we subsequently establish for your Studio's area within 30 days of the date on which the Marketing Cooperative is established. At present, there are no marketing cooperatives, purchasing cooperatives, or other cooperatives; therefore, our own outlets do not have any voting power on any fees imposed by a cooperative.
- 4 You must also pay all fees associated with any digital marketing services vendor designated by us or reimburse us for amounts paid by us on your behalf to any third party vendor.

- 5 You are also responsible for all travel and living expenses incurred by your attendees during training and attendance at national meetings or annual conferences.
- 6 Any replacement Managing Owner or Director must successfully complete all required training associated with their role within the timeframes that we specify. We may charge a reasonable fee for a replacement Managing Owner or Director attending the initial training program or other additional training that we specify. At our discretion, if no viable training options are available for your replacement Director to attend the initial training program or other required training, we will, subject to the availability of our personnel, provide your Director with an on-site training program at your Studio, at a per diem cost, plus all of our trainers' travel, living, lodging and other expenses.
- 7 We have an advisory council comprised of franchisees for the purpose of fostering communication among and between franchisees and us, as well as to establish, modify or discuss various policies applicable to the System franchisees (the "**Franchisee Advisory Council**"). You may be required to become a member of the Franchisee Advisory Council and participate in Franchisee Advisory Council meetings and programs as designated by us.
- 8 You must participate in programs required from time to time by us for obtaining client evaluations, reviewing your compliance with the System, and/or complaints. If you fail to meet or exceed our then-current minimum score requirements, we may require you to undergo additional evaluations to ensure compliance, and you would be responsible for paying all costs associated with such evaluations.

All fees described above are payable to us or third-party vendors. Payments to us are not refundable. Amounts paid to third party vendors may be refundable depending upon your arrangements with such vendors.

All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate.

#### **Item 7. ESTIMATED INITIAL INVESTMENT**

##### **YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount (\$)</b>		<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment Is Made</b>
	<b>Low</b>	<b>High</b>			
Initial Franchise Fee <sup>1</sup>	42,000	42,000	As arranged	At signing	Us
Additional In-Person Site Visits <sup>2</sup>	0	1,500	As arranged	At signing	Us
Signage <sup>3</sup>	1,400	3,500	As arranged	Before opening	Suppliers
Décor, Furniture, Fixtures & Equipment <sup>4</sup>	13,750	30,250	As arranged	Before opening	Suppliers
Architecture Fees <sup>5</sup>	0	6,000	As arranged	Before opening	Architect
Lease Security Deposit <sup>6</sup>	2,765	15,600	As arranged	As arranged	Lessor
Rent <sup>7</sup>	8,295	23,400	As arranged	As arranged	Lessor
Improvements <sup>8</sup>	10,000	125,000	As arranged	Before opening	Contractor, Suppliers
Utility Deposits <sup>9</sup>	250	1,200	As arranged	Before opening	Utility Companies
Initial Supplies <sup>10</sup>	5,750	11,050	As arranged	Before opening	Suppliers
Technology (Hardware and Software) <sup>11</sup>	2,200	5,750	As arranged	Before opening	Suppliers

Type of Expenditure	Amount (\$)		Method of Payment	When Due	To Whom Payment Is Made
	Low	High			
Insurance <sup>12</sup>	750	2,100	As arranged	As arranged	Insurance Companies
Training Expenses <sup>13</sup>	1,000	1,500	As arranged	As arranged	Airlines, Hotels & Restaurants
Grand Opening Advertising <sup>14</sup>	10,000	10,000	As arranged	As arranged	Advertising Suppliers
Accreditations, Certification, Licenses and Permits <sup>15</sup>	100	500	As arranged	As arranged	Licensing Authorities
Legal & Accounting <sup>16</sup>	1,350	5,000	As arranged	As arranged	Attorney, Accountant
Additional Funds-initial period (3 months) <sup>17</sup>	27,000	46,500	As arranged	As arranged	Employees, Utilities, Lessor, Suppliers
<b>TOTAL<sup>20</sup></b>	<b>\$126,610</b>	<b>\$330,850</b>			

**YOUR ESTIMATED INITIAL INVESTMENT**  
**(With Development Agreement)**

Type of Expenditure	Amount (\$)		Method of Payment	When Due	To Whom Payment Is Made
	Low	High			
First Studio Estimated Initial Investment (see first table above) <sup>18</sup>	126,610	330,850	Varies	Varies	Varies
Development Fees <sup>19</sup>	\$16,800	\$67,200	Check or wire transfer	Upon signing the Development Agreement	Us
<b>TOTAL<sup>20</sup></b>	<b>\$143,410</b>	<b>\$398,050</b>			

**NOTES:**

<sup>1</sup> **Initial Franchise Fee.** The Initial Franchise Fee for your first Studio is \$42,000. The Initial Franchise Fee is reduced to \$33,600 for additional Studios to be developed under a Development Agreement. We will refund 50% of the Initial Franchise Fee if we terminate the Franchise Agreement because you have failed to satisfactorily complete the initial training program, subject to your execution of a general release. No Initial Franchise Fee is due under the first Franchise Agreement issued under a Development Agreement and half of the reduced Initial Franchise Fee is due under each subsequent Franchise Agreement issued under a Development Agreement.

<sup>2</sup> **Additional In-Person Site Visits.** We provide one in-person visit to review potential sites for your Studio at our cost and expense. Subject to the availability of our personnel, if additional site visits are

necessary after the first site visit or if you desire additional site visits, you must reimburse us for our reasonable out-of-pocket expenses plus a site visit fee of \$500. The amount for additional in-person site visits is \$0 if additional in-person site visits are not necessary or if you do not request additional in-person site visits. This amount is not refundable.

- 3 **Signage**. The signage requirements and costs will vary based upon the size and location of the Studio, local zoning requirements, landlord requirements, the characteristics of the exterior of your Studio's location, and local wage rates for installation. The amounts you pay for signage are typically not refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.
- 4 **Décor, Furniture, Fixtures & Equipment**. You must purchase and install décor, furniture, fixtures and equipment according to our specifications and as necessary to operate your Studio in accordance with our brand standards. The cost of the décor, furniture, fixtures and equipment will vary according to local market conditions, the size of the Studio, suppliers and other related factors. The amounts you pay for these items may be refundable depending on the return and refund policy of the suppliers.
- 5 **Architecture Fees**. We anticipate that most of our franchisees will not be required to hire an architect to design their Studio. However, your individual circumstances or jurisdiction may make it necessary to hire an architect to provide design assistance and required drawings to receive needed construction permits. The costs you pay may be refundable depending on the refund policy of the architect you engage.
- 6 **Lease Security Deposit**. In some cases, a landlord may require a security deposit of one to two months' rent. The low estimate assumes that you will have to pay a security deposit equal to one month's rent and is based on leasing a facility of 1,000 square feet. The high estimate assumes that you will have to pay a security deposit equal to two months' rent to lease a facility of 2,500 square feet at a higher cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises.
- 7 **Rent**. You must lease or purchase the premises for the operation of the Studio. We have assumed you will lease your site. (Due to varying markets and the wide variety of factors involved in the purchase of real estate, we cannot accurately estimate real estate purchase costs.) These figures reflect our estimate for rent for the first three months. Typically, a Studio will range in size from 1,000 to 2,500 square feet and be located in a multi-use commercial building or retail building. Lease costs will vary based upon square footage, cost per square foot, required maintenance costs and the extent to which the landlord provides a build-out allowance for leasehold improvements (a "**TI Allowance**") (which can range from all to none). Lease costs are typically not refundable.
- 8 **Improvements**. Your site may require improvements such as HVAC, plumbing, electrical, flooring, partitions, painting and other permanent improvements. These costs include the use of a general contractor, who obtains permits, as well as the costs of construction permits and other approvals. You may be able to obtain a TI Allowance from the landlord. If you rent your premises, such a TI Allowance, however, may increase the monthly rental expense, and will depend on numerous factors including your credit history and the landlord's ability to finance the construction. In compiling these estimates, we have assumed a TI Allowance of \$10,000 on the low end, and \$15,000 on the high end. If you are not able to obtain a TI Allowance, your costs may be higher. The cost of improvements will vary depending on factors including the size, condition and location of the facility, local wage rates and the cost of materials. The amounts you pay for improvements are typically non-refundable. You should inquire about the refund policy of the contractor at or before the time of hiring.

<sup>9</sup> **Utility Deposits.** If you are a new customer, you will generally have to pay deposits to obtain services, including electric, telephone, gas and water. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities.

<sup>10</sup> **Initial Supplies.** This is our estimate of classroom supplies used during the first three to four months of operations. You must purchase an initial supply of workbooks, books, teaching supplies and other materials. Costs vary based upon the size and location of the Studio, season, suppliers and other related factors. We do not provide a refund for supplies purchased from us. Whether the inventory items are refundable will depend on the return and refund policy of the suppliers.

<sup>11</sup> **Technology (Software and Hardware).** This is our estimate of required hardware including computers and a security system, as well as access to the required software and three months of subscription costs. You should inquire about the return and refund policy of the supplier at or before the time of purchasing.

<sup>12</sup> **Insurance.** You must purchase the amounts and types of insurance as required by the Franchise Agreement and the Manuals. Factors that may affect your cost of insurance include the size and location of the Studio, value of the improvements, number of employees and other factors. The amounts you pay for insurance are typically not refundable. The amount of insurance required is also affected by lease requirements.

<sup>13</sup> **Training Expenses.** Your Director and Managing Owner (who will initially be the same person) must attend our initial training program. This estimate includes transportation and living costs for one person while attending our initial training program. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodation you choose. These expenses are typically not refundable. You should inquire about the cancellation and refund policy of the airline, rental car or other transportation company and hotel at or before the time you make your reservations. In addition, any costs relating to any local or state requirements, which may include certification and licensing expenses, are your responsibility.

<sup>14</sup> **Grand Opening.** You must spend a minimum of \$10,000 on grand opening advertising. You may choose to spend more. Factors that may affect the actual total amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the Studio, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically not refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

<sup>15</sup> **Accreditation, Certifications, Licenses & Permits.** You must obtain all accreditations, qualifications, certifications and licenses that we, in our business judgment, deem appropriate, regardless of whether such accreditations, qualifications, certifications and licenses are legally mandated. State and local government agencies typically charge fees for occupancy permits, operating licenses, and construction permits. These costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically not refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment. This is our estimate of the costs you might incur to obtain necessary accreditations, qualifications, certifications and licenses, and permits to open. These costs vary significantly by location.

<sup>16</sup> **Legal & Accounting.** You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Studio. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants. These fees are typically not

refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

- 17 Additional Funds. The estimated amounts in the chart are the minimum levels to cover operating expenses for three months. It includes payroll to staff but excludes franchisee/owner compensation. It includes other business expenses not already counted such as telephone/internet and utilities, accounting services. However, we cannot guarantee that amount will be sufficient. New businesses often generate a negative cash flow and additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include an estimate of all costs and expenses to operate your Studio during the "initial phase" of your Studio, which is defined as the three-month period after operations begin. We are not aware of any established longer "reasonable period" for businesses like the Studio. Additional funds may or may not be refundable depending on the policies of suppliers, lessors, etc.
- 18 First Studio Estimated Initial Investment. Includes the estimated initial investment for the first Studio. Not included are estimates for additional Studios. Your initial investment costs for additional Studios may be higher due to inflation and other factors.
- 19 Development Fee. This estimate assumes you sign a Development Agreement for two to five Studios. This amount covers additional franchise fees for one to four Studios; the "First Studio Estimated Initial Investment" includes the initial franchise fee of \$42,000 for the first Studio. No Initial Franchise Fees are due and payable under Franchise Agreements issued under a Development Agreement. Development Fees are not refundable.
- 20 Total. We relied on our franchisees' and affiliates' experience developing and operating Studios in certain cities in the Southeastern part of the United States in compiling these numbers. Your actual investment and expenditure may vary from the above estimates depending on many factors including where your Studio is situated. We do not offer direct or indirect financing to franchisees for any of these items. The availability and terms of financing will depend on factors like the availability of financing generally, your credit worthiness, collateral you pledge, policies of your lending institution, and economic conditions in your area.

#### **Item 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

To maintain the high standards of quality and safety desirable in operating a Studio and maintaining and promoting The Bunny Hive brand, we may require you to make certain purchases for the establishment and continuing operation of the Studio. We may change from time to time the items and services that are required.

Your purchases may be required to (a) meet specifications that we establish from time to time; (b) be of a specific brand, kind, or model; (c) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (d) be purchased or leased only from a single source

that we designate (which may include us, our affiliates or a buying cooperative or similar group buying arrangement organized by us).

To the extent we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers, we will publish our requirements in the Manuals or otherwise in writing.

Our current specific requirements for your purchases and leases include:

1. Site Selection. If the location is not determined at the time the Franchise Agreement is signed, you must propose a site for the Studio in the site selection area specified in the Franchise Agreement which has been accepted by us in writing within three months. You may not enter into a lease or purchase agreement for the premises for your Studio until we have approved the location of the premises in writing. Your site must meet our then-current site criteria.

2. Site Procurement. Within two months after your site has been accepted, you must have entered into a lease or binding purchase agreement. Your lease or purchase agreement for the Studio must be approved by us in advance. Our approval of your lease or purchase agreement may be conditioned upon the inclusion of various terms and conditions. In addition, if you purchase the property for your Studio, you must agree to lease such property to us on commercially reasonable terms and at fair market value, at our option, if the Franchise Agreement is terminated, assigned or transferred.

3. Site Development. You must improve and develop your Studio's site according to our standard plans and specifications including exterior and interior design and layout, fixtures, equipment, décor and signs that are identified in the Manuals. In connection with the Studio's development, you will be responsible for complying, at your expense, to our satisfaction, with the following requirements:

(a) You must obtain all zoning classifications and clearances, permits and certifications which may be required by laws and restrictive covenants. You must comply with all laws governing the construction, renovation, design and operation of the Studio.

(b) Upon our request, you must submit the specific construction plans and specifications to us for review and acceptance before you begin construction of the Studio.

(c) You must engage a qualified licensed general contractor that has been approved by us in advance to construct or renovate the Studio and to complete all improvements.

4. Signage. All signage, both interior and exterior, related to the Studio, must conform to such standards and specifications as we may prescribe as to type, color, size, design, and location. You must obtain our prior written approval before you install or display any such signage.

5. Vehicles. Any vehicles used by you in the operation of the Studio must comply with all laws, including vehicle inspection and registration statutes, and must meet all of our brand standards. All vehicles must bear the Marks in the form and location as specified by us, and may not display any additional sales, advertising, or message without our prior written approval. You must, at your expense, at all times during the term of this Agreement, maintain the interior and exterior of the vehicles in good repair, attractive appearance, and safe operating condition.

6. Fixtures and Equipment. You must purchase and/or lease and install furniture, fixtures and play equipment for your Studio in accordance with our specifications and from designated vendors.

7. Supplies, Inventory and Merchandise. You must purchase teaching supplies, toys, curriculum materials, and related equipment and supplies, and all inventory and merchandise that you sell at retail in accordance with our specifications and from designated vendors.

8. Technology System. We have the right to specify in the Manuals or otherwise require in writing that you acquire and use in the operation of the Studio a specified Technology System. We may require that you license proprietary software or other technology developed or maintained for the System.

9. Advertising. All advertising and promotional activities conducted by you in any medium must be conducted in a dignified manner and must accurately promote, describe and otherwise represent the Business. You agree to refrain from any advertising or promotional practice which is unethical or may be injurious to our business and/or other franchisees or the goodwill associated with the Marks. You must obtain our prior approval of all unapproved advertising and promotional materials that you desire to use in advance. You must promptly discontinue use of any advertising or promotional plans or materials upon our request.

Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt by us, will be deemed disapproved.

You may advertise using methods that are generally circulated or broadcast throughout your Territory and that extend beyond your Territory, such as, but not limited to magazine or newspaper advertisements, use of mail zones, or radio or television broadcasts, so long as such generally circulated advertisements or broadcasts are not specifically targeted to reach areas or clientele outside of your Territory.

We have the sole right to control all aspects of digital marketing. All digital marketing must comply with any brand standards that we establish periodically. You must (a) immediately modify or delete any digital marketing that we determine, in our sole discretion, is not compliant with such brand standards or reflects unfavorably on The Bunny Hive brand; (b) only use materials that we have approved and submit any proposed modifications to us for approval; (c) not use any Mark on any aspect of the digital marketing (including in any domain name, address, or account) except as we expressly permit; (d) include only the links that we approve or require; and (e) immediately take all actions necessary or that we request to provide us with access to, or to transfer ownership of, all digital marketing relating to the Studio to us.

We may (but we are not obligated to) operate, produce content for and otherwise manage your Studio's digital marketing. In addition, we may designate a third party to provide digital marketing services. You agree to enter into agreements relating to digital marketing Services with any third-party vendor that we designate.

10. Quality Assurance Programs. You must participate in programs required from time to time by us for obtaining client evaluations, reviewing your compliance with the System, and/or managing complaints.

11. Insurance. Under the Franchise Agreement, you must obtain and maintain the insurance coverages and policies that we prescribe in the Manuals. We currently require, at a minimum, the following:

(a) "All Risk" property coverage on all assets, including inventory, furniture, fixtures, equipment, supplies, and other property used in the operation of the Studio with coverage limits of at least full replacement cost;

(b) Workers' Compensation Insurance that complies with the statutory requirements of the state in which the Studio is located and employer liability coverage with a minimum limit of \$500,000 or, if higher, the statutory minimum as required by state laws;

(c) Comprehensive General Liability Insurance (written on ISO Form CG0001 or its equivalent) against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of your Studio with a minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum limit required by law;

(d) Business Interruption Insurance in amounts and with terms acceptable to us. We recommend, but do not require, that you obtain coverage for business interruption due pandemics and widespread infectious disease outbreaks;

(e) Cyber Liability/Data Breach insurance with a minimum limit of \$50,000;

(f) Employment Practice Liability insurance with a minimum limit of \$500,000;

(g) Automobile Liability Insurance for owned, non-owned or hired vehicles, with a combined single limit of at least \$1,000,000 or, if higher, the statutory minimum limit required by state laws; and

(h) Such other insurance as is necessary to provide coverage under the indemnity provision of the Franchise Agreement.

To the extent applicable, all policies should include additional insured, waiver of subrogation, and primary and non-contributory endorsements in favor of us, our affiliates and our respective officers, directors, employees, and agents. All policies must contain a provision where the policy cannot be cancelled, altered, or permitted to lapse or expire without 30 days' advance written notice to the us (five days for non-payment). We do not represent that coverage and limits will be necessarily adequate to protect you or us. All policies must be written by insurance carriers approved by and satisfactory to us having a rating of A- or better in the rating classification with a financial rating of VII or better in the most recent A.M. Best's Key Rating Guide.

There are currently no other products and services that you must purchase from us or our affiliates. We reserve the right to be a supplier or the sole supplier of any product or service you must purchase in the future.

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None of our officers have an interest in any supplier to our franchisees.

If you would like to offer products or use any inventory, products, supplies, equipment, or services that we have not approved or to purchase from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us \$750 or, if greater, our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel travel, lodging, living and other expenses, whether or not the item, service, supplier, or service provider is approved. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment.

To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We are not responsible for any suppliers or service providers that we designate or otherwise refer to you. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees.

We will notify you in writing of our decision as soon as practicable following our evaluation. We will use commercially reasonable efforts to evaluate any supplier you propose within three months after your request. If you do not receive our approval within three months after submitting all the information that we request, our failure to respond will be deemed a disapproval of the request. If we approve any products, supplies, equipment, or services or supplier/service provider, in response to your request for approval submitted hereunder and the item or supplier/service provider is thereafter required to be used on a System-wide basis, we will refund or waive all inspection charges paid. We reserve the right to revoke approval of any product, supply, equipment, service, supplier, or service provider for any reason, in our sole discretion, effective upon notice to you.

Our and our affiliates' revenue from all required purchases and leases of products and services by franchisees in the prior fiscal year was \$0. The percentage of our total revenue from required purchases or leases in the prior fiscal year was 0%.

We do not currently receive payments from any designated suppliers based on purchases by you or other franchisees. However, the Franchise Agreement does not prohibit us from doing so. We may receive revenue and earn profits from any product we supply or from designated suppliers. We are not required to give you an accounting of any payments we receive from designated suppliers, nor are we required to share any benefits of supplier payments with you or with any other franchisee. We and our affiliates have the right to collect any rebates or refunds provided by a supplier or vendor in connection with your purchase of any products or services.

We estimate that purchases and leases made by you from approved or designated suppliers, or according to our standards and specifications, represents 50% to 60% of your total cost of establishing your Studio and approximately 35% to 45% of your total cost of operating your Studio.

There are currently no franchisee purchasing or distribution cooperatives within the System. In the future, we may require you to (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) designated by us and/or established by us for the System, (ii) remain a member in good standing of the purchasing and/or distribution cooperative(s)/association(s)/program(s), and (iii) pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative(s)/association(s)/program(s).

As of the date of this Disclosure Document, we do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers.

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

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

<b>Obligation</b>	<b>Section in Franchise Agreement and Development Agreement</b>	<b>Item in Disclosure Document</b>
a. Site selection and acquisition/lease	§§ 2.B and 5.A-5.D of the FA	Items 7, 8, 11 and 12
b. Pre-opening purchases/leases	§§ 5.A – 5.J, 6.C, and 9 of the FA	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	§§ 5.A – 5.J, 6.C, and 9 of the FA; § 1 of the DA	Items 7, 8 and 11
d. Initial and ongoing training	§§ 8.C and 8.E of the FA	Items 6, 7 and 11
e. Opening	§§ 5.H and 5.J of the FA	Items 7 and 11
f. Fees	§§ 3.B(vi), 4, 5.A(ii), 5.A, 6.A(iv), 6.B(iii), 6.E(ii), 8.A, 8.B, 8.C(vii)-(x), 8.D, 9.D., 9.G(i), 10.C(ii), 10.D, 12.B(iii), 13.B, 14.A, 16.C(vii), 16.E(iii), 16.F and 18.R of the FA; §§ 2, 4 and 12(o) of the DA	Items 5 ,6, 7 and 11
g. Compliance with standards and policies/Manuals	§§ 5, 6 and 8 of the FA	Items 8, 11, 13,14 and 16
h. Trademarks and proprietary information	§§ 11, 13.A(vi), and 15.A. of the FA	Items 13 and 14
i. Restrictions on products/services offered	§ 8.B of the FA	Items 8 and 16
j. Warranty and client service requirements	§ 8.F of the FA	Not applicable
k. Territorial development and sales quotas	§ 1 of the DA	Not applicable

<b>Obligation</b>	<b>Section in Franchise Agreement and Development Agreement</b>	<b>Item in Disclosure Document</b>
I. Ongoing products/service purchases	§§ 6.A(iv), 6.B(iii), 6.D, 8.A, 8.C(iv), 8.C(ix)-(xi), 8.D, 8.I-8.L, 9 and 14.A of the FA	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	§§ 5.K and 5.L of the FA	Items 7, 8 and 11
n. Insurance	§ 14.A of the FA	Items 6, 7 and 8
o. Advertising	§ 6 of the FA	Items 6, 7, 8 and 11
p. Indemnification	§ 14.B of the FA	Item 6
q. Owner's participation/management /staffing	§§ 1.B, 1.E, 8.C, and 8.D of the FA	Items 11 and 15
r. Records and reports	§ 10 of the FA	Item 6
s. Inspections and audits	§§ 10.C and 10.D of the FA	Item 6
t. Transfer	§ 16 of the FA; § 10 of the DA	Items 6 and 17
u. Renewal	§ 3.B of the FA	Items 6 and 17
v. Post-termination obligations	§ 13 of the FA	Item 17
w. Non-competition covenants	§§ 15.B and 15.C of the FA	Items 15 and 17
x. Dispute resolution	§§ 17 and 18.D-E of the FA; §§ 11 and 12 of the DA	Item 17
y. Other - Personal Guarantee	§ 1.B of the FA	Item 15

## **Item 10. FINANCING**

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

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

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

### Pre-Opening Assistance

Before you open your Studio:

A. Your Site. We will review your proposed site. If we determine that an in-person visit to a proposed site that you identify is necessary or appropriate, we will provide one site visit at our cost and expense. We may provide additional site visits subject to the availability of our personnel. (Section 5.A., Franchise Agreement)

We will review and accept or reject your proposed site based on an analysis of local competing facilities, demographics, visibility and accessibility, suitability of the premises to be leased and other factors as more fully described in the Manuals.

Within two months after the site has been determined, you must execute a lease (if the site will be leased) or a binding agreement to purchase the site (if the site will be purchased). (Section 5.B., Franchise Agreement)

We may review your lease or purchase agreement to ensure that it meets our minimum requirements. (Sections 5.C. and 5.D., Franchise Agreement)

We will provide our standard specifications for your Studio including specifications for exterior and interior signage and design elements, fixtures, and equipment. We also provide guidance on the layout of your Studio. (Section 5.F., Franchise Agreement)

Except as described above, we do not assist you in (i) locating your site and negotiating the purchase or lease of the site; (ii) conforming the premises to local ordinances and building codes and obtaining any required permits; or (iii) constructing, remodeling, or decorating the premises. However, we may provide reasonable guidance on these items.

Your site must be identified and agreed upon within three months after the effective date of the Franchise Agreement. You must have entered into a binding lease or purchase agreement within two months after the date your site has been accepted by us under the Franchise Agreement. The failure to have agreed upon a site for the Studio or to have entered into a binding lease or purchase agreement within those timeframes are defaults under the Franchise Agreement that would entitle us to terminate the Franchise Agreement. (Section 12.A.(vi), Franchise Agreement)

B. Initial Training Program. We will conduct our initial training program for up to two individuals. (Section 7.B., Franchise Agreement) The current initial training program is described below.

We will approve the location of future sites and territories for those sites for future Studios opened under a Development Agreement, and our then-current standards for sites and territories will apply. For

each future site, you must sign our then-current form of Franchise Agreement, which may be materially different than the original Franchise Agreement that you signed.

C. Hiring and Training Your Employees. We may provide suggested staffing levels, and you must hire that number of employees that is adequate to serve the needs of your Studio. In general, you are responsible for training your employees. However, we may develop and make available training tools and recommendations for you to use in training the Studio's employees to comply with our standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in our standards. (Sections 7.B. and 8.C. Franchise Agreement) All hiring decisions and conditions of employment are your sole responsibility.

D. Operations Manuals. We will loan to you one copy of the Manuals which may cover such topics as pre-opening procedures, systems and procedures, marketing, personnel and accounting and bookkeeping. Additional topics may be incorporated in the Manuals from time to time, as we deem necessary. (Section 7.A., Franchise Agreement)

E. Necessary Equipment, Signs, Fixtures, Opening Inventory, and Supplies. We will provide you with a written list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your Studio. (Section 7.C., Franchise Agreement) We do not provide these items directly. We do not deliver or install any equipment, signs, fixtures, inventory and other items.

F. Opening Assistance. We will have a representative support your Studio with at least three days of onsite opening assistance. (Section 7.D., Franchise Agreement)

G. Digital Marketing. We will provide reasonable assistance in connection with your Studio's set-up and launch during your grand opening. (Section 6.C., Franchise Agreement)

#### Length of Time to Open

The typical length of time between signing the Franchise Agreement and the opening of your Studio is four to 12 months. You must open your Studio within 12 months after the effective date of your Franchise Agreement. Factors affecting this length of time include, among other things, ability to select a site and negotiate a satisfactory lease or purchase agreement, necessary improvements and construction; financing arrangements; the completion of required training; improvements and signage installation timing; and licensing requirements.

#### Our Post-Opening Obligations

After you open your Studio:

A. Developing products or services you will offer to your clients. Although it is our intent and practice to refine and develop services that you will offer to your clients, the Franchise Agreement does not obligate us to do so.

B. Brand Awareness Fund. We will administer the Brand Awareness Fund. (Section 6.F., Franchise Agreement) Additional information regarding the Brand Awareness Fund is below.

C. Review of Advertising Materials. We will review advertising materials submitted by you. We may provide specific guidelines for advertising initiated by individual franchisees. (Section 6.A., Franchise Agreement)

D. Additional or Refresher Training Programs. We may provide refresher or additional training programs or seminars from time to time. We may charge a fee for additional and refresher training. (Section 7.B., Franchise Agreement)

E. General Advice. We will periodically provide you with general guidance and advice regarding business, financial, operational, technical, pricing, sales and advertising matters, and the operation of the Studio. We will provide such assistance by telephone or electronic communication or through the Manuals. (Section 7.E., Franchise Agreement)

F. Administrative. We will provide you with our recommended procedures for administration, bookkeeping, accounting, and inventory control. We may make any such procedures part of required (and not merely recommended) procedures for our System. (Section 7.F., Franchise Agreement)

G. Website. We will maintain a website for The Bunny Hive brand, which will include your Studio's information and telephone number. (Section 7.G., Franchise Agreement)

H. Pricing. Subject to applicable laws, we may set maximum and minimum prices for services and merchandise offered at your Studio. We may also provide guidance with respect to suggested pricing for services and merchandise offered at your Studio. (Section 7.H., Franchise Agreement)

I. Email and Communication Systems. We will provide you with an email address and other communications systems for your Studio as we deem appropriate. (Section 7.I., Franchise Agreement)

## General

You must obtain our prior approval of all advertising and promotional materials (which includes digital marketing) that you intend to use in advance unless we have provided such materials. You must promptly discontinue use of any advertising or promotional materials upon our request. Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt, is deemed disapproved.

We may make advertising and promotional materials available to you for purchase from time to time and may charge a reasonable fee.

We may (but we are not obligated to) operate, produce content for and otherwise manage your Studio's digital marketing. If we do so, we may charge you a reasonable fee for these services, or we may designate a third party to provide these services. You agree to enter into agreements relating to digital marketing services with any third party vendor that we designate to provide such services. You must pay all fees associated with such digital marketing services vendor or reimburse us for amounts paid by us on your behalf to any third party vendor, as directed by us.

## Grand Opening Marketing

You must submit a written budget and plan for grand opening to us for approval prior to the opening of your Studio which must include details regarding the preparation and placement of advertising and promotional items. You must spend, 90 days prior to opening and up to the beginning of the second month of operation of your Studio, a minimum of \$10,000 in accordance with your approved grand opening plan and our brand standards.

Amounts spent by you on grand opening are in addition to your other marketing and advertising requirements.

## Local Advertising Requirements

Commencing at the beginning of the fourth month after the Studio opens, you must spend, on a monthly basis, for local advertising, \$500, which may be increased annually by up to 10% per year. Required local advertising expenditures are reduced by the amount of Marketing Cooperative contributions paid by you. You must create and provide us with a monthly local advertising and marketing plan that conforms to our standards and requirements. If you fail to submit satisfactory evidence of your expenditures within 30 days after our request, we may, upon 30 days advance notice, require that you pay us the local advertising expenditure requirement by the payment method designated by us and we will make these expenditures on your behalf.

## Marketing Cooperatives

We may organize, on our own volition or at the request of franchisees, a “**Marketing Cooperative**” for an area we specify (the “**Coop Area**”). You will automatically become a member at the opening of your Studio of any existing Marketing Cooperative in the Coop Area of your Studio, and you must become a member of any Marketing Cooperative we subsequently establish in the Coop Area of your Studio within 30 days of the date on which the Marketing Cooperative is established.

Marketing Cooperatives must be governed in a form and manner approved by us in advance, subject to our ongoing approval. Marketing Cooperatives will have written governing documents that are available to members for review. We supply or approve the bylaws and charter of each Marketing Cooperative, which will operate on the governance principles of: (i) each Studio with its Franchise Agreement in good standing (i.e., not in default) and each Studio operated by us and our affiliates has one vote on any action proposed to be taken by the Marketing Cooperative; (ii) a meeting may be called by us or at least 20% of the members; (iii) a meeting quorum is at least 50% of the members in good standing and a majority of those members present and eligible to vote is required for any action or resolution; and (iv) we may veto any action proposed by the Marketing Cooperative.

No advertising or promotional plans or materials may be used by a Marketing Cooperative or furnished to its members without our prior approval. Each Marketing Cooperative will be organized for the exclusive purpose of administering regional advertising programs. You must pay your required Marketing Cooperative contribution in the manner specified by the applicable Marketing Cooperative.

Marketing Cooperatives will prepare annual or periodic financial statements that are available for review by the members.

The required Marketing Cooperative contribution is an amount we determine that is up to 50% of the required local advertising expenditure. Each company or affiliate-owned Studio will make contributions to the Marketing Cooperative on the same basis as the assessments required of franchised Studios.

We reserve the right to terminate any Marketing Cooperative, provided that the Marketing Cooperative will not be terminated until all of its monies have been expended for its intended purposes.

*There are currently no Marketing Cooperatives.*

## Brand Awareness Fund

You must contribute an amount that we specify that is \$115 per week plus a variable amount that we designate that is up to 3% of Gross Revenues of the Studio to the Brand Awareness Fund. We oversee all advertising and promotional programs and have the sole discretion to approve or disapprove any creative concept, materials, methods, and media used in such programs, and the placement and allocation of Brand Awareness Fund contributions. The Brand Awareness Fund is intended to maximize national public recognition and acceptance of the Marks for the benefit of the System and our franchisees.

The Brand Awareness Fund will be used exclusively to meet all costs of maintaining, administering, directing, and preparing advertising activities; the maintenance of our website; the creation, placement and management of digital marketing on behalf of the System; secret-shopper or other quality assurance programs; sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist therein; creation of promotional and marketing materials; paying the reasonable compensation of our employees or other third parties providing services related to any of these activities and any other activities that we determine promote The Bunny Hive's good will and public recognition, in our reasonable discretion.

Media coverage may be local, regional or national in scope. We may prepare the advertising in-house, or we may use national and/or regional advertising agencies to produce advertising materials.

We undertake no obligation in administering the Brand Awareness Fund to make expenditures for you which are equivalent or proportionate to your Brand Awareness Fund contribution, or to ensure that you benefit directly or pro-rata from advertising or promotion conducted under the Brand Awareness Fund. We have no obligation to spend any amounts on advertising in the vicinity of your Studio.

All funds paid by you to the Brand Awareness Fund and any earnings will be accounted for separately from our other monies and will not be used to defray any of our expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the Brand Awareness Fund.

An accounting of the Brand Awareness Fund will be prepared annually and be made available to you if requested, which need not be audited.

Each company or affiliate-owned Studio will make contributions to the Brand Awareness Fund on the same basis as the assessments required of franchised Studios.

Any year-end surplus or deficit marketing funds are carried over to the following year.

None of the monies collected for the Brand Awareness Fund will be used to solicit new System franchisees or otherwise inure to our benefit, although a portion of our website may contain information regarding the franchise opportunity.

Although the Brand Awareness Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Awareness Fund at any time. The Brand Awareness Fund will not be terminated, however, until all monies in the Brand Awareness Fund have been expended for the purposes described in the Franchise Agreement.

During our fiscal year ended December 31, 2024, we used the Advertising Fund contributions as follows:

Category	% Spent
Production	28%
Media Placement	0%
Administrative	28%
Other (Public Relations and Marketing Agency Costs)	44%
<b>Total</b>	<b>100%</b>

#### Advertising Council

We currently have no council composed of franchisees that advises us on advertising policies.

#### Computer System

You must acquire the right to use and use any software programs that we designate for your use in your Studio in the Manuals or otherwise ("Required Software"). You must install, learn, use and integrate all updates, supplements, modifications or enhancements to the Required Software when we so require.

You must also purchase or lease and use in the operation of your Studio certain electronic data collection, storage, reporting, exchange and interchange capability and services and security systems, including certain brands, types, makes and models of communications, hardware systems, peripherals and related equipment and security systems and cameras, including without limitation: (i) back office accounting, inventory and management systems; (ii) storage, retrieval and transmission systems for data, audio, video and voice files; (iii) point of sale systems or such other types of cash registers as we may designate or approve; (iv) physical, electronic and other security systems, video monitoring systems, cameras, and procedures; (v) archival back-up systems; (vi) internet access capability and connectivity; and (vii) customer-facing marketing, ordering, entertainment, audio, video, internet access points and service systems (collectively, with the Required Software, the "Technology System").

You must implement and periodically make upgrades and other changes to your Technology System as we request in writing at your cost.

Your Technology System must permit 24 hours per day, seven days per week electronic communications between you and us and provide us independent access to the Technology System (but excluding matters relating to labor relations and employment practices). There are no contractual limitations on our right to access the information and data in your Technology System.

The types of data to be generated or stored in your Technology System and the Required Software include enrollment data, digital billing, and client contact information, payments and sales transactions.

Our current Technology System requirements include:

One Desktop Computer
One Printer
MindBody® Online Scheduling/Management Software*
Quickbooks® Accounting Software
Qvinci® Reporting Software*
iPad

Smart Phone
Basecamp

\*The cost of MindBody and Qvinci is currently covered under the Technology Fee.

We also require that you obtain one speaker per classroom. The total estimated cost for your Required Software and Technology System is \$2,200 to \$5,750.

We may require that you purchase a maintenance contract to service the Technology System. The third parties from whom you purchase or lease the Technology System may have no contractual rights or obligations to provide ongoing maintenance, repairs, upgrades or updates unless you obtain a service contract or a warranty covers the product. If we designate a vendor for maintenance, repair, upgrade and update services, you must use our designated vendor for these services.

Estimated maintenance and updating is approximately \$1,000 per year.

You are solely responsible for the acquisition, operation, maintenance, and upgrading of the Technology System. There are no limitations on the frequency and cost of your obligation to comply with our requirements related to the Technology System. We reserve the right to change the Technology System at any time.

We or our affiliates may condition any license of proprietary software to you, or your use of technology that we or our affiliates develop or maintain, on your signing a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge you a software licensing fee for any proprietary software or technology that we or our affiliates license to you.

### Manuals

The Table of Contents of the Manuals is attached as **Exhibit E** to this Disclosure Document. The Manuals are 380 pages total.

### Training

Before the Studio opens, we will provide an initial training program for up to two individuals. We will provide instructors, facilities, and materials for the initial training program at no charge. The initial training program must be completed by the Managing Owner (who will also be your initial Director) to our satisfaction before opening your Studio. The Managing Owner is the franchisee if the franchisee is an individual or may be one of your owners if the franchisee is an entity. All attendees must be approved by us in advance.

We reserve the right to charge a reasonable fee for additional persons (beyond two) that attend the initial training program. Our current fee for additional persons attending the initial training program is \$3,000. Attendance at the initial training program by additional persons is subject to our advance approval.

We may shorten or otherwise modify the initial training program if you are opening your second or additional Studio or, if we determine, in our discretion, your background and skills make an abbreviated initial training program appropriate.

We currently provide the initial training program in Richmond, Virginia. In our discretion, we may conduct all or a portion of the initial training program virtually.

There currently are no fixed (i.e., monthly or bi-monthly) training schedules. Training is conducted as often as necessary after Franchise Agreement signing and before opening of the Studio.

The instructional materials include the Manuals, videos, and other training aids.

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job-Training	Location of Training
Understanding The Bunny Hive Classes, Curriculum Manual, and Lesson Plans (Virtual)	2		Virtual
Welcome and Tour	1		Richmond, Virginia
The Bunny Hive Brand, Culture, History and Core Values	3		Richmond, Virginia
Overview of the Relationship with the Franchisor	2		Richmond, Virginia
Bookkeeping, financial reporting and projections	2		Richmond, Virginia
Grand Opening and Ongoing Marketing, including Photography and Social Media Best Practices	3		Richmond, Virginia
Grand Opening Timeline and Budget	1		Richmond, Virginia
Best Practices for Human Resources	3		Richmond, Virginia
Overview of Basecamp and MindBody	1	2	Richmond, Virginia
Pricing the Offerings	2		Richmond, Virginia
Handling Inquiries, Reputation Management	2		Richmond, Virginia

Subject	Hours of Classroom Training	Hours of On-the-Job-Training	Location of Training
Understanding The Bunny Hive Program and Using the Curriculum Guide and Lesson Plans	2	2	Richmond, Virginia
Establishing Your Schedule of Classes	1		Richmond, Virginia
Studio Operating Procedures – Opening, Closing, Cleaning, Preparing for Classes, Resetting Post Class, Managing Materials, Safety and Security, etc.	2	4	Richmond, Virginia
Staff Training	3		Richmond, Virginia
Financial Management of the Business, including Reporting and Billing	1		Richmond, Virginia
<b>TOTAL HOURS</b>	<b>31</b>	<b>8</b>	

As of the date of this Disclosure Document, the initial training program will be supervised by Kathryn Doar and/or Brittany Schmid, who have over five years of experience with our Studios and 14 years of experience relevant to the subjects being taught. In addition, portions of the training will be administered by Caroline White, who has over three years of experience with our Studios and four years of experience relevant to the subjects being taught.

Any replacement Managing Owner or Director must successfully complete all required training associated with their role within the timeframes that we specify. We reserve the right to charge a reasonable fee for a replacement Managing Owner or Director attending the initial training program or other additional training that we specify. Our current fee for a replacement Managing Owner or Director attending the initial training program is \$3,000.

At our discretion, if no viable training options are available for your replacement Director, we will, subject to the availability of our personnel, provide your Director with an on-site training program at your Studio, at a per diem cost, plus all of our trainers' travel, living, lodging and other expenses.

If you request additional training or if we require that your Managing Owner, your Director and other designated personnel attend additional, we may charge a reasonable fee (currently, \$400 per day per trainer) plus our trainer's travel, living, and lodging expenses.

We may also require that your Managing Owner, Director and other designated employees attend refresher training consisting of up to four days each year at a location designated by us. Currently, annual refresher training fees are \$500 per person.

You are responsible for any travel, living, lodging and other expenses incurred by your attendees during initial and additional/refresher training.

In addition, we may require your Managing Owner, Director and other designated employees to attend a national business meeting or annual convention each year. You must pay a reasonable registration fee (currently, \$500 per person) for attendance at such meeting or convention and are responsible for all travel and living expenses of attending any such meeting or convention.

## **Item 12. TERRITORY**

*Franchise Agreement.* The Franchise Agreement grants you the right to own and operate a Studio at a specific site. The site for your Studio and protected territory will be listed in the Franchise Agreement if the site for your Studio is identified at the time of signing (the “**Territory**”).

If you have not identified a location for your Studio when you sign the Franchise Agreement, as is often the case, your Studio’s location will be determined after signing. Under these circumstances, your Franchise Agreement will describe a search area for your Studio.

If your Studio’s location is identified after signing, your Territory will be determined by us after the location has been determined based on population density, demographics, and geographical and political boundaries. In general, if your Studio is in a “metropolitan area” (which shall be determined by us and is generally any metropolitan area with a population exceeding 500,000 people), the Territory will include a population of 250,000 to 450,000 people. For all other areas, your Territory will be a minimum of a 10-mile radius from the Accepted Site. The boundaries of your Territory may be described in terms of contiguous zip codes, street boundaries, county lines, state lines, municipal lines or depicted on a map.

Under the Franchise Agreement, you will not receive an *exclusive* territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control.

The Franchise Agreement grants certain territorial protections in the Territory as described below. Except as provided below, if you are in full compliance with this Agreement, neither we nor our affiliates will operate a Studio, nor grant the right to operate a Studio to any other person, within your Territory:

- (a) We may operate or license others to operate Studios outside of the Territory;
- (b) We may operate or license others to operate similar businesses and/or offer similar products and services under any mark other than the Marks within or outside of the Territory;
- (c) We may operate or license others to operate different businesses under any mark, including the Marks, within or outside of the Territory;
- (d) We may advertise, promote, market, or sell goods and services identified by any mark, including the Marks, or permit and authorize others to advertise, promote, market, or sell goods and services identified by any marks, including the Marks, in either case, which are the same or similar to those which you will sell at your Studio through other channels of distribution, including but not limited to, retail or wholesale channels, electronic networks, telemarketing or catalogs; and
- (e) We may acquire, be acquired by, or merge with competitive businesses and operate them within or outside of the Territory and, at our option, convert them to businesses operating under the Marks or any other name.

*Relocation.* You may not operate your Studio at any site other than the site or relocate your Studio without our prior written consent. If your lease expires or terminates without your fault, or if the site is destroyed, condemned or otherwise rendered unusable, or if in our judgment, there is a change in character of the location of the Studio sufficiently detrimental to your Studio potential to warrant its relocation, we will grant permission for relocation of the Studio to a location acceptable to us. Any relocation is at your sole expense.

In addition, you must pay us a non-refundable relocation fee of 25% of our then-current initial franchise fee for our services in connection with any relocation of the Studio, with half of the relocation fee due and payable with when we have agreed to work with you to relocate your Studio and the remainder due and payable when we have accepted the site for the relocated Studio.

*Advertising Outside of Your Territory.* You may advertise using methods that are generally circulated or broadcast throughout your Territory and that extend beyond your Territory, such as, but not limited to, magazine or newspaper advertisements, use of mail zones, or radio or television broadcasts, so long as such generally circulated advertisements or broadcasts are not specifically targeted to reach areas or clientele outside of your Territory. No party is obligated to pay compensation to any other party for soliciting students from another Studio's territory.

*Geographic Limitations on Clients.* Clients who reside outside the Territory may become members of your Studio or otherwise may purchase products and services from your Studio. Similarly, company-owned Studios and other franchised Studios may have clients who reside inside your Territory, without reimbursement to you. Although neither we nor our affiliates will operate or license another person to operate a Studio within your Territory, neither we, our affiliates or our other franchisees are restricted from having clients who reside in your Territory.

*Development Agreement.* The Development Agreement will specify a development area within which you will focus your development efforts (the "**Development Area**").

Under the Development Agreement, you will not receive an *exclusive* territory. You may face competition from other franchisees, from outlets we own, or from other channels of distribution or competitive brands we control.

The Development Agreement grants certain territorial protections in the Development Area. As long as you are in compliance with the Franchise Agreement, we and our affiliates will not operate a Studio in your Development Area, nor grant a third party the right or license to operate a Studio in your Development Area. However, we have the right to engage in any of the activities (directly or through an affiliate) in the Development Area that are permitted in the Territory under the terms of the first Franchise Agreement that you enter into under the Development Agreement.

The Franchise Agreement and Development Agreement do not contain any other provisions under which you might receive any options, rights of first refusal or similar rights to acquire additional Studios. If you wish to establish an additional Studio, you must apply for the grant of an additional franchise for a Studio, which will be issued on the form Franchise Agreement then being offered by us.

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the Franchise Agreement does not prohibit us from doing so.

We will approve the location of future sites and territories for those sites, and our then-current standards for sites and territories will apply. For each future site, you must sign our then-current form of

Franchise Agreement, which may be materially different than the original Franchise Agreement that you signed.

### Item 13. TRADEMARKS

Under the Franchise Agreement, we grant you the right to operate a Studio under the name “The Bunny Hive” and other Marks we authorize you to use. The principal Marks we employ to identify the products and services of the Studios include The Bunny Hive word mark and logo. The Marks are owned by our affiliate, The Bunny Hive Holdings, LLC, which has obtained registration of the following Marks with the Principal Register of the USPTO:

Trademark	Registration Number	Registration Date
The Bunny Hive (word mark)	6814045	August 9, 2022
	6814042	August 9, 2022

We and Bunny Hive Holdings, LLC entered into a license agreement effective May 12, 2023 under which we obtained the exclusive right to sublicense and franchise the Marks and the System (the “**License Agreement**”) throughout the United States. The term of the License Agreement is perpetual, and it is terminable only if we misuse the Marks or fail to continue to use the Marks in commerce for a continuous period of over a year. The Bunny Hive Holdings, LLC will have the option to either assume the relevant Franchise Agreements and/or Development Agreements, or not assume them, in which case all such agreements would continue in effect between us and the franchisee/developer as if the termination had not taken place.

Except for the License Agreement, there are no other agreements currently in effect which significantly limit our rights to use or license the use of the trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the Studio.

At this time, there are no required affidavits for the principal Marks, and no such affidavits have been filed. We have not renewed any Marks as of the date of this Disclosure Document. We intend to renew the registrations and file all appropriate affidavits at the appropriate time as required by law. There are no currently effective determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court; nor is there any pending infringement, opposition or cancellation proceedings, or material litigation, involving the Mark listed above.

You must follow the Franchise Agreement, the Manuals and our specifications and directives when you use the Marks. The Marks are the only marks you may use to identify the Studio. You may not use any Mark as part of any corporate or trade name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, and you may not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. Your use of the Marks and any goodwill is to our exclusive benefit, and you retain no rights in the Marks other than a license to use the Marks during the term of the Franchise Agreement.

You must not contest the validity or ownership of any of the Marks or assist another person in contesting the validity or ownership of any of the Marks. You must notify us immediately when you learn about an infringement of or challenge to your use of a Mark. The Bunny Hive Holdings, LLC has the right to exclusively control any litigation, USPTO proceeding, or other proceeding arising out of any infringement, challenge or claim or otherwise relating to any Mark. The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks or to take any other affirmative action.

If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of the Marks, and/or use one or more additional or substitute trade name, trademark, service mark or other commercial symbol, you agree to comply with our directions within a reasonable time after your receipt of notice from us, and we have no liability or obligation whatsoever with respect to your modification or discontinuance of the Marks.

We do not know of any prior rights or infringing uses that could materially affect your use of our Marks.

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

We do not own rights in, or licenses to, patents that are material to the Studio. We do not have any pending patent applications.

All our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Manuals as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the Franchise Agreement, in a manner consistent with our ownership rights, solely for your Studio.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The Franchise Agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights.

We do not know of any copyright infringement that could materially affect you.

The Manuals are proprietary and confidential that include guidelines, standards and policies for the development and operation of your Studio. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating Studios, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, client data, information and know-how.

During the term of your Franchise Agreement, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information (collectively, “**Proprietary Information**”) relating to the construction, management, operation or promotion of your Studio. You may not, nor may you permit any person to, use or disclose any Proprietary Information (including any portion of the Manuals) to any other person, except to the extent necessary for your personnel to perform their functions in the operation of your Studio. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your personnel to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. You must obtain from your officers, directors, equity owners and managers and assistant managers confidentiality agreements in a form satisfactory to us upon our request.

#### **Item 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

You must appoint a person among your owners who will devote significant attention to the supervision and direction of the operations of the Studio (the “**Managing Owner**”). We have the right to rely upon the Managing Owner communications and decisions regarding the Studio operation. If the Studio is owned by a sole proprietorship, the Managing Owner is you. If the Studio is owned by a partnership, the Managing Owner must be one of your partners. If the Studio is owned by another entity, an owner who has a minimum of 10% equity ownership interest in you must serve as the Managing Owner.

Your Studio must hire a director approved by us who devotes all his or her productive and full-time attention and effort to the management and operation of the Studio (the “**Director**”). During the Studio’s first six months of operations, your Managing Owner must be the Director of the Studio. Your Director must be present at the Studio for at least the equivalent of three days (or 24 hours) per week or as required by applicable laws, if greater. After the first six months of operations, if you are in good standing under this Agreement and the Studio has been operated in compliance with brand standards, we may permit you to employ another person to serve as the Director of the Studio provided he or she has been approved by us in advance. We may require that the new Director own a specified percentage of equity in you. You must keep us informed at all times of the identity of the Director of the Studio.

Your Managing Owner, Director and other personnel must meet all training requirements before opening. After beginning operations, should you name a new Managing Owner or Director, you must notify us and the new Managing Owner or Director must (a) be approved by us; and (b) complete the training program prescribed by us to our satisfaction prior to assuming his or her responsibilities.

You must carefully screen all employees and contractors who will provide educational programs to children or work anywhere children may be present, including your Director. At your cost, you must conduct all reference checks and background checks required by the Manuals, brand standards and applicable Laws and the Franchise Agreement, including, but not limited to, criminal background checks and child abuse registry checks. You must also monitor your staff members’ continuing suitability and fitness for employment or other engagement in the childcare industry. Otherwise, there is no limit on who you can hire as the Director of the Studio.

If you own more than one Studio, an additional Director must be employed for each such additional Studio.

Your Managing Owner and Director must complete other specified additional or refresher training and must attend meetings and annual conventions.

If your Studio is owned by an entity, all owners and their spouse must sign our Payment and Performance Guaranty which is attached to the Franchise Agreement.

If we request, you must have your Director and other senior management sign a confidentiality and non-compete agreement. Certain other employees may be required to enter into a confidentiality agreement. We do not require you place any other restrictions on your Director and management.

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

You may offer for sale in the Studio only products and services that we have approved in writing. We may designate specific products or services as optional or mandatory. Subject to applicable laws, you must offer all products and services that we designate as mandatory. We may change the products and services you may offer periodically, and you must comply with such changes. There are no limits to our right to make these changes to products and services.

Currently, only merchandise and inventory that you will offer at retail, classes, programming, events, workshops, and activities which have been approved by us may be offered at the Studio. You may not offer any alternatives to these services and products that have not been approved in advance by us in writing.

Periodically, we may allow certain services or products that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors as we determine, including test marketing, your qualifications, and regional or local differences.

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

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

#### **THE FRANCHISE RELATIONSHIP**

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a. Length of the franchise term	§ 3.A	Seven years from the date the Studio opens.
b. Renewal or extension of the term	§ 3.B	Three 5-year consecutive renewal terms.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
c. Requirements for franchisee to renew or extend	§ 3.B	You have the right to possess the location of the Studio; you provide advance notice; you complete required renovations and modernization; you have substantially complied with the Franchise Agreement and other agreements and are in full compliance at the expiration of the term; you execute a new Franchise Agreement, which may contain materially different terms; you pay successor fee; you and your staff comply with current requirements and you and your owners sign a release.
d. Termination by franchisee	§ 12.C	Breach by us and failure to cure breach or take reasonable steps to cure such breach within 60 days after written notice provided you are in full compliance with the Franchise Agreement.
e. Termination by franchisor without cause	None	Not applicable
f. Termination by franchisor with cause	§ 12.A	We can terminate only if you default or if certain events (described in (g) and (h) below) occur.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
g. "Cause" defined – curable defaults	§ 12.A	<p>You have 10 days to cure the failure to pay amounts owed to us or our affiliates or any other creditor, furnish us evidence that your personnel has obtained required certifications/licenses, furnish us evidence of required insurance or procure insurance, use of the Marks in accordance with the Franchise Agreement. You have 24 hours to cure non – compliance with any law which results in a threat to health or safety. You have 30 days to cure failure to comply with any other provision of the Franchise Agreement, the Manuals or otherwise that is not listed.</p>

h. "Cause" defined – non-curable defaults	§ 12.A	<p>You fail to pay any amount when due and have previously been given at least two notices of nonpayment within the last 24 months; we are charged three or more insufficient funds charges due to insufficient funds in your bank account within any 12 month period; you understate your Gross Revenues by more than 2% twice in any two year period or you intentionally understate Gross Revenues; you make a misrepresentation or material omission in your application; we and you fail to agree upon a site, you fail to procure the site, or you fail to have the Studio open before the specified deadlines; you lose possession of the premises; your designated personnel fail to complete training by opening deadline; you abandon or suspend operations for more than five days; you become bankrupt or insolvent; you or any of your owners is convicted of a crime or engage in other conduct likely to have an adverse effect; you or any owner violate non-competition or confidentiality restrictions; a transfer occurs in violation of the Franchise Agreement, or does not occur in a timely manner to a qualified successor after death or disability; a default occurs under any other agreement between us (or your affiliates) and you that would permit us to terminate that agreement, with the exception of a default relating to the failure to meet the Development Schedule under any Development Agreement; and you commit three breaches of any of the provisions of the Franchise Agreement within any 24-month period. Under the U.S. Bankruptcy Code, we may be</p>
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Provision	Section in Franchise Agreement	Summary
		unable to terminate the agreement merely because you make a bankruptcy filing. A default under the Development Agreement for failure to meet the Development Schedule does not entitle us to terminate any Franchise Agreement.
i. Franchisee's obligation on termination/non-renewal	§ 13 and 15.C	Obligations include payment of amounts due and our costs incurred as a result of any default; return of Manuals and other materials; cancel assumed names and notify listing companies of the termination of your right to use the listing; cease using the System and the Marks; pay liquidated damages; permit us to purchase inventory and equipment; assign/transfer lease and premises to us; and comply with covenants not to compete.
j. Assignment of contract by franchisor	§ 16.A	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	§ 16.B	Includes a transfer of any interest in this Agreement, the Studio, substantially all the assets of the Studio, or the sale, gift or pledge of an ownership interest (if you are an entity).
l. Franchisor's approval of transfer by franchisee	§ 16.B	No transfer permitted without our prior written approval.

Provision	Section in Franchise Agreement	Summary
m. Conditions for franchisor approval of transfer	§ 16.C	You and your owners sign a release; and you pay a transfer fee; transferee must meet standards and complete training; transferee signs then-current form of Franchise Agreement which may contain materially different terms and all of transferee's owners must enter into our then-current guarantee; transferee must update and remodel the Studio to conform to our current standards and you and your owners will remain liable for obligations under Franchise Agreement; and you or transferee pays transfer fee. You must also reimburse us for any broker fees incurred in connection with any transfer.
n. Franchisor's right of first refusal to acquire franchisee's business	§ 16.D	We have 30 days to purchase at the same price and terms.
o. Franchisor's option to purchase franchisee's business	§§ 13.C and 13.D	Upon expiration or termination of the Franchise Agreement, we have the option to purchase your assets and you must assign your lease to us if we request that you do so. If the property for your Studio is owned by you or an affiliate, you agree to lease it to us for fair market value.
p. Death or disability of franchisee	§ 16.E	Upon the death or disability of any person with a 20% equity interest, such person's interest must be transferred to a third party approved by us within 12 months. Upon the death or disability of your Managing Owner, we have the right to (a) require that you appoint another Managing Owner from among your owners or assume management of the Studio within one month; and (b) assume management of the Studio.

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
q. Non-competition covenants during the term of the franchise	§ 15.B	No involvement in a competing business.
r. Non-competition covenants after the franchise is terminated or expires	§ 15.C	No involvement for two years in a competing business within a 25- mile radius of your site or a 25-mile radius of any other Studio open or under construction at the time of expiration or termination.
s. Modification of the agreement	§ 18.K	All amendments must be mutually agreed upon and in writing. Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state laws). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
t. Integration/merger clause	§ 18.J	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. Nothing in the Franchise Agreement or in any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 17	Except for certain claims, at the American Arbitration Association office located nearest our principal place of business (subject to applicable state law).

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
v. Choice of forum	§ 18.E	Claims not required to be arbitrated may be brought only in certain state or federal courts located in the county or district where our principal place of business is located at the time of the suit (subject to applicable state law).
w. Choice of law	§ 18.D	Georgia law applies (subject to applicable state law).

<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a. Length of the franchise term	§ 5	On the last opening date specified on the Development Schedule.
b. Renewal or extension of the term	Not applicable, but see § 4	If you are in full compliance with the Development Schedule, you may extend development deadlines one time for each Studio to be developed for up to 6 months upon payment of a fee and advance notice.
c. Requirements for franchisee to renew or extend	Not applicable	Not applicable
d. Termination by franchisee	Not applicable	Not applicable
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	§§ 6 and 7	See subsections (g) and (h) below.
g. "Cause" defined – curable defaults	§§ 6 and 7	Any other defaults not specified in §§ 6 and 7(a)-(c).

Provision	Section in Development Agreement	Summary
h. "Cause" defined – non-curable defaults	§§ 6 and 7	Bankruptcy, insolvency, and other related grounds; failure to meet Development Schedule; formal written notice of default of a Franchise Agreement that is not cured within stipulated cure period; or termination of a Franchise Agreement by us due to your or your affiliate's default. Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing. A default under the Development Agreement for failure to meet the Development Schedule does not entitle us to terminate any Franchise Agreement.
i. Franchisee's obligation on termination/non-renewal	Not Applicable	Not Applicable
j. Assignment of contract by franchisor	Not Applicable	Not Applicable
k. "Transfer" by franchisee – defined	§ 10	Includes a transfer of any interest in the Development Agreement, substantially all of your assets or any transfer of a controlling interest in you (if you are an entity).
l. Franchisor approval of transfer by franchisee	§ 10	We are not required to approve a transfer.
m. Conditions for franchisor approval of transfer	Not Applicable	Not Applicable
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable

Provision	Section in Development Agreement	Summary
q. Non-competition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Non-competition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	§ 12(j)	All amendments must be mutually agreed upon and in writing. Only the terms of the development agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and development agreement may not be enforceable.
t. Integration/merger clause	§ 12(i)	Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and Development Agreement may not be enforceable. Nothing in the Development Agreement or in any related agreement is intended to disclaim the representations made in this Disclosure Document.
u. Dispute resolution by arbitration or mediation	§ 11(f)	Except for certain claims, at the American Arbitration Association office located nearest our principal place of business (subject to applicable state law).

Provision	Section in Development Agreement	Summary
v. Choice of forum	§ 12(c)	Claims not required to be arbitrated may be brought only in state or federal courts located in the district and county where our principal place of business is located at the time of suit (subject to applicable state law).
w. Choice of law	§ 12(b)	Georgia law applies (subject to applicable state law).

#### **Item 18. PUBLIC FIGURES**

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

#### **Item 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to disclose 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 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.

The following tables reflect historical data concerning Gross Revenues for the 14 franchisee-owned and two company-owned Studios operating at December 31, 2024.

- Table 1 shows monthly Gross Revenue for calendar year 2024 for the 14 franchisee-owned Studios that were open at December 31, 2024. One of these Studios opened in 2023; 13 of these Studios opened in 2024. No franchisee-owned Studios closed during 2024.
- Table 2 shows monthly Gross Revenues for calendar year 2024 for the two company-owned Studios that were open at December 31, 2024. The first company-owned Studio opened in Atlanta, Georgia in 2019, and the second company-owned Studio opened in Richmond, Virginia in 2022. No company-owned Studios closed during 2024.
- Table 3 shows annual Gross Revenues for the company-owned locations for calendar years 2021, 2022 and 2023. Our first franchisee-owned Studio opened in 2023, as indicated above.

**Table 1: Franchisee-Owned Studios Gross Revenue by Month for the Calendar Year 2024**

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Gross Revenue - High</b>	\$21,808	\$26,703	\$22,112	\$20,299	\$21,682	\$26,447	\$23,963	\$25,143	\$23,779	\$21,598	\$36,213	\$36,231
<b>Gross Revenue - Average</b>	\$21,808	\$22,104	\$17,944	\$17,015	\$16,719	\$17,427	\$17,801	\$17,055	\$17,689	\$15,369	\$18,441	\$18,248
<b>Gross Revenue - Median</b>	\$21,808	\$22,887	\$17,852	\$17,582	\$18,178	\$16,002	\$20,006	\$17,032	\$16,712	\$14,380	\$18,995	\$16,698
<b>Gross Revenue - Low</b>	\$21,808	\$16,723	\$13,868	\$12,596	\$10,870	\$10,001	\$10,602	\$10,131	\$9,548	\$7,275	\$6,915	\$6,015
<b>Number of Studios Open</b>	1	3	3	4	6	9	9	11	11	13	14	14
<b>Number met or exceeded average</b>	1(100%)	2 (67%)	1 (33%)	2 (50%)	3 (50%)	4 (44%)	5 (56%)	5 (45%)	5 (45%)	5 (38%)	8 (57%)	6 (43%)

This chart does not include partially opened months or pre-opening sales.

**Table 2: Company-Owned Studios Gross Revenue by Month for the Calendar Year 2024**

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Gross Revenue - High</b>	\$28,825	\$27,568	\$26,157	\$23,616	\$24,365	\$26,629	\$23,263	\$22,474	\$20,391	\$33,082	\$17,810	\$21,840
<b>Gross Revenue - Average</b>	\$24,333	\$22,295	\$21,648	\$19,783	\$19,192	\$20,874	\$19,425	\$19,181	\$17,202	\$24,978	\$15,884	\$18,375
<b>Gross Revenue - Median</b>	\$24,333	\$22,295	\$21,648	\$19,783	\$19,192	\$20,874	\$19,425	\$19,181	\$17,202	\$24,978	\$15,884	\$18,375
<b>Gross Revenue - Low</b>	\$19,840	\$17,023	\$17,138	\$15,951	\$14,019	\$15,119	\$15,587	\$15,888	\$14,013	\$16,874	\$13,959	\$14,910
<b>Number of Studios Open</b>	2	2	2	2	2	2	2	2	2	2	2	2
<b>Number met or exceeded average</b>	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)	1 (50%)

This chart does not include partially opened months or pre-opening sales

**Table 3: Company-Owned Studios Gross Revenue for the Calendar Years 2021, 2022, and 2023**

Year	2021	2022	2023
Gross Revenue – High	\$248,294	\$437,698	\$ 414,271
Gross Revenue – Average	\$248,294	\$437,968	\$ 317,349
Gross Revenue – Median	\$248,294	\$437,698	\$ 317,349
Gross Revenue – Low	\$248,294	\$437,698	\$ 220,427
Number of Studios Open (full year)	1	1	2
Number met or exceeded average	1 (100%)	1 (100%)	1 (50%)

(1) “**Gross Revenues**” means the total amount of consideration, whether cash, credit, or payment in kind, received for all goods sold and services rendered, excluding amounts refunded and amounts paid to a taxing authority. Gross Revenues include payments received for gift cards.

(2) For each calendar year, a Studio is only included when open for the full calendar year. No franchised Studios have been open for a full calendar year during the reporting period.

(3) The expenses described in the chart above do not reflect the royalty fees or other fees that you would owe us as the franchisor under the Franchise Agreement. You will have expenses in operating a Studio that are not identified above including rent, payroll expenses, cost of goods, insurance, marketing, point of sales fees, merchant charges, dues and subscriptions, telephone, internet, legal, accounting, security, debt service and finance charges, and other selling, general and administrative expenses.

The financial information provided above has not been audited.

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

**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 financial performance 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, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Brittany Schmid at 2715 Creek Edge, Powhatan, Virginia 23139, telephone: (804) 356-0134, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20. OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years 2022 to 2024**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	0	0	0
	2023	0	1	+1
	2024	1	14	+13
Company-Owned	2022	1	2	+1
	2023	2	2	0
	2024	2	2	0
Total Outlets	2022	1	2	+1
	2023	2	3	+1
	2024	3	16	+13

**Table 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
All States	2022	0
	2023	0
	2024	0
Totals	2022	0
	2023	0
	2024	0

**Table 3**  
**Status of Franchised Outlets**  
**For years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Termina- tions	Column 6 Non- Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations – Other Reasons	Column 9 Outlets at End of the Year
Alabama	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Florida	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
Georgia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	4	0	0	0	0	5
New Jersey	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
North Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
South Carolina	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Tennessee	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Totals	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	13	0	0	0	0	14

**Table 4**  
**Status of Company-Owned Outlets**  
**For years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired From Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Georgia	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Virginia	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Totals	2022	1	1	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2

**Table 5**  
**Projected Openings as Of December 31, 2024**

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets In The Next Fiscal Year	Column 4 Projected New Company- Owned Outlets In the Next Fiscal Year
Alabama	0	0	0
California	1	1	0
Florida	2	3	0
Georgia	0	0	0
Illinois	1	1	0
Indiana	1	1	0
Maryland	2	2	0
New Jersey	0	1	0
New York	1	1	0
South Carolina	1	2	0
Tennessee	2	2	0
Texas	1	1	0
<b>Totals</b>	<b>12</b>	<b>15</b>	<b>0</b>

Except for one developer in Tennessee and one developer in Florida, we have not entered into any Development Agreements as of the date of this Disclosure Document. Our Tennessee developer has committed to open a total of two units, one in 2024 and one in 2025. Our Florida developer has committed to open a total of three locations, two in 2025 and one in 2027.

**Exhibit F** contains the names of all current franchisees as of December 31, 2024 and the address and telephone number of each of their outlets.

**Exhibit F** contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every franchisee who 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 who have not communicated with us within 10 weeks of the Disclosure Document issuance date.

If you buy this Studio, your contact information may be disclosed to other buyers when you leave the System.

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee. There are no trademark-specific franchisee organizations associated with our System.

There are no trademark-specific franchisee organizations associated with our System.

## **Item 21. FINANCIAL STATEMENTS**

Attached as **Exhibit D** of this Disclosure Document are our audited balance sheets as of December 31, 2024 and 2023, and related statements of operations, and changes in member's deficit and cash flows for the year ended December 31, 2024, and for the period from inception on March 22, 2023 to December 31, 2023. **Because we have not been in existence for at least 3 years, we do not have available and cannot yet include in this Disclosure Document three full years of audited financial statements.**

## **Item 22. CONTRACTS**

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

Exhibit B. Franchise Agreement with Payment and Performance Guarantee and the following attachments:

- Attachment 1 - Authorization Agreement for Prearranged Payments
- Attachment 2 - Site Acceptance Letter
- Attachment 3 - Lease Addendum
- Attachment 4 - Nondisclosure and Non-Compete Agreement
- Attachment 5 - Nondisclosure Agreement
- Attachment 6 - Conditional Assignment of Brand Accounts

Exhibit C. Development Agreement

Exhibit H. State-Specific Addenda to Franchise Agreement and Development Agreement

## EXHIBIT A

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible or the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

<b>State</b>	<b>State Administrator</b>	<b>Agent for Service of Process (if different from State Administrator)</b>
California	<p>Department of Financial Protection and Innovation</p> <p><i>Los Angeles</i> 320 West 4<sup>th</sup> Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> <p><i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p><i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565 <a href="http://www.dfp.ca.gov">www.dfp.ca.gov</a> <a href="mailto:Ask.DFPI@dfpi.ca.gov">Ask.DFPI@dfpi.ca.gov</a></p>	<p>Commissioner of the Department of Financial Protection and Innovation</p> <p><i>Los Angeles</i> 320 West 4th Street Suite 750 Los Angeles, CA 90013-2344 (213) 576-7500</p> <p><i>Sacramento</i> 2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p><i>San Diego</i> 1350 Front Street, Room 2034 San Diego, CA 92101-3697 (619) 525-4233</p> <p><i>San Francisco</i> One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565</p> <p>Toll free: 866-275-2677</p>
Hawaii	<p>Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744</p>	<p>Commissioner of Securities Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813</p>

State	State Administrator	Agent for Service of Process (if different from State Administrator)
Illinois	Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	
Indiana	Franchise Section Indiana Securities Division Secretary of State Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	
Maryland	Maryland Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-7042	Maryland Commissioner of Securities 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328	
New York	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Fl. New York, New York 10005 (212) 416-8285	New York Department of State One Commerce Plaza, 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 12231-0001 Attention: New York Secretary of State (518) 473-2492
North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510	North Dakota Securities Commissioner 600 East Boulevard Avenue State Capitol Fifth Floor Dept 414 Bismarck, ND 58505-0510

State	State Administrator	Agent for Service of Process (if different from State Administrator)
	(701) 328-4712	(701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex—69-1 Cranston, RI 02920-4407 (401) 462-9527	
South Dakota	Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823	
Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, Washington 98501 (360) 902-8760	
Wisconsin	Administrator Division of Securities Department of Financial Institutions State of Wisconsin 4822 Madison Yards Way Madison, Wisconsin 53705 (608) 266-0448	

**EXHIBIT B**

Franchise Agreement

*(Attached)*

*the*  
**BUNNY**  
**HIVE<sup>®</sup>**

**FRANCHISE AGREEMENT**

---

Franchisee Name

---

Date of Agreement

## **SUMMARY PAGE**

1. **Effective Date:** \_\_\_\_\_
2. **Franchisee's Name:** \_\_\_\_\_
3. **Franchisee's State of Organization (if applicable):** \_\_\_\_\_
4. **Franchisee's Principal Place of Business:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. **Ownership of Franchisee (Section 1.B):** If the franchisee is an entity, the following persons constitute all the owners of a legal and/or beneficial interest in the franchisee:

<u>Name</u>	<u>Email (for Signing Purposes Only)</u>	<u>Percentage Ownership</u>
_____		_____ %
_____		_____ %
_____		_____ %

6. **Managing Owner (Section 1.E):** \_\_\_\_\_
7. **Initial Franchise Fee (Section 4.A):** \$ \_\_\_\_\_
8. **Accepted Site; Territory and Target Area (Section 5.A).**

- (a) If the location is known at signing:

- The Accepted Site is the address below:

---

---

- The Territory is (*attach map, if necessary*): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(b) If the location is not known at signing, the parties agree that the Accepted Site will be located within the following Target Area:

---

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\*Once the Accepted Site is determined, you will be provided with a Site Acceptance Letter in the form of **Attachment 2** and your Territory is the geographical area described in the Site Acceptance Letter.

**9. Franchisee's Address for Notices (Section 17.O):** \_\_\_\_\_

---

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Initials: \_\_\_\_\_ (The Bunny Hive Franchising LLC) \_\_\_\_\_ (Franchisee)

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Attachments:

**PAYMENT AND PERFORMANCE GUARANTEE**

Attachment 1 - Authorization Agreement for Prearranged Payments (Direct Debits)

Attachment 2 – Site Acceptance Letter

Attachment 3 – Lease Rider

Attachment 4 – Nondisclosure and Non-Compete Agreement

Attachment 5 – Nondisclosure Agreement

Attachment 6 – Conditional Assignment of Brand Accounts

## **FRANCHISE AGREEMENT**

**THIS AGREEMENT** (this “**Agreement**”) is made and entered into as of the date (the “**Effective Date**”) set forth on the Summary Page appearing after the cover page of this Agreement (the “**Summary Page**”) (the Summary Page and all appendices and attachments to this Agreement are hereby incorporated by this reference), by and between **THE BUNNY HIVE FRANCHISING, LLC**, a Georgia limited liability company with its principal place of business at 2715 Creek Edge, Powhatan, Virginia 23139 (“**we**” or “**us**”), and the persons or entity identified on the Summary Page as the franchisee (“**you**” or “**your**”) with his/her/its principal place of business as set forth on the Summary Page.

**WHEREAS**, we and our affiliates, through the exercise and expenditure of effort, expertise, knowledge, money, time, and other valuable resources, have developed and own a distinct system (“**System**”) for the operation of businesses that provide classes, social opportunities, community, educational programming, events, workshops, and other age-appropriate activities for children ages newborn through kindergarten and their caregivers under the name “The Bunny Hive” (the “**Studio**”);

**WHEREAS**, the distinguishing characteristics of the System include, but are not limited to, our distinctive exterior and interior design, color scheme; signage, equipment, furnishings and materials; a specialized curriculum, classes, and educational programming; events; workshops; the Manuals; curriculum, teaching and merchandising techniques, methods and systems; vendor lists and vendor relationships; operating methods and procedures; record keeping and reporting systems and methods; marketing and advertising materials; and personnel and staffing recommendations; all of which may be changed, improved and/or otherwise developed by us or our affiliates from time to time;

**WHEREAS**, our affiliate, The Bunny Hive Holdings, LLC, a Georgia limited liability company (the “**Trademark Affiliate**”), owns The Bunny Hive mark, and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia, and other commercial symbols may be designated for use in the System from time to time (collectively, the “**Marks**”) and has granted us the right to use and license the Marks to System franchisees;

**WHEREAS**, you desire to obtain a license from us for the use of the Marks and the expertise for operating a Studio, and to obtain the benefits and knowledge of the System, and we desire to grant you a license to operate a Studio, all subject to the terms and conditions of this Agreement; and

**WHEREAS**, you have read carefully and have had sufficient opportunity to be advised thoroughly of the terms and conditions of this Agreement by advisors of your own choosing and by receipt and review of our current Franchise Disclosure Document (the “**FDD**”) and we and you wish to enter into this Agreement.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants set forth herein and subject to the terms and conditions hereof, the parties agree as follows:

### **Section 1: ACKNOWLEDGEMENTS AND REPRESENTATIONS.**

You and each owner of a direct or indirect interest in you (the “**Owners**”) hereby acknowledge and represent as follows:

A. The information (including without limitation all personal and financial information) that you, and if you are an entity, your Owners, have furnished or will furnish to us regarding this Agreement

is true and correct in all material respects and includes all material facts necessary to make such information not misleading considering the circumstances when made.

B. If you are an entity, each of the Owners and their percentage interests as of the Effective Date are listed on the Summary Page. You must maintain a current list of all your direct and indirect Owners and furnish the list to us upon request. Your Owners (including persons and entities who become Owners after the Effective Date) must sign and deliver to us a guarantee in the form of the "Payment and Performance Guarantee" attached hereto (the "**Guarantee**").

C. You shall not use the assets of the Studio for any purpose other than the operation of the Studio. You may not "co-brand" or associate any other business activity with your Studio or the Marks in a manner which is likely to cause the public to perceive it to be related to the Studio. If you are an entity, you may not own or operate any other business except Studios.

D. Each Owner has conducted an independent investigation of our System and recognizes that the business venture contemplated by this Agreement involves business risks and that your success will be largely dependent upon your ability as an operator.

E. One of your Owners is a person who will devote significant attention to the supervision and direction of the operations of the Studio (the "**Managing Owner**"). We have the right to rely upon the Managing Owner's communications and decisions regarding the Studio's operation. If you are a sole proprietorship, the Managing Owner will be you. If you are an entity, an Owner who has a minimum of 10% equity ownership interest in you must serve as the Managing Owner. You must replace your Managing Owner within 30 days of his or her ceasing to act as Managing Owner. Any replacement Managing Owner must receive our prior written approval and may be required to attend additional training as set forth in **Section 8.C**. You may not, without our prior written approval, which may be denied for any reason or no reason at all, hire or retain a management company or third party to undertake any of the management or operational functions of the Studio.

F. You acknowledge that, under applicable laws, including, without limitation, Executive Order 13224, signed on September 23, 2001 ("Order"), we are prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in, acts of terrorism, as defined in the Order. Accordingly, you represent and warrant to us that, as of the Effective Date, neither you nor any of your Owners or affiliates is designated under the Order as a person with whom business may not be transacted by us, and that you: (i) do not, and hereafter will not, engage in any terrorist activity; (ii) are not affiliated with and do not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (iii) are not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity.

## **Section 2: LICENSE GRANT**

### **A. Grant.**

Subject to the terms and conditions of this Agreement, we grant you, and you accept, the right and license to open a Studio in accordance with the System at the Accepted Site. You accept the obligation to operate the Studio pursuant to the terms and conditions of this Agreement for the entire Term. During the Term, you further covenant to (i) faithfully, honestly and diligently perform your obligations under this Agreement; and (ii) continuously exert your best efforts to promote and enhance the Studio, the System and the Marks.

**B. Exclusivity.**

Except as provided in **Section 2.C**, provided you are in full compliance with this Agreement, neither we, nor our affiliates, will operate a Studio, nor grant the right to operate a Studio to any other person, within the Territory. If the Accepted Site is known on the Effective Date, the “**Territory**” is the geographic area specified on the Summary Page, and, if the Accepted Site is not known on the Effective Date, the Territory will be as determined in accordance with **Section 5.A**.

**C. Rights We Reserve.**

Except as provided in **Section 2.B**, we retain all rights with respect to the Studio and the System and may engage in all activities this Agreement does not expressly prohibit. Without limiting the foregoing, we have the right to engage in any of the following activities (directly or through an affiliate), and to grant to others the right to engage in any of the following activities, regardless of the proximity to your Studio and even if such activities are competitive with the Studio:

- (i) To operate or license others to operate Studios outside of the Territory;
- (ii) To operate or license others to operate similar businesses and/or offer similar products and services as those you will sell at the Studio under any mark other than the Marks within or outside of the Territory;
- (iii) To operate or license others to operate different businesses under any mark, including the Marks, within or outside of the Territory;
- (iv) To advertise, promote, market, or sell goods and services identified by any mark, including the Marks, or to permit and authorize others to advertise, promote, market, or sell goods and services identified by any marks, including the Marks, in either case, which are the same or similar to those which you will sell at your Studio through other channels of distribution, including but not limited to, retail or wholesale channels, by the Internet or other electronic networks, telemarketing or catalogs; and
- (v) To acquire, be acquired by, or merge with competitive businesses and operate them within or outside of the Territory and, at our option, convert them to businesses operating under the Marks or any other name.

You acknowledge that the activities described above are only examples, and do not limit the business activities that we and our affiliates may undertake. You also acknowledge that we have made no other representations concerning your rights in any geographic territory.

**Section 3: TERM AND SUCCESSOR TERMS**

**A. Initial Term.**

The term of this Agreement commences as of the Effective Date and expires at the end of seven years from the date of opening of the Studio (the “**Term**”) unless earlier terminated as provided herein.

**B. Successor Terms.**

At the expiration of the Term, you have the right to obtain three five-year consecutive successor terms (each, a “**Successor Term**”) if all the following conditions have been fulfilled as of the expiration of the Term:

(i) For the duration of the Successor Term, you have the right to remain in possession of the Accepted Site;

(ii) You have given us written notice of your intent to renew not less than 120 days nor more than nine months prior to the expiration of the Term or the then-current Successor Term, as the case may be;

(iii) You complete such renovation and modernization of the Studio as we may reasonably require, including, without limitation, renovation of the exterior facade, signs, interior furnishings, fixtures and equipment, as well as upgrades to bring the Technology System into conformity with our standards for new System franchisees;

(iv) You have substantially complied with this Agreement and any other agreement between you and us or our affiliates throughout the Term and are in full compliance with this Agreement and such other agreements at the expiration of the Term;

(v) You have executed our then-current form of franchise agreement with appropriate modifications to reflect the fact that such agreement relates to the grant of a Successor Term, except with respect to its successor term provisions, which shall be carried over from this Section. The terms of our then-current form of franchise agreement may differ materially from this Agreement including, without limitation, it may impose higher or additional fees. All your Owners must sign and deliver, together with the successor franchise agreement, our then-current form of guarantee;

(vi) You have paid a Successor Term fee equal to 10% of the then current initial franchise fee;

(vii) The Studio, and you and your personnel shall comply, by the expiration of the Term, with our then current qualification and training requirements; and

(viii) You and your Owners sign our then-standard form of general release of all claims against us and our affiliates, and our respective officers, directors, shareholders, managers, members, partners, owners, employees and agents.

## **Section 4: FEES**

### **A. Initial Franchise Fee.**

Upon executing this Agreement, you must pay the initial franchise fee (the “**Initial Franchise Fee**”) specified on the Summary Page. We will refund 50% of the Initial Franchise Fee if we terminate this Agreement under **Section 12.A(viii)** because you have failed to satisfactorily complete the Initial Training Program, subject to your execution of a general release on our standard form. Otherwise, the Initial Franchise Fee is fully earned by us upon execution of this Agreement and is not refundable under any circumstances.

### **B. Royalty Fee.**

You must pay us a continuing royalty fee (the “**Royalty Fee**”) of 7% of the weekly Gross Revenues of the Studio.

**C. Brand Awareness Fund Contribution.**

You must contribute an amount that we designate from time to time that is \$115 per week plus a variable amount that we designate that is up to 3% of the weekly Gross Revenues of the Studio to the Bunny Hive Brand Awareness Fund (the “**Brand Awareness Fund**”). Any changes to the required Brand Awareness Fund contribution are effective upon 30 days’ notice, with increases occurring no more than once per year.

**D. Technology Fee.**

You must pay us a reasonable technology fee not to exceed \$100 per week for the use of our Intranet, technology systems and platforms, technology services that we procure or provide in-house for the System and third-party software that we procure on behalf of System franchisees (the “**Technology Fee**”). We may increase the maximum required Technology Fee from time to time to take into account increased technology costs; provided, however, any increase shall be commensurate with the amount of the increased technology costs. Any increase or decrease to the required Technology Fee and/or to the maximum Technology Fee due to increased technology costs are effective upon 30 days’ notice.

**E. Payment.**

Continuing fees described in this Agreement shall be paid as provided below or as otherwise prescribed in the Manuals.

(i) You must pay Royalty Fees, Brand Awareness Fund contributions, Technology Fees, and other amounts due to us and our affiliates hereunder by automatic debit, preauthorized bank draft, electronic funds transfer or in such other manner as we may direct (the “**Payment Method**”) for the prior week so that we receive it no later than Tuesday of each week following the week in which Gross Revenues were received by you. If such day is not a business day, the due date shall be the next business day. We reserve the right to change the collection frequency and due date with reasonable notice. We currently require that you sign and deliver to us the form of Authorization Agreement for Prearranged Payments (Direct Debits), a copy of which is attached to this Agreement as **Attachment 1**. You must promptly cooperate with us in all respects to implement the designated Payment Method (including any newly designated Payment Method) and return all required documents and other authorizations within seven days after our request in connection with the Payment Method.

(ii) The calculation of the Royalty Fee and Brand Awareness Fund contribution shall be made by us based on Gross Revenues of the Studio as reflected in your Technology System or based on Gross Revenues reports delivered under **Section 10**. If you fail to make information available to us regarding your Gross Revenues, including failing to timely submit required reports, or if the information provided is inadequate, we may withdraw an estimate of the amount due that is equal to 125% of the previous period’s Royalty Fee and Brand Awareness Fund contribution. When you make information available to us regarding your Gross Revenues or otherwise provide appropriate reports or adequate information sufficient to determine your Gross Revenues, we will calculate the Royalty Fee and the Brand Awareness Fund contribution and provide you with a credit, or you must pay us the shortfall along with any interest due under **Section 4.F**, as appropriate.

**F. Late Payments.**

If any payment is not made when due, you shall pay to us immediately upon demand the overdue amount, plus interest on the overdue amount from the date it was due until paid, which shall accrue at a rate of 18% per annum or the maximum amount permitted by Law, whichever is less. In addition, we may charge a \$250 late payment fee for all such overdue payments and a \$150 insufficient funds fee for each check, automated bank draft payment, or other Payment Method that is not honored by your financial institution. The foregoing is in addition to any other remedies we may have.

**G. Our Right to Apply Payments.**

Notwithstanding any designation by you, we have the sole discretion to apply any payments by you to any past due indebtedness for Royalty Fee payments, Brand Awareness Fund contributions, purchases from us or our affiliates, interest or in any other manner.

**H. No Right of Set-Off.**

You will pay all amounts you are obligated to pay us related to your Studio, this Agreement, or the System, without deduction, setoff, or abatement; and you will not, on the grounds of any alleged breach of this Agreement by us or for any other reason, withhold payment of any fees or other amounts set forth in this Agreement.

**I. Taxes.**

In addition to all other payments set forth in this Agreement, you will pay to us, immediately on demand, the amount of all sales taxes, franchise taxes, trademark license taxes, and any other taxes or levies whatsoever, however denominated, imposed on us or our affiliates, or required to be paid by us or our affiliates, related to any fees or transactions described in this Agreement, unless the tax is imposed based on our or our affiliates' income.

**J. Inflation Adjustments.**

We have the right to adjust, for inflation, all fixed dollar amounts under this Agreement (except for the Initial Franchise Fee or other fees that are expressly subject to other adjustment hereunder) once a year to reflect changes in the Index, not to exceed 5% annually of the then current fee. For this Section, the term "**Index**" means the Consumer Price Index (1982-84=100; all items; CPI-U; all urban consumers) as published by the U.S. Bureau of Labor Statistics ("**BLS**"). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

**Section 5: SITE SELECTION AND DEVELOPMENT; OPENING**

**A. Site Selection.**

The site set forth on the Summary Page as of the Effective Date (if any) or that is presented by you and accepted by us in writing after the Effective Date and according to the process described in this Section is the "**Accepted Site**". If the location is not determined as of the Effective Date, you must propose a site for the Studio in the site selection area specified on the Summary Page (the "**Target Area**") which has been accepted by us in writing within three months after the Effective Date (the "**Site Selection Deadline**"). You acknowledge that you have no territorial or other rights to the Target Area and that the Target Area is only provided for the purpose of delineating the area within which you must locate an Accepted Site.

(i) To request our acceptance of a site for the Studio, you must submit to us such information and materials as we reasonably require, together with a letter of intent or other evidence satisfactory to us confirming your favorable prospects for obtaining the site. We will review the site and provide you with our approval or disapproval of the site within 15 business days after your submission of all requested information. If we do not provide a response within such 15-day timeframe, then the site will be deemed disapproved.

(ii) If we determine that an in-person visit to a proposed site is necessary or appropriate, we will provide one site visit at our cost and expense. Subject to the availability of our personnel, if additional site visits are necessary, as determined in our sole discretion, or if you desire additional site visits, you must coordinate and arrange for such visit(s) by our representative and reimburse us for our reasonable out-of-pocket expenses incurred in connection with the site visit, plus a site visit fee of \$500. To the extent practicable, we agree to review multiple proposed sites on a single in-person visit.

(iii) Unless the Accepted Site is determined as of the Effective Date, our acceptance of the Approved Site will be evidenced by our delivery of the Site Acceptance Letter to you after the Effective Date, the form of which is attached as **Attachment 2**.

(iv) If the Accepted Site is determined after the Effective Date, we will designate your Territory in our good faith discretion, subject to this paragraph. If your Studio is in a "metropolitan area" (which shall be determined by us and is generally any metropolitan area with a population exceeding 500,000 people), the Territory will include a minimum of 250,000 to 450,000 people. For all other areas, your Territory will be a minimum of a 10-mile radius from the Accepted Site. Our designation of the Territory will be as set forth on the Site Acceptance Letter provided by us to you after the Effective Date as referenced above.

(v) Our acceptance of any site indicates only that we consider the site to meet our minimum site criterion as it exists at the time of the site evaluation. You acknowledge and agree that our agreement or acceptance of a proposed site is not a warranty or representation of any kind as to the potential success or profitability of the Studio at such location.

## **B. Site Procurement.**

No later than two months after the Accepted Site has been determined (the "**Site Procurement Deadline**"), you must execute a lease (if the premises will be leased) or a binding agreement to purchase the site (if the premises will be purchased).

## **C. Lease.**

The form of any lease for an Accepted Site and any related documents must be approved by us before you or your affiliate sign them. Our approval of any lease may be conditioned upon inclusion in the lease of terms acceptable to us, including, without limitation:

(i) A provision reserving to us the right, at our election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise granted hereunder or to require the assignment of the leasehold interest to another System franchisee;

(ii) A provision which requires the lessor concurrently to provide us with a copy of any written notice of deficiency under the lease sent to you and which grants us the right (but not the

obligation) to cure any deficiency under the lease should you fail to do so within 15 days after the expiration of the period in which you may cure the default;

(iii) A provision which evidences your right to display the Marks in accordance with the specifications required by us, subject only to the provisions of applicable Law; and

(iv) A provision that the premises shall be used only for the operation of the Studio.

Our current form of Lease Rider is attached as **Attachment 3**.

**D. Purchase Agreement.**

Instead of leasing an Accepted Site, you may propose to purchase, construct, own and operate a Studio on real property owned by you or your affiliate. You must meet certain conditions if you or your affiliate owns an Accepted Site or at any time prior to acquisition, or subsequently, if you or your affiliate propose to obtain any financing with respect to the Accepted Site, for the Studio or for any operating assets in which any of such items are pledged as collateral securing performance. The form of any purchase contract with the seller of an Accepted Site and any related documents, and form of any loan agreement with mortgage in favor of any lender and any related documents, must be approved by us before you or your affiliate sign them. Our consent to them may be conditioned upon the inclusion of various terms and conditions, including the following:

(i) a provision which requires any lender or mortgage concurrently to provide us with a copy of any written notice of deficiency or default under the terms of the loan or mortgage sent to you or your affiliates or the purchaser;

(ii) a provision granting us, at our option, the right (but not the obligation) to cure any deficiency or default under the loan or mortgage (should you fail to do so) within 15 days after the expiration of a period in which you may cure such default or deficiency;

(iii) a provision which expressly states that any default under the loan or mortgage, if not cured within the applicable period, constitutes grounds for termination of this Agreement and any default under this Agreement, if not cured within the applicable period, also constitutes a default under the loan or mortgage; and

(iv) you must agree to lease such property to us on commercially reasonable terms and at fair market value, at our option, if this Agreement is terminated, assigned or transferred in accordance with **Section 13.D**.

You must deliver to us a completely executed copy of your lease or purchase agreement within 10 days after execution. Our review and approval of a lease or purchase agreement shall not constitute our recommendation, endorsement or guarantee of the terms of the lease or purchase agreement; accordingly, you are responsible to determine for yourself whether the terms of any lease or purchase agreement for the Accepted Site are acceptable to you.

**E. Use.**

You may not use the Accepted Site for any purpose other than for the operation of a Studio in full compliance with this Agreement and the Manuals, unless approved in writing by us.

## **F. Development.**

You must improve and develop the Accepted Site according to our standard plans and specifications including exterior and interior signage, and design elements, fixtures and equipment that are identified in the Manuals and guidance that we provide from time to time regarding the Studio's layout. In connection with the Studio's development, you will be responsible for complying, at your expense, to our satisfaction, with all of the following requirements:

(i) You must obtain all zoning classifications and clearances, permits and certifications which may be required by federal, state or local laws, ordinances or regulations (collectively, "Laws") or which may be necessary or advisable owing to any restrictive covenants relating to the Studio's site. You must comply with Laws, including the Americans with Disabilities Act, as amended, and related federal, state and local codes relating to public accommodations for people with disabilities (the "ADA"), governing the construction, renovation, design and operation of the Studio.

(ii) Upon our request, you must submit the specific construction plans and specifications to us for review and approval before you begin construction of the Studio. Our review is not intended to, and you should not rely on it to, detect errors or omissions in the work of your architects, engineers, contractors or the like or noncompliance with Laws.

(iii) We may inspect the Studio at any time during construction to ensure that the Studio meets brand standards.

(iv) You must engage a qualified licensed general contractor that has been approved by us in advance to construct or renovate the Studio and to complete all improvements.

## **G. Signage.**

All signage, both interior and exterior, related to the Studio, must conform to such standards and specifications as we may prescribe as to type, color, size, design, and location. You must obtain our prior written approval before you install or display any such signage.

## **H. Opening Deadline.**

You must open your Studio for business in accordance with this Agreement no later than 12 months after the Effective Date (the "**Opening Deadline**"). You may not open the Studio until you have received our written approval, which will not be unreasonably withheld or delayed, subject to your meeting the pre-opening requirements in this Agreement. Your failure to open the Studio by the Opening Deadline is a material breach of this Agreement entitling us to immediately terminate this Agreement.

## **I. Extension.**

Notwithstanding anything to the contrary contained herein, if you are in full compliance with this Agreement and we determine, in our sole discretion, that you are using reasonable efforts and diligence in pursuing a site and the development of the Studio, we may grant you the right to extend the Site Acceptance Deadline, the Site Procurement Deadline and/or the Opening Deadline for a period not to exceed three months if you submit a written request for extension of any of the foregoing deadlines at least 60 days in advance of the deadline being extended and upon payment of an extension fee of \$3,000.

## **J. Opening.**

Before opening the Studio, you must:

- (i) fulfill all your obligations pursuant to the other provisions of this Section;
- (ii) provide us with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as we may request;
- (iii) complete the Initial Training Program to our satisfaction;
- (iv) hire and train the personnel necessary or required for the operation of the Studio;
- (v) provide us with evidence that your staff have met all applicable state certification and licensing requirements;
- (vi) obtain all other necessary permits and approvals;
- (vii) pay in full all amounts due to us; and
- (viii) obtain our permission and approval of an opening date.

**K. Maintenance and Repairs.**

You must maintain your Studio premises in a high degree of repair and condition, and in connection therewith shall make such repairs, replacements and refurbishment thereto (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting, replacement of equipment and parts or installation or refurbishment of signage as we may reasonably direct. If, at any time, in our reasonable judgment, the general state of repair, appearance, or cleanliness of the Studio premises or its fixtures, furnishings, equipment, or signs does not meet brand standards, then we have the right to notify you, specifying the action you must take to correct the deficiency. If you do not initiate action to correct such deficiencies within ten days after you receive our notice, and then continue in good faith and with due diligence, a bona fide program to complete any required maintenance or refurbishing, we have the right, in addition to all other remedies, to enter the Studio premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us on demand for any expenses we incur in that connection.

**L. Renovation.**

On notice from us, but not more often than once every five years, you will, at our request, redesign, refurbish, and remodel (collectively, "**Renovations**") your Studio from time to time to conform to our then-current brand standards and our judgment as to the condition, state of repair, and general appearance of your Studio premises. All such Renovations will be at your sole cost and expense. You will submit to us a complete set of plans and specifications you propose using to effect the Renovations (the "**Proposed Renovation Plans**") before you commence any Renovation of the Studio. We will review the Proposed Renovation Plans promptly and will approve or provide comments regarding such Proposed Renovation Plans to you. You may not commence Renovation of the Studio until we have approved the Proposed Renovation Plans. You will complete all such Renovations so that they are completed within 60 days after the date we deliver to you a notice that we are requiring you to effect such Renovations.

**M. Relocation.**

You may operate the Studio only at the Accepted Site. If the lease for the Accepted Site of the Studio expires or terminates without your fault, or if the Accepted Site is destroyed, condemned or otherwise rendered unusable, or if in our judgment, there is a change in character of the location of the Studio sufficiently detrimental to your Studio potential to warrant its relocation, you must relocate the Studio to a location and site acceptable to us. Any such relocation shall be at your sole expense. In addition, you must pay us a non-refundable relocation fee of 25% of our then-current initial franchise fee for our services in connection with any relocation of the Studio, with half of such amount due and payable when we have agreed to work with you to relocate your business and the remainder due and payable when we have accepted the site for the relocated Studio.

## **Section 6: ADVERTISING AND PROMOTIONAL PROGRAMS**

### **A. Advertising.**

(i) All Advertising and Promotional Content used by you shall be conducted in a dignified manner and shall accurately promote, describe and otherwise represent the Studio. You agree to refrain from using any Advertising and Promotional Content which is unethical or may be injurious to our business and/or other System franchisees or the goodwill associated with the Marks.

(ii) You must obtain our prior approval for all Advertising and Promotional Content that you intend to use in advance unless we have provided or previously approved such materials. You shall promptly discontinue use of any Advertising and Promotional Content upon our request, including any materials provided by us or previously approved by us. Any plans or materials submitted by you to us which have not been approved or disapproved in writing, within 30 days of receipt thereof by us, are deemed disapproved.

(iii) We and other System franchisees may use all Advertising and Promotional Content developed by or on your behalf (including photography, as described below) without compensation to you. To the extent your own any Advertising and Promotional Materials, you agree to assign ownership to all such materials immediately upon request.

(iv) From time to time, you may be required to purchase Advertising and Promotional Content from us and we may charge you a reasonable fee for such materials.

(v) You may advertise using methods that are generally circulated or broadcast throughout your Territory and that extend beyond your Territory, such as, but not limited to magazine or newspaper advertisements, use of mail zones, or radio or television broadcasts, so long as such generally circulated advertisements or broadcasts are not specifically targeted to reach areas or clientele outside of your Territory. You may enroll clients in your Studio who reside outside the Territory. Similarly, our and our affiliates' Studios, and other franchised Studios, may enroll clients who reside inside your Territory.

(vi) We may require that you engage, at your cost and expense, one or more designated or approved photographers to create images of your Studio and clientele and other Studio-specific work products as directed by us from time to time. You agree to enter into appropriate agreements with such photographers and clientele, the forms of which may be prescribed by us pursuant to the Operations Manual. At a minimum, you must obtain your photographer's agreement that we have the unlimited right to use any images or other work product generated, without payment of additional compensation, for promotional purposes relating to the Studio and the System in general.

## **B. Digital Marketing.**

(i) We have the sole right to control all aspects of Digital Marketing, including those related to the Studio. All Digital Marketing must comply with any brand standards that we establish periodically. You must (a) immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such brand standards or reflects unfavorably on the Bunny Hive brand; (b) only use materials that we have approved and submit any proposed modifications to us for approval; (c) not use any Mark on any aspect of the Digital Marketing (including in any domain name, address, or account) except as we expressly permit; (d) include only the links that we approve or require; and (e) immediately take all actions necessary or that we request to provide us with access to, or to transfer ownership of, all Digital Marketing relating to the Studio to us, including, without limitation, providing login and password details and promptly signing all directions and authorizations as we deem necessary to effect the intent and provisions of this Section.

(ii) If we consent to your use of the Marks (or words or designations similar to the Marks) in any domain name, electronic address, website, or other source identifier, we may register such names, addresses, websites, or identifiers and then license use of the registered item back to you under a separate agreement. We retain the ownership of any of the materials that you may develop for use on the Internet. We may withdraw our approval for any Digital Marketing at any time.

(iii) We may (but we are not obligated to) operate, produce content for and otherwise manage your Studio's and the System's Digital Marketing ("Digital Marketing Services"). If we do so, we may charge you a reasonable fee for the Digital Marketing Services that we provide. In addition, we may designate a third party to provide Digital Marketing Services. You agree to enter into agreements relating to Digital Marketing Services with any third party vendor that we designate to provide such services. You must pay all fees associated with such Digital Market Services vendor or reimburse us for amounts paid by us on your behalf to any third party vendor, as directed by us.

## **C. Grand Opening.**

We may require that you submit a written budget and plan for grand opening to us for approval prior to the opening of the Studio which will include details regarding the preparation and placement of advertising and promotional items. You must expend, starting before opening and during the Studio's first 90 days of operation, a minimum of \$10,000 in accordance with your grand opening plan and our brand standards. We will provide reasonable assistance in connection with your Studio's Digital Marketing program set-up and launch during your grand opening. Amounts spent by you on grand opening are separate from your other marketing and advertising requirements.

## **D. Local Advertising.**

You must create and provide us with a local advertising and marketing plan pursuant to which you will place Required Local Advertising on a monthly basis. Such advertising plan must conform to the standards and requirements set forth in this Agreement, the Manuals or otherwise designated by us. Commencing at the beginning of the fourth month after the Studio opens, you must spend, on a monthly basis, for local advertising, \$500, subject to increase as provided below (the "Required Local Advertising Expenditure"). We reserve the right to determine what constitutes "local advertising" and to require you to submit evidence of your expenditures including, at our request, submission of bills, statements, invoices or other documentation satisfactory to us to show the actual costs you incurred for Required Local Advertising. The Required Local Advertising Expenditure may be increased annually by up to 10% per year effective upon written notice from us. Required Local Advertising Expenditures are

reduced by the amount of Marketing Cooperative contributions paid by you under **Section 6.E.** If you fail to submit satisfactory evidence of your Required Local Advertising Expenditures within 30 days after our request, we may thereafter, upon 30 days advance notice, require that you pay us by the Payment Method designated by us pursuant to **Section 4.E(i)** and we will make these expenditures on your behalf.

#### **E. Marketing Coops.**

We may organize, on our own volition or at the request of System franchisees, a “**Marketing Cooperative**” for an area that we specify (the “**Coop Area**”). You will automatically become a member at the opening of your Studio of any existing Marketing Cooperative in the Coop Area of your Studio, and you must become a member of any Marketing Cooperative we subsequently establish in the Coop Area of your Studio within 30 days of the date on which the Marketing Cooperative is established.

(i) Marketing Cooperatives must be governed in a form and manner approved by us in advance, subject to our ongoing approval. We supply or approve the bylaws and charter of each Marketing Cooperative, which shall operate on the governance principles of: (a) each Studio with its franchise agreement in good standing (i.e., not in default) and each Studio operated by us and our affiliates has one vote on any action proposed to be taken by the Marketing Cooperative; (b) a meeting may be called by us or at least 20% of the members; (c) a meeting quorum is at least 50% of the members in good standing and a majority of those members present and eligible to vote is required for any action or resolution; and (d) we may veto any action proposed by the Marketing Cooperative. No Advertising and Promotional Content may be used by a Marketing Cooperative or furnished to its members without our prior approval.

(ii) We reserve the right to terminate any Marketing Cooperative, provided that the Marketing Cooperative shall not be terminated until all its monies have been expended for its intended purposes. Each Marketing Cooperative shall be organized for the exclusive purpose of administering regional advertising programs.

(iii) The required Marketing Cooperative contribution will be an amount that we determine that is up to 50% of the Required Local Advertising Cooperative. You must pay your required Marketing Cooperative contribution in the manner specified by the applicable Marketing Cooperative. Any contributions made by you to the Marketing Cooperative will be credited against your Required Local Advertising Expenditure. If we request, you will submit your Marketing Cooperative contributions directly to us for transmittal to the Marketing Cooperative.

(iv) Marketing Cooperatives will prepare annual or periodic financial statements that are available for review by the members.

#### **F. Brand Awareness Fund.**

The Brand Awareness Fund will be maintained and administered by us as follows:

(i) We will oversee all advertising and promotional programs and shall have the sole discretion to approve or disapprove any creative concept, materials, methods, and media used in such programs, and the placement and allocation thereof. You agree and acknowledge that the Brand Awareness Fund is intended to maximize national public recognition and acceptance of the Marks for the benefit of the System and System franchisees. The Brand Awareness Fund will not directly benefit us. We undertake no obligation in administering the Brand Awareness Fund to make expenditures for you

which are equivalent or proportionate to your Brand Awareness Fund contribution, or to ensure that you benefit directly or pro-rata from advertising or promotion conducted under the Brand Awareness Fund.

(ii) The Brand Awareness Fund, all contributions thereto, and earnings thereon shall be used exclusively to meet any and all costs of maintaining, administering, directing, and preparing advertising activities; the maintenance of our website; the creation, placement and management of Digital Marketing on behalf of the System; secret-shopper or other quality assurance programs; sponsorship, marketing surveys and other public relations activities; employing advertising agencies to assist therein; creation of promotional and marketing materials; paying the reasonable compensation of our employees or other third parties providing services related to any activity under this provision and any other activities that we determine promote the Bunny Hive's good will and public recognition, in our reasonable discretion. All funds paid by you to the Brand Awareness Fund and any earnings thereon shall be accounted for separately from our general operating and other funds and shall not be used to defray any of our expenses, except for such reasonable administrative costs and overhead, if any, as we may incur in activities reasonably related to the administration or direction of the Brand Awareness Fund and advertising programs for the System franchisees and the System. The Brand Awareness Fund and its earnings shall not otherwise inure to our benefit.

(iii) A statement of the operations of the Brand Awareness Fund, as shown on the books of the Brand Awareness Fund, shall be prepared annually and shall be made available to you if requested. Such statement need not be audited.

(iv) Although the Brand Awareness Fund is intended to be of perpetual duration, we maintain the right to terminate the Brand Awareness Fund at any time. The Brand Awareness Fund shall not be terminated, however, until all monies in the Brand Awareness Fund have been expended for the purposes described in this Agreement.

(v) Our company or affiliate-owned Studios will contribute to the Brand Awareness Fund on the same basis as our franchisees.

#### **G. Promotional Programs and Campaigns.**

You must implement any discount programs, marketing or advertising plans and campaigns as directed by us from time to time.

#### **H. Public Statements.**

You will not make any public statements (including giving interviews or issuing press releases) regarding the System, the Studio, or any incident or occurrence related to the Studio, without our prior written approval.

### **Section 7: OUR RESPONSIBILITIES**

In addition to our duties specified in other sections of this Agreement, we undertake to perform the following duties:

#### **A. Manuals.**

We will loan you one copy of the Manuals. We will provide the Manuals (i) through the web site, and/or other electronic, computerized or forms of access; (ii) in a paper copy; and/or (iii) in a digital form.

The Manuals could include video, software, other electronic media, and/or written materials. You shall not disclose the Manuals to any person other than Studio employees who need to know its contents. At our option, we reserve the right to post some or all the Manuals on a restricted web site or extranet to which you will have access. If we do so, you will monitor and access the web site or extranet for any updates to the Manuals or the brand standards. Any passwords or other digital identifications necessary to access any portion of the Manuals are Confidential Information.

**B. Initial Training Program; Additional/Refresher Training.**

Before the Studio opens, we will provide an initial training program for up to two individuals at a location designated by us (“**Initial Training Program**”). In our discretion, we may conduct all or a portion of the Initial Training Program virtually. We will provide instructors, facilities, and materials for the Initial Training Program at no charge. We may shorten or otherwise modify the Initial Training Program if you are opening your second or additional Studio or, if we determine, in our discretion, your background and skills make an abbreviated Initial Training Program appropriate. We may provide refresher or additional training programs from time to time, subject to **Section 8.C.** In general, you are responsible for training your employees. However, we may develop and make available training tools and recommendations for you to use in training the Center’ employees to comply with our standards. We may update these training materials periodically to reflect changes in our training methods and procedures and changes in our standards.

**C. Equipment, Signs, Fixtures, Opening Inventory, and Supplies.**

We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your Studio.

**D. Opening Assistance.**

We will have a representative support your Studio opening with at least three days of onsite opening assistance.

**E. General Guidance and Advice.**

We will periodically provide you with general guidance and advice regarding business, financial, operational, technical, pricing, sales and advertising matters, and the operation of the Studio. We will provide such assistance by telephone or electronic communication or through the Manuals. If you request and we agree to provide, or we determine that you need, additional or special guidance, assistance, or training, you agree to pay our then-applicable charges, including reasonable training fees.

**F. Administrative.**

We will provide you with our recommended procedures for administration, bookkeeping, accounting, and supply maintenance. We may make any such procedures part of required (and not merely recommended) brand standards.

**G. Website.**

We will maintain a website for The Bunny Hive brand, which will include your business information and telephone number.

**H. Pricing.**

Subject to applicable Laws, we may set maximum and minimum prices for services and merchandise offered at your Studio. We may also provide guidance with respect to suggested pricing for services and merchandise offered at your Studio. Nothing herein is intended to limit any obligation relating to discounting and promotional programs pursuant to **Section 6.G.**

### **I. Email and Communication Systems.**

We will provide you with an email address and other communications systems for your Studio as we deem appropriate. If we do, you acknowledge that you have no expectation of privacy in the assigned email accounts and other communications systems, and you authorize us to access such communications.

## **Section 8: YOUR RESPONSIBILITIES**

In addition to your duties specified in other Sections of this Agreement, you undertake to perform the following duties:

### **A. Brand Standards.**

You acknowledge and agree that operating and maintaining the Studio according to our standards and specifications are essential to preserve the goodwill of the Marks. Therefore, you agree to operate and maintain the Studio according to all our brand standards, as set forth in the Manuals or otherwise in writing, and as we periodically modify and supplement them, even if you believe that a brand standard, as originally issued or subsequently modified, is not in the System's best interests. Although we retain the right to establish and periodically modify the brand standards that you have agreed to maintain, you retain the responsibility for the day-to-day management and operation of the Studio and implementing and maintaining the brand standards at the Studio. As examples, and without limitation, the brand standards may regulate any one or more of the following, in addition to the items described above:

- (i) Classes, programing, events, workshops, and other age-appropriate activities that we designate;
- (ii) Marketing, advertising, and promotional programs and materials and media used in these programs;
- (iii) The use and display of the Marks at the Studio and otherwise;
- (iv) Employee dress and appearance. However, you have sole responsibility and authority concerning your employment practices including but not limited to employee selection and promotion, hours worked, rates of pay and other benefits, work assigned, and working conditions;
- (v) Prescribed days and hours of operation of the Studio;
- (vi) Training or education programs and services that you will provide to your employees;
- (vii) The acceptance of credit and debit cards, other payment systems, and check verification services;

(viii) Bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition;

(ix) Mandatory policies with respect to the use of Digital Marketing; and

(x) Any other aspects of operating and maintaining the Studio that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and System.

You agree that the brand standards we prescribe in the Manuals or otherwise communicate to you in writing or another tangible form are part of this Agreement as if fully set forth in this Agreement. All references to this Agreement include all the brand standards as periodically modified.

If you violate any brand standard and fail to bring the Studio into compliance with such brand standard within 10 days after we have delivered to you written notice of the violation, you will pay us upon demand a daily noncompliance fee of up to \$250 for each day that you are not in compliance with such brand standard. Our right to charge these amounts is in addition to any other remedy provided under this Agreement. Our damages from your failure to comply with brand standards may include loss of goodwill and other damages and are difficult to measure and quantify; such amount is, therefore, a reasonable approximation of damages, and not a penalty. Our imposition of a non-compliance fee shall not limit any of our other remedies.

Employment-related policies and procedures provided in the Manuals or otherwise are provided as best practices only and, you shall determine to what extent, if any, such employment-related policies and procedures contained in the Manuals should apply to your operations at the Studio.

#### **B. Limitations on Offerings.**

You acknowledge that the reputation and goodwill of the System is based on offering a uniform client experience across the System. Accordingly, you must only offer our prescribed classes, programming, workshops, events, activities and other offerings (“**Offerings**”), which we may modify or replace from time to time in our sole discretion. Only Offerings which have received our prior approval may be offered at the Studio, and you may not offer any alternative Offerings not approved in advance by us in writing. You must purchase and use all required equipment, supplies and other educational materials that we designate as necessary to implement our prescribed Offerings from us or an approved vendor.

#### **C. Personnel; Training.**

(i) At all times, each Studio must have a Director who (a) has been approved by us in advance; (b) will supervise the day to day operations of the Studio; and (c) has completed the Initial Training Program (or, if such individual is a replacement Director, has completed the Initial Training Program, or other training required by us to our satisfaction). Your Director must be present at the Studio during the time periods specified in the Manuals (or the hours required by applicable Laws if greater) and must meet other qualifications that we specify in the Manuals.

(ii) During the Studio’s first six months of operations, your Managing Owner must serve as the Director of the Studio. After the first six months of operations, if you are in good standing under this Agreement and the Studio has been operated in compliance with brands standards, we may permit you to employ another person to serve as the Director of the Studio provided he or she has been

approved by us in advance. We may, as a condition of our approval of the Managing Owner no longer serving as the Director of the Center, require that the new Director own a specified percentage of equity in you.

(iii) If you own more than one Studio, an additional Director must be employed for each additional Studio. You are required to keep us informed as to the current identity of your Director. If your Director ceases active management or employment at your Studio, then you must appoint a replacement Director within 30 days or within the applicable time required by Laws, whichever is earlier.

(iv) You must maintain at all times a staff of competent, trained teachers and other employees sufficient to operate your Studio in compliance with our System and brand standards concerning staffing levels and applicable Laws. You must cause your staff members to render competent and conscientious service for clients. You must use your best efforts to ensure that no person is employed or engaged by you at the Studio who has a record of or engages in child abuse, immoral conduct, criminal behavior, or a pattern of conduct which might jeopardize the welfare of attended children in your Studio. Before hiring them, you must carefully screen all employees and contractors who will provide educational programs to children or work anywhere children may be present. At your cost, you must conduct all reference checks and background checks required by the Manuals, brand standards and applicable Laws and this Agreement, including, but not limited to, criminal background checks and child abuse registry checks. You must also monitor your staff members' continuing suitability and fitness for employment or other engagement in the childcare industry.

(v) You are responsible for providing suitable training for your teachers and staff. We may set minimum qualifications for your Director, teachers, and other categories of employees, including, without limitation, requirements relating to experience, training, education, certifications, and/or licensing. We will describe our then-current requirements with respect to your personnel in the Manuals.

(vi) You are solely responsible for all employment decisions and functions of the Studio including, without limitation, those related to hiring, firing, training, establishing remuneration, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, supervision and discipline of employees.

(vii) Prior to opening, the Managing Owner and Director must complete our Initial Training Program to our satisfaction.

(viii) We reserve the right to charge a reasonable fee for additional persons (beyond two) that attend the Initial Training Program. Attendance at the Initial Training Program by additional persons is subject to our advance approval.

(ix) Any replacement Managing Owner or Director must successfully complete all required training associated with their role within the timeframes that we specify. We reserve the right to charge a reasonable fee for a replacement Managing Owner or Director attending the Initial Training Program or other additional training that we specify. At our discretion, if no viable training options are available for your replacement Director, we will, at our earliest possible opportunity, provide your Director with an on-site training program at your Studio, at a per diem cost, plus all of our trainers' travel and living expenses.

(x) We may require that your Managing Owner or your Director attend additional training from time to time or we may provide additional training upon your request, subject to the availability of our personnel. We may require that your Managing Owner and Director attend annual

refresher training at a location designated by us for up to four days annually. You may be required to pay a reasonable fee for additional training or refresher training.

(xi) All expenses incurred by your attendees during training including, but not limited to travel and living expenses, are your sole responsibility.

**D. Meetings and Conferences.**

Your Managing Owner, Director and other designated employees must attend all in-person meetings and remote meetings (such as telephone conference calls) that we require. We may require your Managing Owner, Director and other designated employees to attend one annual national business meeting or annual convention. You must pay a reasonable registration fee for attendance at such meeting or convention and are responsible for all travel, living and other expenses of attending any such meeting or convention.

**E. Compliance with Laws and Good Business Practices.**

(i) You shall secure and maintain in force all required licenses, permits and certificates relating to the operation of the Studio and shall operate the Studio in full compliance with all applicable Laws, including, without limitation, government regulations relating to occupational hazards and health, consumer protection, trade regulation, worker's compensation, unemployment insurance, withholding and payment of federal and state income taxes and social security taxes and sales, use and property taxes. Compliance with applicable Laws is solely your responsibility. You agree to provide us with written evidence that your staff have met all applicable state certification and licensing requirements within 10 days after our written request, which may include copies of all such certifications and licenses, as issued. Your failure to do so is a material breach of this Agreement.

(ii) You must comply with our reasonable instructions regarding the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of Consumer Data, and, in all cases, employ reasonable means to safeguard the confidentiality and security of Consumer Data. You must comply with all Laws governing the use, protection, and disclosure of Consumer Data.

(iii) If there is a Data Security Incident at the Studio, you must notify us immediately after becoming aware of the actual or suspected occurrence, specify the extent to which Consumer Data was compromised or disclosed, and comply and cooperate with our instructions for addressing the Data Security Incident in order to protect Consumer Data and the Bunny Hive brand (including giving us or our designee access to your Computer System, whether remotely or at the Studio). We (and our designated affiliates) have the right, but no obligation, to take any action or pursue any proceeding or litigation with respect to the Data Security Incident, control the direction and handling of such action, proceeding, or litigation, and control any remediation efforts.

(iv) You must pay all vendors and suppliers in a timely manner. You must pay all sales and other taxes when due. If you borrow money, you shall comply with the terms of the loan and make all loan payments when due. If you lease the Accepted Site, you must comply with the lease for the Accepted Site and make all rent payments when due. Failure to comply with this Section shall constitute a material breach of this Agreement.

(v) You must respond promptly to requests for communication from us, and in any event within three business days.

(vi) You must be honest and fair in all interactions with us and our personnel, and your clients, personnel, suppliers, governmental authorities, and other third parties and adhere to the highest standards of integrity, fair dealing and ethical conduct. You will refrain from engaging in any conduct that is threatening or disparaging to us or our personnel. You will comply with any code of ethics or statement of values from us. You will not, at any time, engage in any business dealings in relation to the Studio which are unethical, dishonest or otherwise may be injurious to our business and the goodwill associated with the Marks.

**F. Warranties.**

You must implement any guaranties, warranties, or similar commitments regarding products and/or services that we deem appropriate.

**G. Business Plan.**

If so requested by us, you must prepare an annual business plan and permit us to review and comment upon such plan. Your plan will focus on marketing, operations management, and financial management. Within each of these areas, you must identify goals for the coming year and action steps to achieve these goals.

**H. Notice of Legal Proceedings.**

You must notify us in writing (i) within five days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the Studio; and (ii) immediately of any notice of violation of any Laws relating to the Studio.

**I. Franchisee Advisory Council.**

We have established an advisory council comprised of franchisees for the purpose of fostering communication among and between franchisees and us, as well as to establish, modify or discuss various policies applicable to the System franchisees (the "**Franchisee Advisory Council**"). You may be required to become a member of the Franchisee Advisory Council and participate in Franchisee Advisory Council meetings and programs as we shall designate. We will not assess fees or dues for participation in or on the Franchisee Advisory Council, but you may be required to pay dues to the Franchisee Advisory Council if the Franchisee Advisory Council, which is controlled by franchisees, determines that fees shall be assessed. You may be required to pay all costs and expenses incurred in connection with your participation in the Franchisee Advisory Council including, without limitation, travel and living expenses.

**J. Quality Assurance Programs.**

You must participate in programs required from time to time by us for obtaining client evaluations, reviewing your compliance with the System, and/or managing client complaints, which may include (but are not limited to) a client feedback system and client survey programs. You will incur costs payable to us or third party vendors equal to the cost charged for your participation in such systems. We will share with you the results of these programs as they pertain to the Studio. You must meet or exceed any minimum score requirements set by us for such programs. We may set minimum scores that you must receive from the public on internet review sites (such as Yelp or Google). If you fail to meet or exceed

our then-current minimum score requirements, we may require you to undergo additional evaluations to insure compliance, and you would be responsible for paying all costs associated with such evaluations.

#### **K. Improvements.**

If you develop any modifications or improvements to any aspect of the System (including but not limited to inventions, methods, products, ideas, formulas, research results, equipment, software, training materials, advertising or promotional materials, class instruction materials and otherwise): (i) such improvements will be deemed a work made for hire, notwithstanding any designation of you in this Agreement as an independent contractor; (ii) you hereby assign all right, title and interest to us for any such improvements, and such improvements are or will become our sole and exclusive property, which we may use, license for use, assign, modify, publish, or sell, all without payment of any compensation to you; and (iii) you will execute any documents we require related to this Section.

#### **L. System Modifications.**

You recognize and agree that from time to time hereafter we may change or modify the System, and as identified by the Marks, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, and that you will accept, use and display for the purpose of this Agreement any such changes in the System, as if they were part of the System at the time of execution hereof. You will make such expenditures as such changes or modifications may reasonably require solely at your cost and expense within the timeframes that we designate.

### **Section 9: GOODS AND SERVICES; EQUIPMENT**

#### **A. Right to Set Requirements.**

To maintain our high standards of quality and safety, we may require you to make certain purchases for the establishment and continuing operation of the Studio and may change from time to time the items and services that are required. You recognize that it is essential to the provision of quality services that only high-quality items and services, including, without limitation, furniture, fixtures, equipment, signs, stationery and printed materials, office supplies, games, toys, class supplies, food, suppliers, items bearing the Marks, merchandise, services, and other supplies and products (collectively, "**Goods and Services**") be used or offered in the Studio. We are not liable to you for damages caused by any approved or designated supplier in relation to any Goods or Services required to be purchased hereunder. We have the right to require that Goods and Services that you purchase for offer or purchases or leases for the operation of the Studio: (i) meet specifications that we establish from time to time; (ii) are a specific brand, kind, or model; (iii) are purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) are purchased or leased only from a single source that we designate (which may include us, our affiliates or a buying cooperative or similar group buying arrangement organized by us). To the extent we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for Goods and Services, we will publish our requirements in the Manuals or otherwise in writing. In addition, the following items have additional requirements and specifications:

#### **B. Revenue and Profits Based on Purchases.**

We have the right to collect any rebates or commissions provided by a supplier or vendor in connection with your purchase of any products and services. We and our affiliates have the right to derive revenue and earn profit from the sale of products and services to you.

**C. Vehicles.**

Any vehicles used by you in the operation of the Center ("**Vehicles**") must comply with all Laws, including vehicle inspection and registration statutes, and must meet all of our brand standards. All Vehicles must bear the Marks in the form and location as specified by us, and may not display any additional sales, advertising, or message without our prior written approval. You must, at your expense, at all times during the term of this Agreement, maintain the interior and exterior of the Vehicles in good repair, attractive appearance, and safe operating condition.

**D. Alternative Products or Suppliers.**

To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We may, at any time, in our discretion, change, delete, or add to any of our specifications or quality standards. If you would like to purchase any products, supplies, equipment, or services that we have not approved or to purchase these items from a supplier or service provider that we have not approved, you must submit a written request for approval and provide us with any information that we request. We have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us the reasonable cost of the inspection up to \$750 or, if greater, our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel, living and other out of pocket costs, whether or not the item, service, supplier, or service provider is approved. Our criteria for approving suppliers are not available to you. We have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We are not responsible for any suppliers or service providers that we designate or otherwise refer to you. Such modifications, however, will generally be uniform for all franchisees. We will notify you in writing of our decision as soon as practicable following our evaluation. We will use commercially reasonable efforts to evaluate any supplier you propose within three months after your request. If we approve any products, supplies, equipment, or services or supplier/service provider, in response to your request for approval submitted hereunder and the item or supplier/service provider is thereafter required to be used on a System-wide basis, we will refund or waive all inspection charges paid hereunder. If you do not receive our approval within six months after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. We reserve the right to revoke approval of any product, supply, equipment, service, supplier, or service provider for any reason, in our sole discretion.

**E. Vendor Programs.**

We may establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally known suppliers or distributors who are willing to supply all or some of the System franchisees with certain products or services that we require for use or sale in the development or operation of Studios.

**F. Purchasing/Distribution Cooperatives.**

We may require you to (i) become a member of any purchasing and/or distribution cooperative(s)/association(s)/program(s) designated by us and/or established by us for the System; (ii) remain a member in good standing of the purchasing and/or distribution

cooperative(s)/association(s)/program(s); and (iii) pay all membership dues or fees on purchases that are assessed by the purchasing and/or cooperative(s)/association(s)/program(s).

## **G. Technology System.**

(i) You must acquire the right to use and use any software programs including, without limitation, client registration and enrollment software, lead management software, LMS software, business management software and accounting system software that we designate for your use in your Studio in the Manuals or otherwise ("Required Software"). Your implementation of the Required Software may require that you enter into various software license agreements with third party licensors and pay all fees as required to such third party licensors. Or, we may require that you reimburse us for costs that we have incurred on your behalf to third party vendors in connection with your use of the Required Software.

(ii) You must also purchase or lease and use in the operation of your Studio certain electronic data collection, storage, reporting, exchange and interchange capability and services and security systems, including certain brands, types, makes and models of communications, hardware systems, peripherals and related equipment and security systems and cameras, including without limitation: (a) back office accounting and management systems; (b) storage, retrieval and transmission systems for data, audio, video and voice files; (c) physical, electronic and other security systems, video monitoring, cameras, and procedures; (d) archival back-up systems; (e) internet access capability and connectivity; and (f) marketing, audio, video, internet access points and service systems (collectively, with the Required Software, the "Technology System").

(iii) You must install, learn, use and integrate all updates, supplements, modifications or enhancements to the Required Software when we so require. We may specify in the Manuals or otherwise the tangible media upon which you shall record data, the database file structure of your Technology System and the requirements to ensure your compliance with legal and credit card industry security standards. You shall implement and periodically make upgrades and other changes to your Technology System as we request in writing at your cost.

(iv) Your Technology System must permit 24 hours per day, seven days per week electronic communication between you and us and provide us access to the Technology system (but excluding matters relating to labor relations and employment practices).

(v) We may require that you license proprietary software or other technology developed or maintained for the System. If we do, your use of such software may require that you sign a software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and the licensor's and your rights and responsibilities concerning, the software or the technology. We or our affiliates may charge a reasonable fee for the use of such proprietary software and technology. These fees are in addition to the Technology Fee.

(vi) We may, from time-to-time, specify in the Manuals or otherwise in writing the information that you must collect and maintain on your Technology System, and provide us such reports as we may reasonably request from the data so collected and maintained. All data provided by you in any form, and whether required by this Section or any other requirement under the System or in the Manuals, is and will be owned exclusively by us, including without limitation, client lists and email lists, and we will have the right to use such data in any manner that we deem appropriate without compensation to you. In addition, all other data created or collected by you in connection with the System, or in connection with your operation of the business (including but not limited to transaction data), is and will

be owned exclusively by us during the Term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to us upon request. We hereby license use of such data back to you, at no additional cost, solely for the Term and solely for your use in connection with the Studio. We may use all such information, data, and reports in any manner, including, without limitation, providing financial and operating reports to other System franchisees and developers.

(vii) Despite your obligation to buy, use, and maintain your Technology System according to our standards and specifications, you have sole and complete responsibility for: (a) acquiring, operating, maintaining, and upgrading your Technology System; (b) the manner in which your Technology System interfaces with our and any third party's computer system; (c) any and all consequences if your Technology System is not properly operated, maintained, and upgraded; and (d) independently determining what is required for you to comply (and then complying) at all times with the most current version of the Payment Card Industry Data Security Standards, and with all Laws governing the use, disclosure, and protection of consumer data and your Technology System, and validating compliance with those standards and Laws as may be periodically required.

## **Section 10: REPORTING**

### **A. Recordkeeping.**

You must maintain during the Term of this Agreement, and preserve for a minimum of seven years, full, complete and accurate records of sales, marketing activities, closeout sheets, payroll and accounts payable in accordance with the standard accounting system described by us in the Manuals or otherwise specified in writing. We may require that you engage an approved or designated accountant, accounting firm, bookkeeper or similar professional to assist you in the preparation and maintenance of records and reports required hereunder at your expense at any time effective upon delivery of prior written notice.

### **B. Required Reports.**

At your expense, you must maintain and deliver to us accurate records of Gross Sales, income statements and balance sheets, and other forms, records, reports, information and data as we may reasonably designate, in the form, and at the times and the places as we may reasonably require, upon request, and as specified from time to time in the Manuals or otherwise specified in writing. At a minimum, you are required to submit a monthly income statement by the 10th of the month for the prior month and an annual income statement (prepared on a calendar basis) for the prior year no later than April 15 of the following year.

### **C. Inspection.**

(i) We or our representatives may, from time to time, at any time during business hours enter and inspect the Studio premises and examine the records, invoices, payroll records, check stubs, sales tax records and returns, and other supporting records and documents of the Studio, income tax records and any other information, records or properties relating to the ownership, management or operation of the Studio. We may videotape, photograph or otherwise record the operation of the Studio as part of any such inspection. You shall cooperate with us in any such inspection and shall make your personnel available to us as may be necessary to carry out such inspection. Any such inspection will be made at our expense, provided that if such inspection is necessitated by your repeated or continuing

failure to comply with any provision of this Agreement, we may charge you for the costs of making such inspection.

(ii) If we determine that the Studio does not meet our then current standards, you have a period of 10 days from the delivery of such notice within which to remedy any such deficiencies. At the expiration of such 10-day period, if all deficiencies have not been remedied, you will permit us or our representatives to enter the Studio premises and provide any assistance that we deem necessary to cause the Studio to comply with our then-current requirements, which may include providing personnel to assist you. We may charge you a reasonable fee for providing any follow-up inspections hereunder to ensure that your Studio complies with brands standards and assistance that our personnel renders in causing the Studio to comply with brand standards, plus any travel, living and other out of pocket costs we incur.

**D. Audit.**

Without limiting the foregoing, we may audit or cause to be audited, any statement you are required to submit pursuant to this Agreement, and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by you in connection with the Studio. If any such audit or review discloses an understatement of the Gross Revenues for any period or periods, you shall pay to us, within 15 days after demand for payment is made, all additional Royalty Fees, Brand Awareness Fund Contributions and other amounts required to be paid based upon the results of such audit or review. In addition, if such understatement for any period or periods is 2% or more of the Gross Revenues for such period or periods, you shall reimburse us for the cost of such audit or review, including without limitation the charges of any independent accountant and the cost of travel and living expenses for, and compensation of, such accountant and our employees and agents. You must pay to us on any delinquent fees interest at the rate of 18% per annum or at the maximum rate allowed by Laws, whichever is less, calculated from the date when the fees should have been paid to the date of actual payment.

**E. Disclosure of Financial Information.**

We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, suppliers and performance. You shall provide such information promptly when so requested by us and certify that such information is true and complete in all material respects. You agree that we may disclose such information to third parties, including regulators, prospective franchisees and other franchisees within the System as we determine appropriate or necessary, in our sole discretion, to comply with applicable Laws governing the sale of franchises, to assist us in our franchise sales efforts and for the benefit of the System.

**Section 11: PROPRIETARY MARKS**

**A. Our Ownership of the Marks.**

You acknowledge and agree that Trademark Affiliate is the owner of the Marks. Your right to use the Marks is derived solely from this Agreement and is limited to the operation the Studio by you pursuant to and in compliance with this Agreement and all brand standards prescribed by us from time to time during the Term of this Agreement. Any unauthorized use of the Marks by you is a breach of this Agreement and an infringement of Trademark Affiliate's rights in and to the Marks. You acknowledge and agree that all usage of the Marks by you and any goodwill established by your use of the Marks, shall inure to Trademark Affiliate's exclusive benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you. You shall not, at any time during the Term of this Agreement,

or after its termination or expiration, contest the validity or ownership of any of the Marks or assist another person in contesting the validity or ownership of any of the Marks. All provisions of this Agreement applicable to the Marks apply to any additional Marks authorized for use by and licensed to you by us after the Effective Date.

**B. Your Use of Marks.**

You shall not use any Mark as part of any corporate or trade name, domain name, or with any prefix, suffix, or other modifying words, terms, designs or symbols, or in any modified form, nor may you use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by us. You agree to give such notices of trademark and service mark registrations as we specify, and to obtain such fictitious or assumed name registrations as may be required under applicable Laws. You shall not use any of the Marks in any manner which has not been specified or approved by us. You shall use your best efforts to promote and protect the Marks at all times.

**C. Unauthorized Use of Marks.**

You shall immediately notify us in writing of any apparent infringement of or challenge to your use of the Marks, and of any claim by any person of any right in the Marks or any similar trade name, trademark or service mark of which you become aware. You shall not directly or indirectly communicate with any person other than us or Trademark Affiliate in connection with any such infringement, challenge or claim. Trademark Affiliate has sole discretion to take such action as it deems appropriate, and has the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of such infringement, challenge or claim or otherwise relating to the Marks. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of counsel, be necessary or advisable to protect and maintain Trademark Affiliate's interests in any such litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding or to otherwise protect and maintain our interests in the Marks.

**D. Limitations on Associations with the Marks.**

You acknowledge and agree that certain associations between you and/or the Studio, and/or the Marks and/or the System, and/or facilities operating under or products sold under the Marks on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on the good will associated with the Marks. Accordingly, you shall not, without our prior written approval, engage in any activities with, or donate any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity, if such action is taken, or may be perceived by the public to be taken, in the name of, in connection with, or in association with you, the Marks, the Studio, us, or the System.

**Section 12: TERMINATION AND DEFAULT**

**A. Events of Default.**

Any one or more of the following constitutes an "**Event of Default**" hereunder:

- (i) You fail to pay when due any fee, expense, charge or other amount due and owing to us or any of our affiliates within 10 days after written notice thereof, or you have previously been given

at least two notices of nonpayment for any reason within the last 24 months and you thereafter fail to timely pay when due any fee, expense, charge or other amount due and owing to us or any of our affiliates;

(ii) We are charged three or more insufficient funds charges due to insufficient funds in your bank account within any 12-month period;

(iii) You fail to pay when due any fee, expense, charge or other amount due and owing to your landlord or any of your suppliers or creditors within 10 days after written notice thereof from us;

(iv) You submit to us (a) in any two-year period two or more financial statements or other information or supporting records which understate by more than 2% your Gross Revenues; or (b) any financial statement or other information or supporting record which intentionally understates the Gross Revenues or distorts any other material information, which will be presumed if the understatement is more than 3% of your Gross Revenues for any period;

(v) Any of the representations in any other instrument, document or certificate furnished in connection with your application for a Studio is untrue in any material respect or omits any material fact necessary to make such representation not misleading in light of the circumstances in which such representation was made;

(vi) We and you are unable to agree upon the Accepted Site for the Studio by the Site Selection Deadline, you fail to execute a lease or a purchase agreement by the Site Procurement Deadline or you fail to open the Studio and commence operations by the Opening Deadline;

(vii) You lose or otherwise fail to maintain possession of the Studio's premises;

(viii) Your Managing Owner and/or Director fail to complete the Initial Training Program to our satisfaction by the Opening Deadline;

(ix) You fail to furnish to us evidence that your personnel have obtained state certifications and licenses (if required) pursuant to **Section 8.E** within 10 days after written notice from us;

(x) You fail to furnish to us evidence of required insurance or failure to obtain required insurance pursuant to **Section 14.A** within 10 days after written notice from us;

(xi) You abandon or voluntarily suspend operation of the Studio without our prior written consent for more than five days;

(xii) You file a petition for relief from your debts, liabilities or obligations, or for appointment of a receiver for you or for all or a substantial portion of your assets, or make a general assignment for the benefit of your creditors; or a petition is filed against you or a receiver is appointed for you or for all or a substantial portion of your assets, or a judgment is entered against you, and such petition, appointment or judgment is not stayed or vacated or otherwise discharged within 60 days or becomes unappealable or is acquiesced in or consented to by you;

(xiii) You become bankrupt, insolvent or otherwise unable to pay your obligations as they become due;

(xiv) You or any Owner is convicted of a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we reasonably believe is likely to have an adverse effect on the Studio or our System, or you or any Owner engages in conduct or activity that we reasonably believe is likely to have an adverse effect on the Studio, the System, the Marks or the goodwill associated therewith;

(xv) You use any of the Marks or any other identifying characteristic of the System, other than in compliance with this Agreement, and such misuse is not remedied within ten days after we notify you of such misuse;

(xvi) You breach or fail to comply with any Law which results in a threat to the health and safety of any person and fail to cure the non-compliance within 24 hours of delivery of written notice from us or applicable public officials, whichever occurs first;

(xvii) You or any Owner disclose or divulge the contents of the Manuals or other trade secrets or Confidential Information contrary to **Section 15.A** or violate the noncompete covenants in **Section 15.B**;

(xviii) Any Transfer occurs that does not comply with **Section 16**, including, without limitation, a failure to Transfer to a qualified successor after death or disability within the period allowed by **Section 16.E**;

(xix) A default occurs under any other agreement between us and you or any of your affiliates, except for a default relating to the failure to comply with the development schedule under any Development Agreement entered between us and you and any of your affiliates; provided that the default would permit us or our affiliate to terminate that agreement (after the expiration of any cure periods provided thereunder);

(xx) You breach or fail to comply with any other covenant, agreement or brand standard, whether contained herein, in the Manuals or elsewhere, and fail to cure such breach or failure within 30 days after written notice thereof; or

(xxi) You commit three breaches of any of the provisions of this Agreement within any 24-month period (which breaches need not be of the same provision).

## **B. Our Remedies.**

If any Event of Default occurs, we may, at our election, exercise one or more of the following remedies:

(i) Declare this Agreement, any and all other rights granted hereunder to be immediately terminated and, except as otherwise provided herein, of no further force or effect. No such termination shall relieve you of any of your obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities that have accrued prior to such termination.

(ii) Require that you pay cash on delivery for products or services supplied by us, stop selling or providing any products and services to you, and/or require any third-party vendors to not sell or provide products or services to you. No such action by us shall be a breach or constructive termination of this Agreement, change in competitive circumstances, or similarly characterized, and you shall not be relieved of any obligations under this Agreement because of any such action.

(iii) Enter the Accepted Site and assume the Studio's management (or to appoint a third party to assume its management) for any period we deem appropriate. If we or a third party assumes the Studio' management under this Section, you must reimburse us for any expenses we incur that are not paid out of the operating cash flow of the Studio, plus 10% of Gross Revenues, which is in addition to amounts payable hereunder. If we or a third party assumes the Studio's management, you acknowledge that we or the third party will have a duty to utilize only reasonable efforts and will not be liable to you or your Owners for any losses the Studio incurs or obligations to creditors.

#### **C. Termination By You.**

You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within 60 days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. Termination will be effective no less than 10 days after you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this **Section 12.C** will constitute an Event of Default by you.

### **Section 13: OBLIGATIONS UPON TERMINATION OR EXPIRATION**

#### **A. General.**

You covenant and agree that upon expiration or termination of this Agreement for any reason:

(i) You must pay, within 10 days after the effective date of termination or expiration of this Agreement, any sums owed to us or any affiliate, which are then unpaid.

(ii) If this Agreement is terminated due to an Event of Default, you will promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, costs of investigation and proof of facts, court costs, and other expenses incurred by us as a result of your default.

(iii) You must immediately return to us all copies of the Manuals, training aids and any other materials which have been loaned to you by us. You further agree to return to us within 30 days any other manuals, computer program, software, client lists, records, files, instructions, correspondence and brochures, and any and all other confidential and proprietary materials relating to the operation of the Studio in your possession, custody or control and all copies thereof (all of which are acknowledged to be our property), and shall retain no copy or record of the foregoing, except only your copy of this Agreement and any correspondence between the parties, and any other documents which you reasonably need for compliance with any provision of Law.

(iv) You must take such action as may be required to cancel all assumed names or equivalent registrations relating to your use of any Marks.

(v) You must notify the telephone, Internet service providers, Internet directories, and other listing directories or listing agencies of the termination or expiration of your right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks ("Identifiers") and authorize their transfer to us or any new franchisee as may be directed by us. In addition, you must do all things necessary to enable us to own, access and control your Digital Marketing accounts (including providing login/password information immediately upon request and promptly signing

all directions and authorizations necessary or appropriate to accomplish the foregoing). The telephone company, Internet service providers, and all listing directories and listing agencies may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer.

(vi) You must immediately and permanently cease to use, by advertising, or any manner whatsoever, any confidential methods, procedures and techniques associated with us and the Marks. In particular, you shall cease to use, without limitation, all signs, advertising materials, social media, stationery, forms, and any other articles or item which display the Marks.

(vii) You must immediately cease to operate the Studio under this Agreement, and shall not thereafter, directly or indirectly, represent yourself to the public or hold yourself out as a present or former System franchisee.

You hereby irrevocably appoint us, with full power of substitution, as your true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing.

#### **B. Liquidated Damages.**

In addition to any other claims we may have (other than claims for lost future Royalty Fees and Brand Awareness Fund contributions), if we terminate this Agreement based on your default or if you terminate this Agreement in violation of its terms, you must pay us liquidated damages (over and above any prior payments or past due payment obligations) calculated as follows: (i) the greater of your average monthly Royalty Fees and Brand Awareness Fund contributions for the (a) the last 12 months (or for such shorter period of time that the Studio has been open) or (b) the last 24 months, in each case, commencing before the earlier of our delivery of the notice of default or closure of your Studio if the Event of Default is for abandonment under **Section 12.A(xi)**, (ii) multiplied by the lesser of 24 or the number of months remaining in the Term; and (iii) discounted to present value using the then-current prime rate of interest quoted by our principal commercial bank. You acknowledge and agree that liquidated damages determined in accordance with the preceding formula reasonably represents our monetary losses of Royalty Fees and Brand Awareness Fund contributions resulting from the termination of this Agreement and does not amount to a penalty.

#### **C. Purchase Option.**

We have the option, to be exercised within 30 days after termination or expiration of this Agreement, to purchase from you any of your furniture, fixtures, equipment, signs, stationery and printed materials, office supplies, games, toys, class materials, supplies, items bearing the Marks, merchandise, and other supplies and products related to the operation of the Studio at fair market value, including, without limitation, any Vehicle(s) operated by you hereunder (the "**Purchased Assets**"). The purchase price for the Purchased Assets will be the lesser of fair market value or book value. If the parties cannot agree on fair market value or book value within a reasonable time and we continue to desire to purchase any Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of the purchase price will be final and binding on the parties. The book value of any such item shall be determined based upon a five year straight line depreciation of original costs. For equipment that is five or more years old, the parties agree that the value shall be deemed to be 10% of the equipment's original cost. We are entitled to all customary warranties and representations including, without limitation, representations and warranties as to ownership and condition of and title to the Purchased Assets; no liens and encumbrances; validity of contracts and agreements; liabilities affecting

the Purchased Assets, contingent or otherwise; and indemnities for all actions, events and conditions that existed or occurred in connection with the Studio prior to the closing of our purchase. We may exclude from the Purchased Assets any item that is not reasonably necessary (in function or quality) to the Studio's operation or that we have not approved as meeting our standards, and the purchase price will reflect these exclusions. If we exercise our option to purchase, we have the right to set off all amounts then due from you to us or our affiliates against any payments we make to you.

#### **D. Real Property.**

If you or an affiliate leases or subleases the Accepted Site for the Studio from an unaffiliated lessor, you agree at our election to (i) assign your leasehold interest in the Accepted Site of the Studio to us (or our assignee); or (ii) enter into a sublease with us (or our assignee) for the remainder of the term of your lease/sublease on the same terms (including renewal options) as your lease/sublease. If you own the Accepted Site or lease or sublease it from an affiliated lessor, you agree at our election to lease the Accepted Site to us or our designee an initial seven year term, with two 5-year renewal terms (at our option), on commercially reasonable terms and at a rental rate that reflects fair market value. If we and you cannot agree on a rental rate that reflects fair market value, it will be determined by the average rental value determined by two independent appraisers, each of whom will conduct a separate appraisal. We and you agree that the parties will each select and engage an appraisers within 15 days after we notify you of the need to engage an appraiser. We and you will bear the cost of the appraisers that each of us appoints. The appraisers are obligated to complete their appraisals within 30 days of appointment. The rental rate for the Accepted Site will be the average of the two appraisals and is final and binding for all purposes. If we elect to exercise this option, we will deliver written notice to you of our election within 30 days after the date of termination or expiration of this Agreement. We have the unrestricted right to assign the option under this Section.

### **Section 14: INSURANCE AND INDEMNIFICATION**

#### **A. Insurance.**

At your sole expense, you must procure prior to Opening Deadline, and maintain in full force and effect during the Term, the types of insurance listed in the Manuals. If not specified in the Manuals, you must maintain at least the following insurance coverage:

(i) "All Risk" property coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Studio with coverage limits of at least full replacement cost;

(ii) Workers' Compensation Insurance that complies with the statutory requirements of the state in which the Studio is located and employer liability coverage with a minimum limit of \$500,000 or, if higher, the statutory minimum as required by state Laws;

(iii) Comprehensive General Liability Insurance (written on ISO Form CG0001 or its equivalent) against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of your Studio, or your conduct of business pursuant to this Agreement, with a minimum liability coverage of \$1,000,000 per occurrence and \$2,000,000 in the aggregate or, if higher, the statutory minimum limit required by Laws;

- (iv) Business Interruption Insurance in amounts and with terms acceptable to us. We recommend, but do not require, that you obtain coverage for business interruption due pandemics and widespread infectious disease outbreaks;
- (v) Cyber Liability/Data Breach insurance with a minimum limit of \$50,000;
- (vi) Employment Practice Liability insurance with a minimum limit of \$500,000;
- (vii) Automobile Liability Insurance for owned or hired vehicles, with a combined single limit of at least \$1,000,000 or, if higher, the statutory minimum limit required by state Laws;
- (viii) Such other insurance as is necessary to provide coverage under the indemnity provision of this Agreement.

In addition to any other insurance that may be required hereunder, you must procure the insurance specified by applicable Laws and your lease.

To the extent applicable, all policies should include additional insured, waiver of subrogation, and primary and non-contributory endorsements in favor of us, our affiliates and our respective officers, directors, employees, and agents. All policies must contain a provision where the policy cannot be cancelled, altered, or permitted to lapse or expire without 30 days' advance written notice to the us (five days for non-payment). We do not represent that coverage and limits will be necessarily adequate to protect you or us. All policies must be written by insurance carriers approved by and satisfactory to us having a rating of A- or better in the rating classification with a financial rating of VII or better in the most recent A.M. Best's Key Rating Guide.

Your obligations to obtain and maintain the foregoing insurance policies in the amounts specified in the Manuals shall not be limited in any way by reason of any insurance which may be maintained by us.

Upon obtaining the insurance required by this Agreement and on each policy renewal date thereafter, you must promptly submit evidence of satisfactory insurance and proof of payment to us, together with, upon request, copies of all policies and policy amendments and endorsements. The evidence of insurance shall include a statement by the insurer that the policy or policies will not be canceled or materially altered without giving at least 30 days prior written notice to us.

Should you not procure and maintain insurance coverage as required by this Agreement, we have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to you, which charges, together with a reasonable administrative fee, which is payable by you immediately upon notice. We have the right, from time to time, to make such changes in minimum policy limits and endorsements as we may determine; provided, however, all changes shall apply, generally, to all System franchisees who are similarly situated.

## **B. Indemnification.**

To the fullest extent permitted by Laws, you must indemnify and hold harmless us, our affiliates, and our and their respective owners, directors, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and reimburse any one or more of the Indemnified Parties for, all Losses incurred as a result of:

- (i) a claim threatened or asserted;
- (ii) an inquiry made formally or informally; or
- (iii) a legal action, investigation, or other proceeding brought by a third party and directly or indirectly arising out of:
  - a) the Studio's construction or design;
  - b) your activities under this Agreement;
  - c) your noncompliance or alleged noncompliance with any Law including without limitation any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to the Studio employees;
  - d) a Data Security Incident; or
  - e) your breach of this Agreement.

You also agree to defend the Indemnified Parties (unless an Indemnified Party chooses to defend at your expense as provided in the following paragraph) against any and all such claims, inquiries, actions, investigations, and proceedings. However, you have no obligation to indemnify or hold harmless an Indemnified Party for any Losses to the extent they are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's negligence, willful misconduct, or willful wrongful omissions, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or joint employment) or our failure to compel you to comply with this Agreement.

Each Indemnified Party, with its own counsel and at your expense, may defend and otherwise respond to and address any claim threatened or asserted or inquiry made, or action, investigation, or proceeding brought (instead of having you defend it with your counsel, as provided in the preceding paragraph), and, in cooperation with you, agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely responsible (except as provided in the last sentence of the preceding paragraph).

Your obligations under this Section will continue in full force and effect after and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you under this Section. A failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section.

## **Section 15: COVENANTS**

### **A. Confidential Information.**

You acknowledge that prior to or during the Term hereof, we may disclose in confidence to you, either orally or in writing, certain Confidential Information. You shall not, nor shall you permit any person to, use or disclose any Confidential Information (including without limitation all or any portion of the Manuals) to any other person, except that you may use and disclose Confidential Information to the extent necessary for your employees to perform their functions in the operation of the Studio. You shall take

reasonable precautions to protect the Confidential Information from unauthorized use or disclosure, including without limitation conducting orientation and training programs for your employees to inform such employees of your obligation to protect such Confidential Information from unauthorized use or disclosure, and such employees' responsibilities and obligations therefor. At our request, you shall obtain from your employees non-disclosure agreements, in form and substance satisfactory to us, naming us as a third-party beneficiary with the independent right to enforce the covenants therein. This Section shall survive the termination or expiration of this Agreement.

**B. In-Term Covenants.**

You acknowledge that you will receive valuable, specialized training and confidential information regarding the operational, sales, promotional, and marketing methods of the System. During the Term, you, your spouse, your Owners and your Owners' spouse will not, without our prior written consent, either directly or indirectly, for yourself or your Owners, or through, on behalf of, or in conjunction with any other person or entity:

- (i) own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business at any location;
- (ii) divert or attempt to divert any actual or potential business or client of the Studio to any Competitive Business, by direct or indirect inducement or otherwise; or
- (iii) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the System.

**C. After Termination, Expiration, or Transfer.**

For two years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you, your spouse and your Owners and your Owners' spouse may not, without our prior written consent, directly or indirectly own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your Studio or a 25-mile radius of any other Studio open or under construction at the time of expiration, termination or Transfer. The time period will run from the expiration, termination or Transfer to a new franchisee, or with respect to any Owner, from the transfer of such Owner's equity in you or termination of such Owner's relationship with you, whichever occurs first.

**D. Publicly Traded Corporations.**

Ownership of less than 5% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this Article.

**E. Covenants of Owners and Employees.**

The Owners personally bind themselves to this Article by signing this Agreement and/or the attached Guarantee. You must also obtain from your officers, directors, managers, partners, employees, agents and other individuals that we may designate, executed agreements containing confidentiality and/or non-compete covenants similar in substance to those contained in this Article. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them. Our current form of Nondisclosure and Non-Compete Agreement is attached as **Attachment 4** and our current form of Nondisclosure Agreement is attached as **Attachment 5**.

## **F. Enforcement of Covenants.**

You acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this Article are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this Article or any part of it is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this Article. You acknowledge that any breach or threatened breach of this Article will cause us irreparable injury for which no adequate remedy at Law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this Article. Such injunctive relief will be in addition to any other remedies that we may have.

## **Section 16: ASSIGNMENT**

### **A. Assignment by Us.**

We have the right to transfer or assign all or part of our rights or obligations under this Agreement to any of our successors or assigns.

### **B. Assignment by You.**

You and your Owners each understand and acknowledge that the rights and duties set forth in this Agreement are personal to you and them, and that we have granted this franchise in reliance on the business skill, financial capacity and personal character of you and your Owners. Without our prior written consent, you and your Owners shall have no right or power to engage in any transaction or series of transactions, directly or indirectly, voluntarily or involuntarily, that results in:

- (i) the lease, sublease, third party management, donation, pledge, grant of a security interest in or other encumbrance of assets of the Studio or any equity interest in you (if you are an entity), except for the benefit of a lender providing general financing to the Studio having a first priority encumbrance on such assets (collectively, a **“Pledge Transaction”**);
- (ii) the sale of all or substantially all of the assets of the Studio (an **“Asset Transaction”**);
- (iii) if you are an entity, the sale, transfer, gift, or issuance of 10% or less of the equity interests in you (a **“Minority Equity Interest Transaction”**) or the sale, transfer, gift, or issuance of more than 10% of the equity interests in you (a **“Significant Equity Interest Transaction”**);
- (iv) if you are an entity, the merger or consolidation of you with and into another entity (a **“Merger Transaction”**);
- (v) the assignment or delegation of this Agreement or any of your rights and obligations under this Agreement as collateral security or outright (an **“Assignment”**).

The transactions described in subsections (i) through (v) above are collectively described herein as “**Transfers**” and individually, a “**Transfer**”. An “**Excepted Transfer**” as used herein is (a) Minority Equity Interest Transfer; or (b) an Assignment by you to an entity of which you own 100% of the equity interests both prior to and after the Assignment.

### **C. Transfer Procedure.**

We have absolute right to require the satisfaction of any or all the following and any other reasonable conditions we may impose in the future as conditions of our consent to any proposed Transfer:

(i) For all Transfers, you and your Owners (or only the Owner that is selling equity in the case of either a Minority Equity Interest Transaction or Significant Equity Interest Transaction) shall have executed a general release, in a form we provide, of any and all claims against us and our affiliates, successors and assigns and other persons specified in the release, including, without limitation, for claims arising under this Agreement and the franchise relationship between transferor and us;

(ii) For all Transfers, except a Pledge Transaction, the transferee shall: (a) meet our educational, managerial and business standards, and shall possess a good moral character, business reputation and credit rating; (b) furnish evidence that its staff has obtained state certifications and licenses (if required by applicable Laws); (c) have the aptitude and ability to operate the Studio, as may be evidenced by prior related business experience or otherwise; (d) have adequate financial resources and capital to operate the Studio; (e) if the transferee is to become the Managing Owner, such person qualifies under **Section 1.D**; and (f) have such other qualifications as we then require for new franchisees;

(iii) For all Transfers, except a Pledge Transaction and Excepted Transfers, designated personnel of the transferee must successfully complete all training programs we require at the transferee's expense;

(iv) For all Transfers, except a Pledge Transaction and Excepted Transfers, the transferee shall execute, for a term ending on the expiration date of the Term, our then-current form of franchise agreement with appropriate modifications to reflect the fact that such agreement relates to the grant of a transferred franchise. The terms of our then-current form of franchise agreement may differ materially from this Agreement including without limitation it may impose higher and/or additional fees. All of the transferee's owners must sign and deliver, together with the successor franchise agreement, our then-current form of guarantee;

(v) For all Transfers, except a Pledge Transaction and Excepted Transfers, if we so request, transferee shall, at your expense, upgrade, and remodel the Studio to conform to the then current brand standards within the reasonable time period we specified by us;

(vi) For all Transfers, you and your Owners shall remain liable for all your obligations to us that arose prior to the effective date of the Transfer, and any covenants that survive the termination or expiration of the transferor's interest in this Agreement, and shall execute any and all instruments we reasonably request to evidence such liability; and

(vii) For Pledge Transactions and Excepted Transfers, a non-refundable transfer fee that is the greater of \$2,000 or our actual legal costs must be paid by you or your transferee to us. For all other Transfers, the non-refundable transfer fee is \$10,000; provided, however, the transfer fee is

\$5,000 if the transferee is a current System franchisee or an affiliate of a current System franchisee. You must submit your request for approval of the Transfer, and, for all Transfers, except Pledge Transactions and Excepted Transfers, your request must be accompanied by a \$2,000 deposit that will be applied against the transfer fee. This deposit compensates us for our costs incurred in considering the Transfer and is not refundable regardless of our decision. You are also responsible for reimbursing us for any broker fees payable to third parties incurred by us in connection with any Transfer.

**D. Our Right of First Refusal.**

(i) If you or any one or more of the Owners receives a bona fide offer to engage in a Transfer, except for an Excepted Transfer, then you or the relevant Owners must promptly notify us (an **“Offer Notice”**) of such offer and provide such information and documentation relating to the offer as we may require, including all diligence and offering material provided to the prospective buyer. We have the right and option, exercisable within 30 days after our receipt of all such information, to send written notice (a **“Purchase Notice”**) to the seller that we intend to purchase the seller’s offered interest on the same terms and conditions as the terms in the Offer Notice. We may pay cash in place of any consideration that is not cash. For non-cash consideration, we may pay the documented lower of cost or fair market value for the non-cash item, net of depreciation, amortization and other adjustments to value required under generally accepted accounting principles. If we elect to purchase the seller’s interest, the closing shall occur within 60 days after we send the Purchase Notice.

(ii) If we do not issue a Purchase Notice, you may proceed with the transaction on the same terms as you disclose in the Offer Notice. If the sale is not completed within 120 days from the date of the Offer Notice, or there is any material change in the terms of the offer from those disclosed in the Offer Notice, you must reissue an Offer Notice to us and we will have a new period of 30 days to respond to the offer.

**E. Death or Disability.**

(i) If you are an entity, upon (a) the death of any Owner that owns 20% or more of the equity in you (collectively, a **“Key Person”**); or (b) any disability of any Key Person lasting three months or longer, such Key Person’s trustee, conservator or other personal representative must transfer such interest to a third party within 12 months from the date of the death or the commencement of the disability. Any transfer of any Owner upon death or disability must be approved and otherwise take place under the procedures set forth in **Section 16.C.**

(ii) Upon the death or disability of your Managing Owner, we have the right to require that a different Managing Owner from among your Owners be immediately appointed within one month after our notice to you.

(iii) Following any death or disability of your Managing Owner, if necessary, as determined in our sole discretion, we have the right, but not the obligation, to assume operation of the Studio until a replacement Managing Owner is appointed by you or the Managing Owner’s interest is transferred under this **Section 16**. We are entitled to reimbursement of any expenses we incur that are not paid out of the operating cash flow of the Studio, plus 10% of Gross Revenues, which is in addition to amounts payable hereunder. If we or a third party assumes the Studio’s management, you acknowledge that we or the third party will have a duty to utilize only reasonable efforts and will not be liable to you or your Owners for any losses the Studio incurs or obligations to creditors.

(iv) “**Disability**” as used herein shall be determined by a physician, court or administrative agency and shall mean any physical or mental impairment that restricts one or more life activities.

#### **F. Securities Offerings.**

If you intend to engage in a public or private offering of your equity interests, then you must submit for our review your offering materials or prospectus before you file the document or commence its use. Our review of any offering material shall be limited solely to the relationship between you and us (and any of our affiliates, if applicable), an accurate description of our System, and the absence of any disclosure of confidential information about us or the System. We may, at our option, require that the offering materials make a written statement we prescribe about the limitations stated in the preceding sentence. Your indemnification obligations in **Section 14.B** include claims relating to your securities offering, disclosure materials and compliance with applicable Laws. For each proposed offering, you shall pay us a non-refundable fee of \$10,000 or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering materials. You must submit your offering materials for our review at least 30 days in advance of the anticipated filing or release date.

### **Section 17: ARBITRATION**

#### **A. Disputes to be Arbitrated.**

Except as set forth in **Section 17.F** below, any controversy, claim or dispute arising out of or relating to the Studio, this Agreement or its breach, including without limitation, the scope and validity of this Agreement or any of its provisions or any claim that this Agreement or any of its provisions is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration before and, unless otherwise provided herein, in accordance with the arbitration rules of the American Arbitration Association (the “**AAA**”). Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) (the “**Federal Arbitration Act**”) and shall be determined by an arbitrator and not by a court. Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

We and you agree to be bound by the provisions of any limitation on the period in which claims must be brought under applicable Laws or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for such arbitration proceeding to take place and by doing so will not be deemed to have waived or relinquished our right to seek the recovery of those costs in accordance with **Section 18.R**.

The parties will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration process.

The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

**B. Entry of Judgment.**

Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties hereby waive to the fullest extent permitted by Laws any right to or claim for any punitive or exemplary damages against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of only the actual damages sustained.

**C. Procedures.**

The arbitration provisions of this Article are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise, notwithstanding such failure to appear. Unless otherwise agreed to in writing by the parties, arbitration proceedings shall be held at the office of the AAA nearest to our principal office at the time such proceeding is commenced. With respect to any dispute involving \$1,000,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three arbitrators, one of which shall be chosen by us and one by you, and the third of which shall be selected by the two chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either we or you may petition the AAA to appoint the third arbitrator. With respect to any dispute involving less than \$1,000,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

**D. Waiver of Consolidated, Representative or Class Actions.**

The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only we (and our affiliates and our and their respective officers, directors, managers, partners, owners, employees, agents and representatives, as applicable) and you and your Owners may be parties to any arbitration described in this Article, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. The foregoing sentence is an integral provision of the arbitration procedures set forth in this Article, and may not be severed therefrom, notwithstanding **Section 18.I** of this Agreement. If such sentence is determined to be invalid or unenforceable in connection with a particular controversy, dispute, or claim, then this entire Article shall be stricken from this Agreement and neither party shall be deemed to have consented to arbitration of such controversy, dispute, or claim.

**E. Time Limitation for Commencing Proceedings.**

Any claim relating to any controversy, claim or dispute arising out of or relating to the Studio, this Agreement or its breach must be commenced within two years from the expiration or termination of this Agreement, or from the act or omission complained of, whichever occurs first, except for claims related to unpaid amounts owed by you to us or our affiliates.

**F. Excepted Disputes.**

Notwithstanding anything contained herein, we reserve the right to seek temporary restraining orders, preliminary injunctions or other interim relief when deemed necessary to preserve the status quo or prevent irreparable injury pending resolution by arbitration of the actual dispute and to make claims relating to unpaid amounts owed by you in any court of competent jurisdiction.

**G. Survival of Arbitration Provisions.**

The provisions of this Article shall continue in full force and effect after and notwithstanding the expiration or termination of this Agreement.

**Section 18: MISCELLANEOUS**

**A. Independent Contractor.**

This Agreement does not establish a fiduciary relationship between us and you. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. You shall hold yourself out to the public as an independent contractor operating your Studio pursuant to a license from us. You agree to take such affirmative action as may be necessary to do so, including, without limitation, exhibiting a public notice of that fact as follows:

This The Bunny Hive is independently owned and operated by [your full name] under a franchise granted by The Bunny Hive Franchising, LLC.

**B. Employees.**

Neither you nor any employee of yours shall, in any manner, directly or indirectly, expressly or by implication, be construed to be an employee of ours for any purpose; which purposes will specifically include, but will not be limited to, any mandated or other insurance coverage or tax; or contributions or requirements related to withholdings imposed, levied, or fixed by any federal, state, city, or other governmental agency. You must clearly in all dealings with your employees represent that you are their employer. Your entity name, and not the Marks (or any name similar to the Marks), must appear on your employee application materials, employee wage stubs, timecards, employment agreements, offer letters and other employment documentation. Employees at the Studio are your employees and will be under your control in implementing and maintaining operational standards at the Studio. As the franchisor of System franchisees, we do not engage in any employer-type activities for which you are responsible such as employee selection, promotion, termination, hours worked, rates of pay, work assigned, discipline and working conditions.

**C. Time.**

Time is of the essence to the performance of all obligations of the parties to be performed under this Agreement.

**D. Governing Law.**

This Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted and construed under the laws of the State of Georgia, except to the extent governed by the

Federal Arbitration Act and United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

**E. Jurisdiction and Venue.**

Except for matters to be submitted to arbitration as provided in **Section 17**, (i) any claims initiated by you relating to this Agreement or the Studio must be filed in a federal or state court for the district or county where we have our principal place of business at the time suit is filed; and (ii) any claims initiated by us may be filed in any federal or state court of competent jurisdiction. You waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

**F. Remedy.**

No right or remedy conferred upon or reserved by the parties by this Agreement is intended to be, nor shall it be, exclusive of any other right or remedy contained in the Agreement or by Laws or equity provided or permitted, but each shall be cumulative of every other right or remedy.

**G. Waiver.**

Any failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default or breach by you shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof, affect or impair our right to exercise the same; nor shall such constitute a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery to you of 10 days prior written notice.

We and you will not be deemed to waive or impair any right, power, or option this Agreement reserves (including, but not limited to, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its Term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement including, but not limited to, any brand standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other System franchisees; the existence of franchise agreements for other franchises which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, and they shall have no effect.

**H. Binding Effect.**

This Agreement is binding upon the parties hereto and their respective assigns and successors in interest, subject to **Section 16**.

**I. Severability and Substitution of Valid Provisions.**

All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable Laws requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such Law shall be substituted for the notice or other requirements hereof.

**J. Entire Agreement.**

This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to the Studio and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the Exhibits, attachments, and the recitals of this Agreement, all of which are incorporated into this Agreement by this reference. Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits or amendments.

**K. Amendments and Modifications.**

This Agreement may be amended or modified only by a written document signed by each party hereto. This provision does not limit our ability to modify the Manuals or brand standards.

**L. Survival.**

Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, **Section 14.B** (Indemnification), **Section 15.A** (Confidential Information), **Section 13** (Obligations Upon Termination or Expiration), **Section 15.C** (Covenants After Termination, Expiration or Transfer), and **Section 17** (Arbitration).

**M. No Third Party Beneficiaries.**

Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

**N. Construction.**

The headings of the several sections and paragraphs hereof are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. If the term "you" as used herein is applicable to one or more persons, the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. References to "you" applicable to an individual or individuals shall mean your Owners if you are an entity.

**O. Notices.**

All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth on the Summary Page. Notices to us must be sent to:

The Bunny Hive Franchising, LLC  
2715 Creek Edge  
Powhatan, Virginia 23139  
Attention: Brittany Schmid and Kathryn Doar

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

**P. Defined Terms.**

**“AAA”** is defined in **Section 17.A.**

**“Accepted Site”** is defined in **Section 5.A.**

**“ADA”** is defined in **Section 5.F(i).**

**“Advertising and Promotional Content”** means advertising, marketing, promotional, relationship management, public relations, and other brand-related programs, materials, and content relating to us or the Studio, including without limitation any printed materials (such as business cards, signs, counter cards, banners, posters, displays, window clings, leaflets, direct mail materials, and published advertisements); promotional items (such as branded products, and clothing); audio or video advertising (such as radio, television, or podcast ads or online video postings), photography, images and related work product; and Digital Marketing (as defined below).

**“Affiliates”** means and includes, at any time with respect to any person or entity, each person or entity that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person or entity.

**“Agreement”** is defined in the Recitals.

**“Asset Transaction”** is defined in **Section 16.B(ii).**

**“Assignment” Section 16.B(v).**

**“BLS”** is defined in **Section 4.J.**

**“Brand Awareness Fund”** is defined in **Section 4.C.**

**“Competitive Business”** means any business (a) that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), classes, educational programming, events, workshops, or other age-appropriate activities for children ages newborn through four years old and their caregivers or similar services; (b) that offers and sells services and merchandise that are the same as or substantially similar to any of the services and/or merchandise approved for offer and sale by System franchisees; or (c) in which Confidential Information could be used to the disadvantage of us or our affiliates, or our other franchisees; provided, however, that the term “Competitive Business” shall not apply to (i) any Studio operated by you under a Franchise Agreement with us; (ii) any business operated by a publicly-held entity in which you own less than a 5% legal or beneficial interest; or (iii) a business from which less than 10% of its sales or revenue is derived

from merchandise that is the same as or similar to merchandise approved for offer and sale by System franchisees.

**“Confidential Information”** means technical and non-technical information relating to the development and operation of Studios that is commonly not known by or available to the public, which includes without limitation (a) information relating to the System and associated know-how; (b) plans, specifications, size and physical characteristics of Studios; (c) site selection criteria; (d) sources, specifications and design of equipment, furniture, forms, materials and supplies; (e) marketing, advertising, social media and other means of promotion; (f) staffing and methods and techniques for delivering services; (g) computer software, systems and programs; (h) knowledge of operating results and financial performance of Studios; (i) lists of actual or potential customers or suppliers; (j) educational programming and curriculum; and (k) information contained in Manuals and training guides and other materials. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of your own; (b) you can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

**“Consumer Data”** means names, addresses, telephone numbers, e-mail addresses, dates of birth, demographic or related information, preferences, credit-card information, and other personally identifiable information of your clients.

**“Coop Area”** is defined in **Section 6.E.**

**“Data Security Incident”** means any act that initiates either internally or from outside the Studio’s computers, point-of-sale terminals, and other technology or networked environment and violates the Law or explicit or implied security policies, including attempts (either failed or successful) to gain unauthorized access (or to exceed authorized access) to the System, other System franchisees, or their data or to view, copy, or use Consumer Data or Confidential Information without authorization or in excess of authorization; unwanted disruption or denial of service; unauthorized use of a system for processing or storage of data; and changes to system hardware, firmware, or software characteristics without our knowledge, instruction, or consent.

**“Digital Marketing”** means social media accounts (such as Facebook, Twitter, Instagram, Pinterest, Snapchat, TikTok, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, online videos, display banner campaigns, branded content social media campaigns, e-mail marketing campaigns, or other means of Digital Marketing on the Internet or any other means of digital or electronic communications that are intended to promote the Bunny Hive brand and/or the Studio.

**“Digital Marketing Services”** is defined in **Section 6.B(iii).**

**“Director”** means the individual acting as the on-premises supervisor of the Studio.

**“Disability”** is defined in **Section 16.E(iv).**

**“Effective Date”** is defined in the Recitals.

**“Event of Default”** is defined in **Section 12.A.**

**“Excepted Transfer”** is defined **Section 16.C(iv)**.

**“FDD”** is defined in the Recitals.

**“Federal Arbitration Act”** is defined in **Section 17.A**.

**“Franchisee Advisory Council”** is defined in **Section 8.I**.

**“Goods and Services”** is defined in **Section 9.A**.

**“Gross Revenues”** means the total amount of consideration, whether cash, credit, or payment in kind, received by you and your affiliates for all goods sold and services rendered at or from your Studio (whether or not provided in connection with or under the Marks) and for all goods sold and services rendered by you under the Marks, excluding amounts refunded and amounts paid to a taxing authority. For avoidance of doubt, payment processing fees shall not be deducted from Gross Revenues.

**“Guarantee”** is defined in **Section 1.B**.

**“Identifiers”** is defined in **Section 13.A(v)**.

**“Indemnified Parties”** is defined in **Section 14.B**.

**“Index”** is defined in **Section 4.K**.

**“Initial Franchise Fee”** is defined in **Section 4.A**.

**“Initial Training Program”** is defined in **Section 7.B**.

**“Key Person”** is defined in **Section 16.E(i)**.

**“Laws”** is defined in **Section 5.F(i)**.

**“Losses”** include all obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that a party incurs. Defense costs include, without limitation, accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, whether or not litigation, arbitration, or alternative dispute resolution actually is commenced.

**“Managing Owner”** is defined in **Section 1.D**.

**“Manuals”** means The Bunny Hive’s Confidential Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by us from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and Directors’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, us.

**“Marketing Cooperative”** is defined in **Section 6.E**.

“Marks” are defined in the Recitals.

“Merger Transaction” is defined in **Section 16.B(iv)**.

“Minority Equity Interest Transaction” is defined in **Section 16.B(iii)**.

“Offer Notice” is defined in **Section 16.D**.

“Opening Deadline” is defined in **Section 5.H**.

“Order” is defined in **Section 1.G**.

“Owners” is defined in **Section 1**.

“Payment Method” is defined in **Section 4.E(i)**.

“Pledge Transaction” is defined in **Section 16.B(i)**.

“Proposed Renovation Plans” is defined in **Section 5.L**.

“Purchased Assets” is defined in **Section 13.C**.

“Purchase Notice” is defined in **Section 16.D**.

“Renovations” is defined in **Section 5.L**.

“Required Local Advertising Expenditure” is defined in **Section 6.D**.

“Required Software” is defined in **Section 9.G(i)**.

“Royalty Fee” is defined in **Section 4.B(i)**.

“Significant Equity Interest Transaction” is defined in **Section 16.B(iii)**.

“Site Procurement Deadline” is defined in **Section 5.B**.

“Site Selection Deadline” is defined in **Section 5.A**.

“Successor Term” is defined in **Section 3.B**.

“Summary Page” is defined in the Recitals.

“System” is defined in the Recitals.

“Target Area” is defined in **Section 5.A**.

“Technology Fee” is defined in **Section 4.D**.

“Technology System” is defined in **Section 9.G(ii)**.

“Term” is defined in **Section 3.A.**

“Territory” is defined in **Section 2.B.**

“Trademark Affiliate” is defined in the Recitals.

“Transfer” or “Transfers” is defined in **Section 16.B.**

“Vehicles” is defined in **Section 9.C.**

“We” or “us” is defined in the Recitals.

“You” or “your” is defined in the Recitals.

**Q. Varying Standards.**

Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserves the right and privilege, at our sole discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards for any Studio based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation of such your Studio. You shall not have any right to complain about a variation from standard specifications and practices granted to any other franchisee and shall not be entitled to require us to grant to you a like or similar variation.

**R. Enforcement.**

If either party seeks to enforce this Agreement in an arbitration or a judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, attorneys' assistants' fees, accountants' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, salaries and benefits of those employees participating in such proceeding) incurred in connection with such judicial or other proceeding. If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur including, but not limited to, reasonable accounting, attorneys', arbitrators', and related fees.

**S. Our Business Judgment.**

You understand and agree that we may operate and change the System, the brand standards and the Studio in any manner that is not expressly and specifically prohibited by this Agreement. Whenever we have expressly reserved in this Agreement or are deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, including without limitation our judgment of what is in the best interests of the System at the time our decision is made or discretion is exercised, without regard to whether: (i) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by us; (ii) our decision or the action taken promotes our financial or other individual interest; (iii) our

decision or the action taken applies differently to you and one or more other franchisees or our company-owned or affiliate-owned operations; or (iv) our decision or the exercise of our right or discretion is adverse to your interests. In the absence of an applicable statute or a violation of the express terms of this Agreement, we will have no liability to you for any such decision or action. The parties agree that the exercise of our right or discretion will not be subject to limitation or review.

**T. Our Approval.**

Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us therefor, and such approval or consent must be obtained in writing.

**U. Joint and Several Liability.**

If two or more people sign this Agreement as franchisee, each will have joint and several liability.

**V. Force Majeure.**

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (i) acts of God; (ii) acts of war, terrorism, or insurrection; (iii) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, widespread infectious diseases or epidemics/pandemics, and/or other casualties; (iv) our inability or the inability of our affiliates or suppliers to manufacture, purchase, and/or cause delivery of any products used in the operation of the Studio; and (v) legislative changes and/or governmental orders affecting the sale of the products from Franchises. The ability or inability of either party to obtain and/or remit funds shall be considered within control of such party.

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

*[Signatures Appear on the Following Page]*

**IN WITNESS WHEREOF**, each of the undersigned has executed this Agreement as of the day and year first above written.

**FRANCHISOR:**

THE BUNNY HIVE FRANCHISING, LLC

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

**FRANCHISEE:**

*[if an individual:]*

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

*[if an entity:]*

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

**The Bunny Hive Franchising, LLC**  
**PAYMENT AND PERFORMANCE GUARANTEE**

In order to induce **THE BUNNY HIVE FRANCHISING, LLC** (“**Franchisor**”) to enter into a certain Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) by and between Franchisor and the franchisee named in the Franchise Agreement (“**Franchisee**”) to which this Payment and Performance Guarantee (the “**Guarantee**”) is attached, the undersigned (collectively referred to as the “**Guarantors**” and individually referred to as a “**Guarantor**”) hereby covenant and agree as follows:

1. **Guarantee of Payment and Performance.** The Guarantors jointly, severally and unconditionally guarantee to Franchisor and its affiliates the payment and performance when due, whether by acceleration or otherwise, of all obligations, indebtedness and liabilities of Franchisee to Franchisor, direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement or otherwise, together with any extension, renewal or modification thereof in whole or in part (the “**Guaranteed Liabilities**”), and agree that if any of the Guaranteed Liabilities are not so paid or performed by Franchisee when due, the Guarantors will immediately do so. The Guarantors further agree to pay all expenses (including without limitation reasonable attorneys’ fees) paid or incurred in endeavoring to enforce this Guarantee or the payment of any Guaranteed Liabilities.

2. **Waivers by Guarantors.** The Guarantors hereby waive presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Liabilities, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. This Guarantee is primary and not secondary, and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Liabilities. This Guarantee will be effective regardless of the insolvency of Franchisee by operation of Law, any reorganization, merger, or consolidation of Franchisee, or any change in the ownership of Franchisee. The Guarantors represent and agree that they have each reviewed a copy of the Franchise Agreement and have had the opportunity to consult with counsel and understands the meaning and import of the Franchise Agreement and this Guarantee.

3. **Term; No Waiver.** This Guarantee will be irrevocable, absolute, and unconditional and will remain in full force and effect as to each of the Guarantors until the later of (i) such time as all Guaranteed Liabilities of Franchisee to Franchisor and its affiliates have been paid and satisfied in full; or (ii) the Franchise Agreement and all obligations of Franchisee thereunder expire. No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy.

4. **Other Covenants.** Each of the Guarantors agrees to comply with the provisions of **Sections 14.B** (Indemnification), **Section 15.A** (Confidential Information), **Section 13** (Obligations Upon Termination), **Sections 15.B** and **15.C** (Covenants), **Section 16** (Assignment) and **Section 17** (Arbitration) of the Franchise Agreement as though he or she were the “Franchisee” named therein, and agrees that he or she shall take any and all actions as may be necessary or appropriate to cause Franchisee to comply with the Franchise Agreement and shall not take any action that would cause Franchisee to be in breach of the Franchise Agreement.

5. **Disputes.** **Sections 17** (Arbitration), **18.D** (Governing Law) and **18.E** (Jurisdiction and Venue) of the Franchise Agreement are hereby incorporated herein by reference and are applicable to any all disputes between Franchisor and any of the Guarantors, as though Guarantor were the "Franchisee" referred to in the Franchise Agreement. EACH OF THE UNDERSIGNED IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, ARISING UNDER OR RELATING TO THIS GUARANTY OR ITS ENFORCEMENT.

6. **Miscellaneous.** This Agreement shall be binding upon the Guarantors and their respective heirs, executors, successors and assigns, and shall inure to the benefit of Franchisor and its successors and assigns.

IN WITNESS WHEREOF, the undersigned Guarantors have caused this Guarantee to be duly executed as of the day and year first above written.

---

(Signature)

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

## **Attachment 1 to Franchise Agreement**

## Authorization Agreement for Prearranged Payments (Direct Debits)

Franchisee Name :

Studio Mailing Address (city, state, zip)

Contact Name, Address and Phone number (if different than above)

Franchisee E-mail Address

### **Bank Account Information:**

Bank Name

Bank Account No.

Bank Mailing Address (street)

Bank Routing No.

**Payee Information: The Bunny Hive Franchising, LLC**

**Authorization:** The Franchisee hereby authorizes the Bank to honor and charge the Bank Account for electronic funds transfers or drafts drawn on the Bank Account and payable to the Payees. The Franchisee agrees to execute such additional documents as may be reasonably requested by the Payees or the Bank to evidence the interest of this EFT Authorization. This authority shall remain in full force and effect until the Payees have received written notification from the Franchisee in such time and manner as to afford the Payees and the Bank to act on such notice. The Franchisee understands that the termination of this authorization does not relieve the Franchisee of its obligations to make payments to the Payees.

## Franchisee:

Signature:

Date:

**Attachment 2 to Franchise Agreement**

**Site Acceptance Letter**

To: \_\_\_\_\_

This Site Acceptance Letter is issued by The Bunny Hive Franchising, LLC in accordance with **Section 5.A** of the Franchise Agreement.

1. The Accepted Site of the Studio:

\_\_\_\_\_

2. The Territory of the Studio is:

\_\_\_\_\_

The Bunny Hive Franchising, LLC

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

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

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

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

### **Attachment 3 to Franchise Agreement**

#### **Lease Rider**

**THIS LEASE RIDER** (this “Rider”) is executed on \_\_\_\_\_, is by and between \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Lessor**”) and supplements and forms a part of the lease agreement (the “**Lease**”) between Franchisee and Lessor for the premises located at \_\_\_\_\_ (the “**Premises**”).

**Background Statement.** This Rider is entered into in connection with, and as a condition to, the grant of a franchise by The Bunny Hive Franchising, LLC (“**Franchisor**”) to Franchisee in accordance with the terms of The Bunny Hive Franchising, LLC Franchise Agreement dated \_\_\_\_\_ (as amended, the “**Franchise Agreement**”). The Franchise Agreement provides that Franchisee will operate a The Bunny Hive studio (the “**Studio**”). Franchisee and Lessor are entering into the Lease for the purpose of Franchisee developing and operating the Studio at the Premises in accordance with the Franchise Agreement.

The parties hereto agree as follows:

1. Lessor shall grant to Franchisor or its designee the right to receive an assignment of the Lease if the Franchise Agreement expires or is earlier terminated before the expiration of the Lease.

2. Lessor agrees that, concurrently with any notice of default under the Lease issued to Franchisee under the Lease, Lessor shall send to Franchisor a copy of such written notice of default at the following address: The Bunny Hive Franchising, LLC, 2715 Creek Edge, Powhatan, Virginia 23139, Attention: Brittany Schmid and Kathryn Doar.

3. Lessor and Franchisee further agree that Franchisor shall have the right, but not the obligation, to cure any Lease default within 15 days after the expiration of Franchisee’s cure period for such default, if any. If Franchisor cures the default, said curing should not be construed as Franchisor assuming any liability for the remainder of the Lease or any renewal term.

4. Subject to applicable laws, Lessor consents to Franchisee’s installation and use of such trademarks, service marks, signs, decor items, color schemes and related components of the The Bunny Hive system as Franchisor may from time to time prescribe for the Studio.

5. Lessor agrees that, during the term of the Franchise Agreement, Franchisee shall be permitted to use the Premises for the operation of the Studio and for no other purpose.

6. Subject to **Section 1**, Franchisee may not assign the Lease or sublet the Premises without Franchisor’s prior written consent, and Lessor will not consent to an assignment or subletting by Franchisee, without first verifying that Franchisor has given its written consent to Franchisee’s proposed assignment or subletting.

7. Franchisor will have the right to enter the Premises to make any reasonable modifications or reasonable alterations necessary to protect Franchisor’s interest in its proprietary marks and other intellectual property including, without limitation, the removal of interior and

exterior signage, decor, all furniture or fixtures that are branded with the Franchisor's trademarks, service marks, logos or other commercial symbols, upon any termination or expiration of the Franchise Agreement. Landlord agrees that, in such event, Franchisor will not be liable for trespass or any other crime or tort.

8. Lessor acknowledges that Franchisor is not a party to the Lease and shall have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Franchisor.

9. THE PARTIES ACKNOWLEDGE THAT FRANCHISOR IS A THIRD-PARTY BENEFICIARY TO THIS RIDER AND THAT FRANCHISOR IS ENTITLED TO ENFORCE THIS RIDER WITHOUT THE COOPERATION OF FRANCHISEE. LESSOR AND FRANCHISEE AGREE THAT THIS AGREEMENT CANNOT BE MODIFIED OR AMENDED WITHOUT THE WRITTEN CONSENT OF FRANCHISOR.

10. In the event of a conflict between the provision of the Lease and the provision of this Rider, the provisions of this Rider shall control.

**IN WITNESS WHEREOF**, the parties have executed this Rider of the date first above written.

Executed by:

**FRANCHISEE:**

*[if an individual:]*

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

*[if an entity:]*

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

**LESSOR:**

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

## Attachment 4 to Franchise Agreement

### **Nondisclosure and Non-Competition Agreement**

**THIS NONDISCLOSURE AND NON-COMPETITION AGREEMENT** (this “**Agreement**”) is made as of \_\_\_\_\_ and is by and between \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_ (“**Individual**”).

**Background Statement.** Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) by and between Franchisee and The Bunny Hive Franchising, LLC (“**Company**”) pursuant to which Franchisee owns and operates a The Bunny Hive franchised studio (the “**Studio**”). Franchisee desires Individual to have access to certain Confidential Information, as more particularly described below. Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to such Confidential Information, and Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in any competing business.

The parties, intending to be legally bound hereby, mutually agree as follows:

1. **Confidential Information Defined.** “**Confidential Information**” means technical and non-technical information relating to the development and operation of Studios that is commonly not known by or available to the public, which includes without limitation: (a) information relating to The Bunny Hive System (the “**System**”) and related know-how; (b) plans, specifications, size and physical characteristics of studios; (c) site selection criteria; (d) sources, specifications and design of equipment, furniture, forms, materials and supplies; (e) marketing, advertising, social media and other means of promotion; (f) staffing and methods and techniques for delivering services; (g) computer software, systems and programs; (h) knowledge of operating results and financial performance of The Bunny Hive studios; (i) lists of actual or potential customers or suppliers; (j) educational programming and curriculum; and (k) information contained in The Bunny Hive Franchising, LLC’s Operations Manuals and training guides and other materials. Confidential Information does not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Individual; (b) Individual can demonstrate was rightfully in his or her possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. Any information expressly designated by Company or Franchisee as “**Confidential Information**” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Confidential Information. Individual understands Franchisee’s providing of access to the Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Confidential Information.

2. **Confidentiality/Non-Disclosure.** Individual shall not communicate or divulge to (or use for the benefit of) any other person or entity, with the sole exception of Franchisee, now or at any time in the future, any Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee

to ensure that the Confidential Information is kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established, and may establish, from time to time with regard to the Confidential Information. These obligations shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary.

### 3. **Non-Competition**

a) During the term of Individual's employment or other business relationship with Franchisee, Individual shall not, directly or indirectly, for his 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 Franchisee to any Competitive Business, by direct or indirect inducement or otherwise; (ii) directly or indirectly own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Company's marks.

b) For a period of two years after the expiration or termination of Individual's employment or other business relationship with Franchisee, regardless of the cause of expiration or termination, Individual shall not, directly or indirectly, for his 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 Franchisee to any Competitive Business located in the Territory, by direct or indirect inducement or otherwise; or (ii) directly or indirectly own, manage, engage in, be employed by, advise, or have any other interest in any Competitive Business in the Territory.

c) **“Competitive Business”** means any business (i) that operates, manages, offers or provides (or grants franchises or licenses to others to operate a business that operates, manages, offers or provides), classes, educational programming, events, workshops, or other age-appropriate activities for children ages newborn through four years old and their caregivers or similar services; (ii) that offers and sells services and merchandise that are the same as or substantially similar to any of the services and/or merchandise approved for offer and sale by System franchisees; or (iii) in which Confidential Information could be used to the disadvantage of the Company, Franchisee or their respective affiliates, or other System franchisees; provided, however, that the term “Competitive Business” shall not apply to (i) The Bunny Hive studios operated under a Franchise Agreement; (ii) any business operated by a publicly-held entity in which Individual owns less than a 5% legal or beneficial interest; or (iii) a business from which less than 10% of its sales or revenue is derived from merchandise that is the same as or similar to merchandise approved for offer and sale by System franchisees.

d) **“Territory”** means the area within a 25-mile radius of the Studio or a 25-mile radius of any other The Bunny Hive studio open or under construction at the time of expiration or termination of Individual's employment or other business relationship with Franchisee.

### 4. **Reasonableness of Restrictions**

Individual acknowledges that each of the terms set forth herein, including the restrictive covenants, are fair and reasonable and reasonably required for the protection of Franchisee, Company, and the Confidential Information, the System, The Bunny Hive network of studios and marks. Individual waives any right to challenge these restrictions as being overly broad,

unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

## 5. **Relief for Breaches of Confidentiality and Non-Competition**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security in excess of \$1,000. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

## 6. **Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of Franchisee, Individual and Company.

b) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

c) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns.

d) COMPANY IS AN INTENDED THIRD-PARTY BENEFICIARY OF THIS AGREEMENT WITH THE INDEPENDENT RIGHT TO ENFORCE THE CONFIDENTIALITY AND NON-COMPETITION PROVISIONS CONTAINED HEREIN.

e) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

f) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

g) If any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

h) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

i) Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder.

j) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION.

*[Signatures Appear on the Following Page]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement of the date first above written.

**FRANCHISEE:**

*[if an individual:]*

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

*[if an entity:]*

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

**INDIVIDUAL:**

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

## **Attachment 5 to Franchise Agreement**

### **Nondisclosure Agreement**

**THIS NONDISCLOSURE AGREEMENT** (this “**Agreement**”) is made as of \_\_\_\_\_ and is by and between \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_ (“**Individual**”).

**Background Statement.** Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_ (“**Franchise Agreement**”) by and between Franchisee and The Bunny Hive Franchising, LLC (“**Company**”) pursuant to which Franchisee owns and operates a The Bunny Hive franchised studio (the “**Studio**”). Franchisee desires Individual to have access to certain Confidential Information, as more particularly described below. Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to such Confidential Information, and Individual understands the necessity of not disclosing any such information to any other party.

The parties, intending to be legally bound hereby, mutually agree as follows:

1. **Confidential Information Defined.** “**Confidential Information**” means technical and non-technical information relating to the development and operation of Studios that is commonly not known by or available to the public, which includes without limitation: (a) information relating to The Bunny Hive System (the “**System**”) and related know-how; (b) plans, specifications, size and physical characteristics of studios; (c) site selection criteria; (d) sources, specifications and design of equipment, furniture, forms, materials and supplies; (e) marketing, advertising, social media and other means of promotion; (f) staffing and methods and techniques for delivering services; (g) computer software, systems and programs; (h) knowledge of operating results and financial performance of The Bunny Hive studios; (i) lists of actual or potential customers or suppliers; (j) educational programming and curriculum; and (k) information contained in The Bunny Hive Franchising, LLC’s Operations Manuals and training guides and other materials. Confidential Information does not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Individual; (b) Individual can demonstrate was rightfully in his or her possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. Any information expressly designated by Company or Franchisee as “**Confidential Information**” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Confidential Information. Individual understands Franchisee’s providing of access to the Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Confidential Information.

2. **Confidentiality/Non-Disclosure.** Individual shall not communicate or divulge to (or use for the benefit of) any other person or entity, with the sole exception of Franchisee, now or at any time in the future, any Confidential Information. At all times from the date of this Agreement, Individual must take all steps reasonably necessary and/or requested by Franchisee to ensure that the Confidential Information is kept confidential pursuant to the terms of this Agreement. Individual must comply with all applicable policies, procedures and practices that Franchisee has established, and may establish, from time to time with regard to the Confidential

Information. These obligations shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary.

### **3. Relief for Breach**

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement without any requirement to show any actual damage or to post any bond or other security in excess of \$1,000. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

### **4. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of Franchisee, Individual and Company.

b) Individual agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

c) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns.

d) COMPANY IS AN INTENDED THIRD-PARTY BENEFICIARY OF THIS AGREEMENT WITH THE INDEPENDENT RIGHT TO ENFORCE THE CONFIDENTIALITY AND NON-COMPETITION PROVISIONS CONTAINED HEREIN.

e) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

f) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

g) If any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

h) The existence of any claim or cause of action Individual might have against Franchisee or Company will not constitute a defense to the enforcement by Franchisee or Company of this Agreement.

i) Franchisee is entitled to communicate Individual's obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder.

j) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Company pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION.

*[Signatures Appear on the Following Page]*

**IN WITNESS WHEREOF**, the parties have executed this Agreement of the date first above written.

**FRANCHISEE:**

*[if an individual:]*

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

*[if an entity:]*

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

**INDIVIDUAL:**

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

## **Attachment 6 to Franchise Agreement**

### **Conditional Assignment of Brand Accounts**

**THIS CONDITIONAL ASSIGNMENT OF BRAND ACCOUNTS** (this “Assignment”) is executed by the undersigned (“Franchisee”) in favor **THE BUNNY HIVE FRANCHISING, LLC**, a Georgia limited liability company (“Franchisor”).

**Background Statement:** Franchisor and Franchisee are parties to a Franchise Agreement pursuant to which Franchisor granted Franchisee a license to operate a “The Bunny Hive” franchise (the “Studio”). Franchisor or its affiliates are the sole owner of the Bunny Hive brand and all names, logos, trademarks, service marks, and other intellectual property associated therewith (the “Marks”). To protect Franchisor’s interest in the Marks, Franchisee acknowledges and agrees that Franchisor has the right to control all telephone numbers, directory listings, and internet marketing accounts related to “The Bunny Hive”. Accordingly, Franchisee agrees as follows:

**1. Conditional Assignment.** Franchisee hereby assigns to Franchisor (or its designee) all of Franchisee’s rights, title, and interest in and to all telephone numbers, directory listings, email accounts, websites, social media accounts, and all other accounts and profiles for advertising and marketing on the Internet or any electronic communications network (“Brand Accounts”) associated with “The Bunny Hive” or any other Mark, such assignment to be effective upon (a) termination or expiration of the Franchise Agreement, or (b) notice from Franchisor to Franchisee.

**2. Transfer or Deletion.** Franchisee hereby authorizes the service provider of each Brand Account (the “Provider”) to transfer the Brand Account to Franchisor (or its designee) or to delete the Brand Account upon the written instruction of Franchisor. Franchisee hereby grants Franchisor an irrevocable limited power of attorney on behalf of Franchisee to direct any Provider to transfer or delete a Brand Account. In such an event, Franchisee will have no further right, title or interest in the Brand Account but will remain liable to the Provider for all past due fees owing to the Provider on or before the date on which the assignment is effective. Franchisor will have no liability or obligation of any kind to a Provider arising prior the effective date of transfer or deletion. Franchisee agrees to take all reasonable steps necessary to effectuate the transfer or deletion (as determined by Buyer) of each Brand Account.

*[Signatures on next page]*

Executed by:

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

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

## **EXHIBIT C**

### Development Agreement

*(Attached)*

the

# BUNNY HIVE.®

## DEVELOPMENT AGREEMENT

**THIS DEVELOPMENT AGREEMENT** (this “**Agreement**”) is made and entered into on \_\_\_\_\_ (“**Effective Date**”) by and between **THE BUNNY HIVE FRANCHISING, LLC**, a Georgia limited liability company (“**we**”, “**our**” or “**us**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**you**” or “**your**”).

**WHEREAS**, we and our affiliates, through the exercise and expenditure of effort, expertise, knowledge, money, time, and other valuable resources, have developed and own a distinct system (“**System**”) for the operation of businesses that provide classes, social opportunities, community, educational programming, events, workshops, and other age-appropriate activities for children ages newborn through kindergarten and their caregivers under the name “The Bunny Hive” (each such business is referred to herein as a “**Studio**”);

**WHEREAS**, you have entered into a Franchise Agreement with us as of the date herewith (the “**Initial Franchise Agreement**”) under which you have obtained the right to operate a Studio; and

**WHEREAS**, you wish to have the right to develop additional Studios in the Development Area (as defined below), and we desire to grant you the right to develop additional Studios in the Development Area, subject to the terms and conditions of this Agreement;

**NOW, THEREFORE**, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

### 1. **Grant of Development Rights.**

(a) Subject to the terms of this Agreement, we grant you the right to develop that number of Studios specified on **Exhibit A** and within the geographic area(s) specified on **Exhibit A** (the “**Development Area**”) according to the mandatory development schedule set forth on **Exhibit B** to this Agreement (the “**Development Schedule**”). For avoidance of doubt, the Development Area may be comprised of one area or several distinct areas within which you agree to open and operate one or more Studios.

(b) During the term of this Agreement, as specified in **Section 5**, provided you are in full compliance with this Agreement, neither we nor our affiliates shall operate a Studio, nor grant the right to operate a Studio to any other person, within the Development Area. The protections described in this **Section 1(b)** are the only restrictions on our and our affiliates’ activities within the Development Area. Except for such restrictions, you acknowledge and agree that we and our affiliates have the right to engage, and grant to others the right to engage, in any other activities of any nature whatsoever within the Development Area. In addition, all rights that we reserve in the Initial Franchise Agreement with respect to the “Territory” (as defined therein) are also reserved by us in the Development Area.

(c) After this Agreement expires or is terminated, we and our affiliates have the right, without any restrictions whatsoever, to (i) establish and operate, and grant to others the right to establish and operate, Studios within the Development Area; and (ii) continue to engage, and grant to others the right to engage, in any other activities we (and our affiliates) desire within the Development Area.

(d) “**Affiliates**” as used in this Agreement means and includes, at any time with respect to any person or entity, each person or entity that directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, such person or entity.

**2. Development Fee.** The total amount of the Development Fee is \$42,000 plus the product of \$16,800 multiplied by the number of additional Studios after the first Studio to be opened under the Initial Franchise Agreement (the “**Development Fee**”). The Development Fee is fully earned when received by us and is non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred because of the rights granted to you herein. A portion of the Development Fee equal to (a) \$42,000 is paid in lieu of the initial franchise fee due under Section 4.A of the Initial Franchise Agreement; and (b) \$16,800 will be credited towards the initial franchise fee due under each Franchise Agreement signed in accordance with **Section 3(a)** below. *Notwithstanding anything to the contrary contained in any Franchise Agreement, no initial franchise fee shall be due under the First Franchise Agreement issued under this Agreement and the remaining balance of the initial franchise fee due under each subsequent Franchise Agreement (\$16,800) is due and payable when the Franchise Agreement is signed.*

**3. Franchise Agreements.**

(a) The franchise agreement for each subsequent Studio developed hereunder (together with the Initial Franchise Agreement already signed by you, the “**Franchise Agreements**”) will be entered into by the Signing Deadline (as defined in the Development Schedule) and shall be in the form of the franchise agreement being offered generally by us at the time each such Franchise Agreement is executed, except that the Development Deadlines (as defined in the Development Schedule) shall supersede any deadlines for site selection, lease signing and opening set forth in the Franchise Agreements.

(b) We may, in our sole discretion, permit one or more Franchise Agreements to be executed by your affiliates; provided that (i) you own a controlling ownership interest in the affiliated entity; and (ii) we approve the ownership structure of, and each owner in, the affiliate.

**4. Extension.** Notwithstanding the Development Schedule, provided that you are in full compliance with this Agreement and all Franchise Agreements, you may extend the Development Deadlines that apply to a single Studio once for a period not to exceed six months provided that you (a) pay an extension fee of \$6,000; and (b) provide us with written notice at least 60 days in advance of the first Development Deadline that you wish to extend. For avoidance of doubt, once you have exercised your right to extend any or all Development Deadlines for a single Studio, you shall have no further extension rights hereunder.

**5. Term.** The term of this Agreement and all rights granted hereunder shall expire on the last Opening Deadline specified in the Development Schedule, subject to earlier termination in accordance with this Agreement.

**6. Automatic Termination.** You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you if you become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your 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 you; or if a final judgment remains unsatisfied or of record for 30 days or longer (unless appealed or a supersedeas bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the premises or equipment of any Studio developed hereunder is instituted against you and not dismissed within 30 days; or if your real or personal property shall be sold after levy thereupon by any sheriff, marshal, or constable.

**7. Termination Upon Notice.** Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder or take any of the actions described in **Section 8** below, without affording you any opportunity to cure the default, effective immediately upon the provision of written notice to you:

(a) you fail to meet any obligation under the Development Schedule, subject to any extensions you have exercised under **Section 4**;

(b) we have delivered a formal written notice of default to you (or your affiliate) under any Franchise Agreement between us and you (or your affiliate) for a Studio, and you (or your affiliate) fail to cure that default within the required timeframe;

(c) any other agreement between us (or our affiliate) and you (or your affiliate) for a Studio is terminated by us in accordance with its terms due to your or your affiliate's default; or

(d) the occurrence of any other violation of this Agreement by you that is not cured within 30 days after we have given you written notice of the same.

Termination of this Agreement under clause (a) above shall not cause a termination of any franchise rights granted under any Franchise Agreement.

**8. Actions in Lieu of Termination.** If we are entitled to terminate this Agreement in accordance with **Section 7** above, we have the right to undertake any one or more of the following actions instead of terminating this Agreement:

(a) we may terminate or modify any rights that you may have with respect to protection in the Development Area, as granted under **Section 1** above, effective ten days after delivery of written notice thereof to you;

(b) we may modify the boundaries of the Development Area; and/or

(c) we may reduce or eliminate the number of Studios that you may establish and operate under this Agreement.

If any right is modified in accordance with this **Section 8**, such action shall be without prejudice to the right to terminate this Agreement in accordance with **Section 7** above, and we

have the right to retain all Development Fees paid by you, and/or to terminate any other rights under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

**9. Sublicensing.** You may not franchise, license, subfranchise, or sublicense others to develop and operate Studios. Only you (and/or approved affiliates) may construct, develop, open, and operate Studios, and this Agreement does not give you (or your approved affiliates) any independent right to use the The Bunny Hive name or our other marks and commercial symbols. The right to use our names, marks and commercial symbols is granted only under a Franchise Agreement signed directly with us. This Agreement only grants you potential development rights if you fully comply with its terms.

**10. Transfer.** Your development rights under this Agreement are not assignable without our prior written consent, which may be withheld in our sole discretion. A transfer of the development rights would be deemed to occur (and would be prohibited) if there is an assignment of this Agreement, a transfer of a controlling ownership interest in you, or any other event attempting to assign the development rights without first obtaining our written consent. An assignment of only a non-controlling ownership interest in you is permitted (and would not be deemed to be a transfer of your development rights) to the extent permitted by the terms and conditions of the Initial Franchise Agreement.

**11. Arbitration.**

(a) Except as set forth in **Section 11(i)** below, any controversy, claim or dispute arising out of or relating to the Studio, this Agreement or its breach, including without limitation, the scope and validity of this Agreement or any of its provisions or any claim that this Agreement or any of its provisions is invalid, illegal or otherwise voidable or void, shall be submitted to arbitration before and, unless otherwise provided herein, in accordance with the arbitration rules of the American Arbitration Association (the “AAA”). Notwithstanding any provision of this Agreement relating to which state laws govern this Agreement, all issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. §1 et seq.) (the “**Federal Arbitration Act**”) and shall be determined by an arbitrator and not by a court. Judgment upon the arbitrator’s award may be entered in any court of competent jurisdiction.

(b) We and you agree to be bound by the provisions of any limitation on the period of time in which claims must be brought under applicable law or this Agreement, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any claim which is not submitted or filed as required is forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

(c) The parties will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration process.

(d) The provisions of this Article are intended to benefit and bind certain third party non-signatories and will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination.

(e) Judgment upon an arbitration award may be entered in any court having competent jurisdiction and shall be final, binding and non-appealable. The parties hereby waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages

against the other and agree that in the event of a dispute between them, each shall be limited to the recovery of only the actual damages sustained.

(f) The arbitration provisions of this Article are self-executing and shall remain in full force and effect after the expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise, notwithstanding such failure to appear. Unless otherwise agreed to in writing by the parties, arbitration proceedings shall be held at the office of the AAA nearest to our principal office at the time such proceeding is commenced. With respect to any dispute involving \$1,000,000 or more in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted before three arbitrators, one of which shall be chosen by us and one by you, and the third of which shall be selected by the two chosen arbitrators. If the two chosen arbitrators are unable to agree upon a third arbitrator, either we or you may petition the AAA to appoint the third arbitrator. With respect to any dispute involving less than \$1,000,000 in claimed damages or in the value of the relief sought, arbitration proceedings shall be conducted by a single arbitrator.

(g) The parties agree that arbitration will be conducted on an individual basis and not in a class, consolidated or representative action, and only we (and our affiliates and our and their respective officers, directors, managers, partners, owners, employees, agents and representatives, as applicable) and you may be parties to any arbitration described in this Article, and that no such arbitration proceeding may be consolidated or joined with another arbitration proceeding involving us and/or any other person. The foregoing sentence is an integral provision of the arbitration procedure set forth in this Section, and may not be severed therefrom, notwithstanding **Section 12(h)** of this Agreement. If such sentence is determined to be invalid or unenforceable in connection with a particular controversy, dispute, or claim, then this entire Article shall be stricken from this Agreement and neither party shall be deemed to have consented to arbitration of such controversy, dispute, or claim.

(i) Notwithstanding anything contained herein, we reserve the right to seek temporary restraining orders, preliminary injunctions or other interim relief when deemed necessary to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute and to make claims relating to unpaid amounts owed by you in any court of competent jurisdiction.

## **12. Miscellaneous.**

(a) This Agreement does not establish a fiduciary relationship between us and you. You are an independent contractor, and nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

(b) This Agreement takes effect upon its acceptance and execution by us. This Agreement shall be interpreted and construed under the laws of the State of Georgia, except to the extent governed by the Federal Arbitration Act and United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.).

(c) Except for matters to be submitted to arbitration, (i) any claims initiated by you relating to this Agreement must be filed in a federal or state court for the district or county where we have our principal place of business at the time suit is filed; and (ii) any claims initiated by us

may be filed in any federal or state court of competent jurisdiction. You waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

(d) No right or remedy conferred upon or reserved by the parties by this Agreement is intended to be, nor shall it be, exclusive of any other right or remedy contained in the Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

(e) Any failure by us to exercise any power reserved to us by this Agreement or to insist upon strict compliance by you with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of our right to demand exact compliance with any of the terms herein. Our waiver of any particular default or breach by you shall not affect or impair our rights with respect to any subsequent default or breach of the same, similar or different nature; nor shall any delay, forbearance, or omission of us to exercise any power or right arising out of any breach or default by you of any of the terms, provisions or covenants hereof, affect or impair our right to exercise the same; nor shall such constitute a waiver by us of any preceding breach by you of any terms, covenants or conditions of this Agreement. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery to you of ten days prior written notice.

(f) TIME IS OF THE ESSENCE TO THE PERFORMANCE OF ALL OBLIGATIONS OF THE PARTIES TO BE PERFORMED UNDER THIS AGREEMENT. YOUR OBLIGATIONS TO DEVELOP STUDIOS IN ACCORDANCE WITH THIS DEVELOPMENT SCHEDULE SHALL BE STRICTLY ENFORCED. YOU ACKNOWLEDGE AND AGREE THAT ANY FAILURE TO MEET ANY DEVELOPMENT DEADLINE MAY RESULT IN THE TERMINATION OF THIS AGREEMENT WITHOUT ANY OPPORTUNITY TO CURE.

(g) Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (1) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government which did not arise from a violation or alleged violation of any law; (2) acts of God; (3) fires, strikes, embargoes, war, pandemics, acts of terrorism or similar events, or riot; or (4) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payment of amounts owed at the time of the occurrence or payment of royalties, advertising fund contributions or other amounts due afterward.

(h) All provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and any partially valid and enforceable provisions shall be enforced to the extent valid and enforceable. If any applicable law requires a greater prior notice of the termination of this Agreement than is required hereunder, or require the taking of some other action not required hereunder, the prior notice or other action required by such law shall be substituted for the notice or other requirements hereof.

(i) This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to development rights granted hereunder and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. This Agreement includes the terms and conditions on the Exhibits,

attachments, and the recitals of this Agreement, all of which are incorporated into this Agreement by this reference.

(j) This Agreement may be amended or modified only by a written document signed by each party hereto. Notwithstanding anything to the contrary contained herein, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits or amendments.

(k) Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration or termination of this Agreement will survive such expiration or termination, including, but not limited to, **Sections 11 and 12**.

(l) Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

(m) The headings of the sections are for convenience only and do not define, limit, or construe the contents of those sections or paragraphs. If the term "you" as used herein is applicable to one or more persons, the singular usage includes the plural; and the masculine and neuter usages include the other and feminine. .

(n) All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; or (iii) by overnight delivery service. Notices to you will be sent to the address set forth below your signature. Notices to us must be sent to:

The Bunny Hive Franchising, LLC  
2715 Creek Edge  
Powhatan, Virginia 23139  
Attention: Brittany Schmid and Kathryn Doar

Either party may change its mailing address by giving notice to the other party. Notices will be deemed received the same day when delivered personally or upon attempted delivery when sent by registered or certified mail or overnight delivery service.

(o) If either party seeks to enforce this Agreement in an arbitration or a judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, attorneys' assistants' fees, accountants' fees, expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel, room and board, salaries and benefits of those employees participating in such proceeding) incurred in connection with such judicial or other proceeding. If we incur costs and expenses due to your failure to pay when due amounts owed to us, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur including, but not limited to, reasonable accounting, attorneys', arbitrators', and related fees.

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

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement on the Effective Date.

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

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

Franchisee's Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_

**EXHIBIT A**  
**DEVELOPMENT AREA**

[insert Development Area or attach map(s) as necessary]

Initials: \_\_\_\_\_ (The Bunny Hive Franchising LLC) \_\_\_\_\_ (Franchisee)

**EXHIBIT B**  
**DEVELOPMENT SCHEDULE**

You agree to establish and operate a total of \_\_\_\_ Studios in the Development Area according to the following Development Schedule:

<u>The Bunny Hive Studio</u>	<u>Signing Deadline</u>	<u>Site Acceptance and Lease Signing Deadline</u>	<u>Opening Deadline</u>	<u>Cumulative Total Number of Studios (in operation by the Opening Deadline)</u>
#1	Concurrently with this Agreement			1
#2				2
#3				3
#4				4
#5				5

**Notes:**

(1) By each “**Signing Deadline**”, you must have signed copy of our then-current standard form of Franchise Agreement.

(2) By each “**Site Acceptance and Lease Signing Deadline**” the site for the Studio must have been accepted by us and you must have entered into a lease for the accepted site in accordance with the Franchise Agreement.

(3) The Studio must be open by the “**Opening Deadline**” and you must have the specified “**Cumulative Total Number of Studios**” open and operating by the Opening Deadline that are specified in the last column.

The deadlines specified above are collectively referred to as the “**Development Deadlines**” and shall supersede any deadlines set forth in the Franchise Agreements entered hereunder.

Initials: \_\_\_\_\_ (The Bunny Hive Franchising, LLC) \_\_\_\_\_ (Franchisee)

**EXHIBIT D**

Financial Statements

*(Attached)*

**THE BUNNY HIVE FRANCHISING, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**

## THE BUNNY HIVE FRANCHISING, LLC

### *Table of Contents*

*December 31, 2024 and 2023*

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## INDEPENDENT AUDITORS' REPORT

To the Member  
The Bunny Hive Franchising, LLC  
Powhatan, Virginia

### *Opinion*

We have audited the accompanying financial statements of The Bunny Hive Franchising, LLC which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations and changes in member's deficit and cash flows for the year ended December 31, 2024 and for the period from inception on March 22, 2023 to December 31, 2023, 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 Bunny Hive Franchising, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the year ended December 31, 2024 and for the period from inception on March 22, 2023 to December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Financial Statements*

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

***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

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

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

March 18, 2025  
Atlanta, Georgia

*Seay & Weissinger LLC*

## THE BUNNY HIVE FRANCHISING, LLC

### *Balance Sheets*

	<i>December 31,</i>	
	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current Assets:		
Cash	\$ 36,494	\$ 171,365
Accounts receivable, net of allowance for credit losses of \$0	241,318	87,422
Due from related party	7,019	-
Inventories	4,387	10,023
Prepaid expenses	-	57,899
Deposit	<u>1,650</u>	<u>1,650</u>
Total Current Assets	<u><u>\$ 290,868</u></u>	<u><u>\$ 328,359</u></u>
<b>Liabilities and Member's Deficit</b>		
Current liabilities:		
Accounts payable	\$ 37,631	\$ 24,834
Contract liabilities	309,100	177,300
Deposit	2,000	-
Due to related parties	<u>4,755</u>	<u>12,524</u>
Total current liabilities	353,486	214,658
Contract liabilities, less current portion included above	<u>606,800</u>	<u>325,700</u>
Total liabilities	<u><u>960,286</u></u>	<u><u>540,358</u></u>
Member's deficit	<u>(669,418)</u>	<u>(211,999)</u>
Total Liabilities and Member's Deficit	<u><u>\$ 290,868</u></u>	<u><u>\$ 328,359</u></u>

See notes to financial statements.

## THE BUNNY HIVE FRANCHISING, LLC

### *Statements of Operations and Changes in Member's Deficit*

	<i>For the Year Ended December 31, 2024</i>	<i>For the Period from Inception on March 22, 2023 to December 31, 2023</i>
Revenues:		
Franchise fees	\$ 267,500	\$ 1,000
Royalties	124,507	4,023
Technology fees	40,356	3,386
Brand awareness fund contributions	31,812	2,486
Retail revenues	26,960	-
Other revenue	734	-
Total revenues	<u>491,869</u>	<u>10,895</u>
Operating expenses:		
Payroll and related expenses	155,691	12,954
Franchise related expenses	142,781	31,067
General and administrative	65,653	23,349
Management fees	166,500	50,000
Marketing and advertising	145,167	29,036
Professional fees	93,537	111,572
Retail costs	29,123	4,884
Technology	80,836	10,032
Total operating expenses	<u>879,288</u>	<u>272,894</u>
Net loss	(387,419)	(261,999)
Member's deficit, beginning of period	(211,999)	-
Plus: Member contribution	-	50,000
Less: Member distributions	<u>(70,000)</u>	<u>-</u>
Member's deficit, end of period	<u><u>\$ (669,418)</u></u>	<u><u>\$ (211,999)</u></u>

See notes to financial statements.

# THE BUNNY HIVE FRANCHISING, LLC

## *Statements of Cash Flows*

	<i>For the Year Ended December 31, 2024</i>	<i>For the Period from Inception on March 22, 2023 to December 31, 2023</i>
<b>Increase (Decrease) in Cash</b>		
<b><u>Cash flows from operating activities:</u></b>		
Net loss	<u>\$ (387,419)</u>	<u>\$ (261,999)</u>
<b>Adjustments to reconcile net loss to net cash (used in) provided by operating activities</b>		
<b>Changes in assets and liabilities:</b>		
Accounts receivable	(153,896)	(87,422)
Due from related party	(7,019)	-
Inventories	5,636	(10,023)
Prepaid expenses	57,899	(57,899)
Deposits	-	(1,650)
Accounts payable	12,797	24,834
Contract liabilities	412,900	503,000
Deposit	2,000	-
Due to related parties	<u>(7,769)</u>	<u>12,524</u>
Net cash (used in) provided by operating activities	<u>(64,871)</u>	<u>121,365</u>
<b><u>Cash flows from financing activities:</u></b>		
Member contribution	-	50,000
Member distributions	<u>(70,000)</u>	-
Net cash (used in) provided by financing activities	<u>(70,000)</u>	<u>50,000</u>
Net (decrease) increase in cash	(134,871)	171,365
<b>Cash, beginning of period</b>	<u>171,365</u>	-
<b>Cash, end of period</b>	<u>\$ 36,494</u>	<u>\$ 171,365</u>

See notes to financial statements.

# THE BUNNY HIVE FRANCHISING, LLC

## *Notes to Financial Statements*

***December 31, 2024 and 2023***

---

### Note 1 - Description of business and summary of significant accounting policies:

The Bunny Hive Franchising, LLC (the Company) was organized on March 22, 2023 in the State of Georgia for the purpose of developing, offering for sale, and the selling of franchises known as The Bunny Hive. The franchises provide a social club for little ones, age newborn to preschool, and their grownups and offers a wide variety of regularly scheduled classes including art, music, sensory, ballet, baby massage, culinary exploration, storytime, and more.

#### Basis of presentation

The Company follows the Financial Accounting Standards Board (FASB) Codification (Codification). The Codification is the single official source of authoritative generally accepted accounting principles in the United States of America (U.S. GAAP) recognized by the FASB to be applied by non-governmental entities. All of the Codification's content carries the same level of authority.

#### Use of estimates in the preparation of financial statements

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

#### Receivables and credit policies

Accounts receivables are uncollateralized obligations from franchisees due under normal trade terms requiring payment within ten days from the invoice date. Account balances not paid within contract terms are considered delinquent. Late payment fees and interest is charged on accounts not paid according to terms.

# THE BUNNY HIVE FRANCHISING, LLC

## *Notes to Financial Statements - Continued*

**December 31, 2024 and 2023**

---

Note 1 - Description of business and summary of significant accounting policies - continued:

### Receivables and credit policies - continued

Receivables are stated at the amount management expects to collect from outstanding balances. At each balance sheet date, the Company recognizes an expected allowance for credit losses. This allowance estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. The allowance estimate is derived from a review of the Company's historical losses based on the aging of receivables. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Company. The Company believes historical loss information is a reasonable starting point to calculate the expected allowance for credit losses. At December 31, 2024 and 2023, there was no allowance for credit losses and there were no credit losses during the year ended December 31, 2024 and the period from inception on March 22, 2023 to December 31, 2023.

### Inventories

Inventory consists of clothing items and are stated at the lower of cost or market. Cost is determined using the first-in, first-out basis.

### Revenue recognition

The Company follows Financial Accounting Standards Board (FASB) Topic 606, *Revenues from Contracts with Customers*. The following paragraphs discuss how revenues are earned, the Company's accounting policies pertaining to revenue recognition under Topic 606, and other required disclosures. The Company has adopted the practical expedient which allows a private-company franchisor that enters into a franchise agreement to account for certain pre-opening services provided to a franchisee as a single performance obligation.

### Franchise fees and royalties

The Company's most significant source of revenues arises from the operation of the individual studios by the franchisees. Franchise rights are granted through a studio-level franchise agreement that sets out the terms of the arrangement with the franchisee. The franchise agreements require that the franchisee remit continuing fees (Royalties) to the Company as a percentage of the applicable studio's revenues in exchange for the license of the intellectual property associated with the Company's brand (the franchise right). The franchise agreements also typically require certain, less significant, upfront franchise fees such as initial fees paid upon opening of a studio, fees paid to renew the term of the franchise right, and fees paid in the event the franchise agreement is transferred to another franchisee.

## THE BUNNY HIVE FRANCHISING, LLC

### *Notes to Financial Statements - Continued*

*December 31, 2024 and 2023*

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Note 1 - Description of business and summary of significant accounting policies - continued:

#### Franchise fees and royalties - continued

Royalties represent the substantial majority of the consideration received under the franchise agreements. Royalties are typically billed and paid weekly and are 7% of gross revenues. The franchise agreement also requires a monthly technology fee for the use of third-party software procured by the Company. Royalties and technology fees begin to be billed on the effective date of the franchise agreement which is generally when a studio opens. Upfront franchise fees are typically billed and paid when a new franchise agreement is signed or when an existing arrangement is transferred to another franchisee.

In accordance with Topic 606, management has elected to use the practical expedient to account for pre-opening services as distinct from the franchise license. These pre-opening services primarily relate to site selection, pre-opening support, and training. As a result, upfront franchise fees related to pre-opening support are recognized at the time the studio opens and the Company has fulfilled its performance obligation. All remaining franchise fees are recognized as revenues over the term of each respective franchise agreement which is generally 7 years. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisees right to use and benefit from the intellectual property.

Franchise fees received which have not been earned as revenues are classified as contract liabilities on the balance sheets. At December 31, 2024 and 2023, there were \$915,900 and \$503,000, respectively, of unearned franchise fees.

The Company incurs various costs in providing services to the franchisees including establishing the franchise agreement, monitoring acceptable franchise sites, approving franchise site lease agreements, organizing floor plans, training staff, and other services. The Company expenses these costs as incurred.

#### Brand awareness fund

Franchisees are required to contribute to the Company a percentage of revenues as consideration for providing marketing and promotional programs. In accordance with the provisions of Topic 606, management has determined that they act as a principal in the transactions entered into by the brand awareness fund based on their responsibility to define the nature of the goods or services provided and/or their responsibility to define which franchisees receive the benefit of the goods or services. Additionally, management has determined the brand awareness services provided to franchisees are highly interrelated with the franchise right and therefore are not distinct.

## THE BUNNY HIVE FRANCHISING, LLC

### *Notes to Financial Statements - Continued*

*December 31, 2024 and 2023*

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Note 1 - Description of business and summary of significant accounting policies - continued:

#### Brand awareness fund - continued

Revenues for brand awareness services are recognized when the related studio sales occur based on the application of the sales-based royalty exception within Topic 606. Revenues for these services are typically billed at 1% of revenues and paid on a monthly basis. These revenues are presented as Brand awareness fund contributions and the expenses incurred to provide these services are presented as marketing and advertising on the statements of operations. When revenues of the brand awareness fund exceed the related marketing and promotion expenses, marketing and promotion expenses are accrued up to the amount of revenues on an annual basis.

#### Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation. The reclassifications had no impact on net loss or member's deficit.

#### Advertising costs

The Company expenses all advertising costs as incurred. Advertising costs were \$9,133 and \$371, respectively, for the year ended December 31, 2024, and for the period from inception on March 22, 2023 to December 31, 2023.

#### Income taxes

The Company is a single member limited liability company which is not considered a taxable entity under the Internal Revenue Code. Accordingly, taxable income and losses of the Company are reported on the income tax return of the member and no provision for federal or state income taxes has been recorded in the accompanying financial statements.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of December 31, 2024, there are no known items which would result in a material accrual related to where the Company has federal or state attributable tax positions. The Company is subject to tax examinations since the year ending December 31, 2023.

## THE BUNNY HIVE FRANCHISING, LLC

### *Notes to Financial Statements - Continued*

*December 31, 2024 and 2023*

---

Note 1 - Description of business and summary of significant accounting policies - continued:

#### Subsequent events

The Company has evaluated subsequent events through March 18, 2025, which is the date these financial statements were available to be issued. All subsequent events, if any, requiring recognition as of December 31, 2024, have been incorporated into these financial statements.

Note 2 - Revenue recognition:

#### Disaggregation of Revenues

Disaggregated revenues based on the satisfaction of performance obligations in the Company's contracts with franchises for the year ended December 31, 2024 and the period ended December 31, 2023, are as follows:

	2024	2023
Performance obligations satisfied through the passage of time	\$ 32,300	\$ 1,000
Performance obligations satisfied at a point in time	<u>431,875</u>	<u>9,895</u>
Total revenues under performance obligations	<u>\$ 464,175</u>	<u>\$ 10,895</u>

#### Contract Liabilities

The Company has recorded a liability for unearned franchise fees associated with a franchisee's signing of the franchise agreement and the Company's acceptance of the performance obligations under the franchise agreement. The account balances and activity are as follows:

	2024	2023
Balance, beginning of year	\$ 503,000	\$ -
Deferral of franchise fees	680,400	504,000
Recognition of franchise fees on contracts included in the opening balance	(177,300)	-
Recognition of franchise fees on contracts entered into during the year	(90,200)	(1,000)
Balance, end of year	<u>\$ 915,900</u>	<u>\$ 503,000</u>

## THE BUNNY HIVE FRANCHISING, LLC

### *Notes to Financial Statements - Continued*

**December 31, 2024 and 2023**

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#### Note 2 - Revenue recognition - continued:

##### Estimated Recognition of Deferred Franchise Fees

Estimated revenues to be recognized in future periods related to contract liabilities as of December 31, 2024 are as follows:

Year ending December 31:	
2025	\$ 309,100
2026	116,400
2027	99,600
2028	99,600
2029	99,600
Thereafter	<u>191,600</u>
	<u>\$ 915,900</u>

#### Note 3 - Franchises:

As of December 31, 2024 and 2023, franchises sold and open were as follows:

	2024	2023
Franchises sold during the year	16	12
Franchises sold to date	28	12
Total franchises in operation to date	14	1

#### Note 4 - Transactions with related parties:

At December 31, 2024, the Company had an amount due to a related party of \$4,755. The amount is due to an entity related through common ownership and relates to expenses paid on the Company's behalf. At December 31, 2024, the Company had an amount due from a related party of \$7,019. The amount is due from an entity related through common ownership and relates to excess expense reimbursements paid by the Company.

At December 31, 2023, the Company had an amount due to a related party of \$12,524. The amount is due to an entity related through common ownership and relates to expenses paid on the Company's behalf.

## THE BUNNY HIVE FRANCHISING, LLC

### *Notes to Financial Statements - Continued*

**December 31, 2024 and 2023**

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#### Note 5 - Concentration of credit risk:

The Company's studio franchises operate primarily in the southeast United States. This geographic concentration of customers creates a concentration of credit risk with respect to receivables. The Company has not experienced significant losses related to receivables from individual franchisees.

The Company maintains its cash in bank deposits, which at times may exceed federally-insured limits. The Company has not experienced any losses in such accounts.

#### Note 6 - Going concern:

For the year ended December 31, 2024 and the period from inception on March 22, 2023 to December 31, 2023, the Company incurred net losses of \$387,419 and \$261,999, respectively. These losses, which were primarily funded by franchise fees received, have contributed to a member's deficit of \$669,418 as of December 31, 2024. These factors create uncertainty about the Company's ability to continue as a going concern. Management of the Company has evaluated these losses and acknowledges that a large portion of the expenses incurred related to developing and marketing the franchise brand and adding staff to support the franchises. These expenses are typically necessary before a franchise has opened and begins generating revenues. Management believes that with a full year of franchise fees and royalties from the fourteen studios currently open at the end of 2024 and the franchise fees and royalties from the twelve new studios expected to open throughout 2025, that revenues will significantly increase to reduce operating losses. As of the report date, management has obtained a \$300,000 loan from the Small Business Administration to assist with cash flow needs and believes the additional resource and increased revenues will alleviate any going concern uncertainty.

#### Note 7 - Major customers:

At December 31, 2024, the Company had six franchises that made up 96% of accounts receivable. At December 31, 2023, the Company had two franchises that made up 96% of accounts receivable.

## **THE BUNNY HIVE FRANCHISING, LLC**

### ***Notes to Financial Statements - Continued***

***December 31, 2024 and 2023***

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#### **Note 8 - Subsequent event:**

On February 21, 2025, the Company entered into a \$300,000 loan agreement with the Small Business Administration. The loan bears interest at the Prime rate plus 3% and requires monthly principal and interest payments of \$4,067. The loan matures in February 2035 and is secured by all assets of the Company and is personally guaranteed by the owners of the Company.

## EXHIBIT E

### Manual

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APPENDICES (170 PAGES):

CURRICULUM MANUAL (138 Pages)

BRAND MANUAL (32 Pages)

**The Manuals contain 380 pages total.**

## EXHIBIT F

### List of Current and Former Franchisees

#### **A. OPENED OUTLETS AS OF 12/31/2024**

<b>State</b>	<b>Outlet Name, Outlet Address and Telephone</b>	<b>Franchisee Name and Contact</b>
1. AL	The Bunny Hive Huntsville 309 Pelham Ave SW Suite B-1, Huntsville, AL 35801 256.337.4714	Ashlee Chunn Ashlee.Chunn@thebunnyhive.com 404.821.9250
2. FL	The Bunny Hive Orlando 1524 E Livingston St, Orlando, FL 32803 407.840.1395	Megan Gingerich megan.gingerich@thebunnyhive.com 407.616.1622  Cedar Jayson cedar.jayson@thebunnyhive.com 407.207.1264
3. FL	The Bunny Hive Delray Beach 1201 N Federal Hwy, Delray Beach, FL 33483 561.820.5529	Lauren Kocen lauren.kocen@thebunnyhive.com 804.387.8532
4. GA	The Bunny Hive Roswell 101 Vickery Street, Roswell, GA 404.922.3143	Abby Schmit abby@thebunnyhive.com 470.557.4075
5. GA	The Bunny Hive Smyrna 1260 W Spring Street, Smyrna, GA 770.286.6121	Ashley Murphy ashley@thebunnyhive.com 832.277.7302
6. GA	The Bunny Hive Savannah 1506 Bull Street, Savannah, GA 912.644.0284	Mary Sadler mary@thebunnyhive.com 912.536.3571
7. GA	The Bunny Hive Athens 1725 Electric Ave Suite 106, Watkinsville, GA 30677 706.224.8060	Victoria Little victoria.little@thebunnyhive.com 706.240.3575  Jamie Leakey jamie.leakey@thebunnyhive.com 706.248.7474
8. GA	The Bunny Hive Peachtree City	Malley Roberts

	277 GA-74, STE 102, Peachtree City, GA 30269 770.304.6305	malley.roberts@thebunnyhive.com 404.664.6781
9. NC	The Bunny Hive Charlotte 1207 East Blvd, Charlotte, NC 28203 704.877.5576	Niki Kiernan niki@thebunnyhive.com 919.606.7173
10. NC	The Bunny Hive Raleigh 711 W Lane Street, Raleigh, NC 919.623.8076	Jessy Ellis jessy@thebunnyhive.com 919.623.3376
11. SC	The Bunny Hive Greenville 107 Mills Ave, Greenville, SC 29605 864.382.9783	Kristen Motte kristen@thebunnyhive.com 843.206.2134  Lyndsey Hall lyndsey@thebunnyhive.com 864.354.3582
12. TN	The Bunny Hive Nashville 2008 21st Ave S, Nashville, TN 37212 615.933.8398	Natalia Cooper natalia@thebunnyhive.com 404.583.6489
13. TX	The Bunny Hive Houston 1526 Heights Blvd, Houston, TX 77008 832.763.3657	Jaime Bynum jaime@thebunnyhive.com 520.971.0093

**B. FRANCHISEES THAT HAVE SIGNED AGREEMENT BUT HAVE NOT OPENED AS OF 12/31/24**

State	Franchisee Name (Entity) and Contact, Address and Telephone
1. SC	Beth Eiser beth@thebunnyhive.com 404-519-0145 3200 Amherst Ave, Columbia, SC 29205
2. NY	Sajah Fakhoury sajah@thebunnyhive.com 586-549-1462 411 Palmer Rd, Yonkers, NY 10701
3. MD	Chelsea Rallo chelsea.rallo@thebunnyhive.com 914.474.8436 13041 Jerome Jay Drive, Cockeysville,

	MD 21030
4. MD	Jordan Smith jordan.smith@thebunnyhive.com 910.465.1044 10211 Green Holly Terrace, Silver Spring, MD 20902
5. TN	Jenny Jaggers jenny.jaggers@thebunnyhive.com 865.384.3553 7276 Ludlow Drive College Grove, TN 37046
6. TN	Beth Forrester Beth.Forrester@thebunnyhive.com 706.248.7781 8682 Masons Gate Lane, Chattanooga, TN 37421
7. FL	Allie Felix Allie.Felix@thebunnyhive.com 727.365.8152 4207 W Dale Ave, Tampa, FL 33609
8. IN	Kelly Oleszkiewicz kelly.oleszkiewicz@thebunnyhive.com 630.532.9161 4265 Alderborough Way Zionsville, IN 46077
9. FL	Marissa Martin marissa.martin@thebunnyhive.com 912.644.0528 11300 Ridge Hill Dr Johns Creek, GA 30022
10. CA	Sophie Jaron sophie.jaron@thebunnyhive.com 914.924.2269 1166 Weeks Street, East Palo Alto, CA 94303
11. IL	Aga Bly aga.bly@thebunnyhive.com 847.404.9762 1159 South Hiddenbrok TRL, Palatine, IL 60067
12. TX	Betsy Lewis betsy.lewis@thebunnyhive.com

	832.451.2394 117 Liberty Oaks Dr., Liberty Hill, TX 78642
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Except for one developer in Tennessee and one developer in Florida, we have not entered into any Development Agreements as of the date of this Disclosure Document. Our Tennessee developer has committed to open a total of two units, one in 2024 and one in 2025. Our Florida developer has committed to open a total of three locations, two in 2025 and one in 2027.

#### **C. FORMER FRANCHISEES**

We have no franchisees who 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 who have not communicated with us within 10 weeks of the Disclosure Document issuance date. However, the following franchisee transferred her interest in a Studio (The Bunny Hive Peachtree City) during 2025:

Ashley Murphy\*  
1260 W Spring Street, Smyrna, GA  
770.286.6121  
[ashley@thebunnyhive.com](mailto:ashley@thebunnyhive.com)  
832.277.7302

\*This franchisee currently owns The Bunny Hive Smyrna.

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## **EXHIBIT G**

### State Specific Addenda to Disclosure Document

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the Department of Financial Protection and Innovation, prior to a solicitation of a proposed material modification of an existing franchise. Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.

OUR WEBSITE, [WWW.THEBUNNYHIVE.COM](http://WWW.THEBUNNYHIVE.COM) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND BUSINESS OVERSIGHT AT [WWW.DFPI.CA.GOV](http://WWW.DFPI.CA.GOV).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA.

THE REGISTRATION OF THIS FRANCHISE OFFERING BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES DOMICILED IN COMMUNITY PROPERTY STATES – ARIZONA, CALIFORNIA, IDAHO, LOUISIANA, NEVADA, NEW MEXICO, TEXAS, WASHINGTON AND WISCONSIN AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 5 of the Disclosure Document:

The Department of Financial Protection and Innovation requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business. For any development agreement, the payment of the development and initial fee attributable to a specific unit is deferred until that unit is open.

3. The following paragraph is added to the end of Item 6 of the Disclosure Document:

With respect to the Interest described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

4. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. 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.

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

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

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

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in Powhatan, Virginia, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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

#### Section 31512.1 Franchise Agreement Provisions Void as Contrary to Public Policy:

Any provision of a franchise agreement, franchise disclosure document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:

- (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.

- (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
- (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
- (d) Violations of any provision of this division.
- (e) No statement, questionnaire or acknowledgement 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.

5. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your The Bunny Hive business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

## ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended, this Disclosure Document is amended for Illinois franchises as follows:

Item 5 of the Disclosure Document is amended to include the following:

Payment of initial franchise fees will be deferred until we have met our initial obligations to you, and you have commenced doing business. Payment of development fees will be deferred until we have met our initial obligations to you, and you have commenced doing business under the first Franchise Agreement. This financial assurance requirement was imposed by the Office of the Illinois Attorney General's due to our financial condition.

Illinois law governs the agreements between the parties to the franchise.

Section 4 of Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Act.

No statement, questionnaire or acknowledgement 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.

## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the State of Maryland, this Disclosure Document is amended for Maryland franchises as follows:

The following is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

No statement, questionnaire or acknowledgement 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.

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY ST. 21ST FLOOR, NEW YORK, NY 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective

injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for you to renew or extend," and Item 17(m), entitled "Conditions for our approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "Termination by you":

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

7. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by us":

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

9. The following is added to the end of Item 17:

No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of:

(i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. The following is added to the end of Item 19:

#### **REPRESENTATIONS REGARDING EARNINGS CAPABILITY**

EXCEPT AS PROVIDED IN ITEM 19, THE BUNNY HIVE FRANCHISING, LLC DOES NOT FURNISH OR AUTHORIZE ITS SALESPERSONS TO FURNISH ANY ORAL OR WRITTEN INFORMATION CONCERNING THE ACTUAL OR POTENTIAL SALES, COSTS, INCOME OR PROFITS OF A FRANCHISE. ACTUAL RESULTS VARY FROM UNIT TO UNIT AND THE BUNNY HIVE FRANCHISING, LLC CANNOT ESTIMATE THE EARNINGS OF ANY PARTICULAR FRANCHISE.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Virginia Retail Franchising Act, this Disclosure Document is amended for Virginia franchises as follows:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$121,300 to \$279,850. This amount exceeds the franchisor's stockholder's equity as of December 31, 2023, which is (\$211,999).

The following statements are added to Item 17(h):

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

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

Item 17(t) is amended to read as follows:

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.

The following statements are added to the end of Item 17:

No statement, questionnaire or acknowledgement 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.

## **EXHIBIT H**

### State Specific Addenda to Franchise Agreement and Development Agreement

**ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT [*if applicable:* AND DEVELOPMENT AGREEMENT]**

This Addendum amends the Franchise Agreement [*if applicable:* and Development Agreement] dated \_\_\_\_\_ (the “**Agreement**”), between The Bunny Hive Franchising, LLC, a Georgia limited liability company (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and is effective as of the date of the Agreement. Capitalized terms used herein that are not defined shall have the meanings ascribed to them in the Agreement.

- 1. Governing Law.** Illinois law governs the Agreement.
- 2. Fee Deferral.** Payment of Initial Franchise Fees/Development Fees will be deferred until Franchisor has met its initial obligations to Franchisee and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Attorney General due to Franchisor’s financial condition.
- 3. Waivers Void.** In conformance with Section 41 of the Illinois Franchise Disclosure Act, notwithstanding any provision of the Agreement to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.
- 4. Jurisdiction.** In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to occur outside of Illinois.
- 5. Termination/Non-Renewal.** Franchisee’s rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
- 6. Disclaimers.** No statement, questionnaire or acknowledgement 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.

Agreed to by:

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

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

**INDIANA ADDENDUM TO FRANCHISE AGREEMENT [*if applicable:* AND DEVELOPMENT AGREEMENT]**

This Addendum amends the Franchise Agreement [*if applicable:* and Development Agreement] dated \_\_\_\_\_ (the “**Agreement**”), between The Bunny Hive Franchising, LLC, a Georgia limited liability company (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and is effective as of the Agreement date.

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “**Indiana Acts**” means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

**2. Certain Provisions Modified.** Any provision of the Agreement which would have any of the following effects is hereby modified to the extent required for the Agreement to be in compliance with the Indiana Acts:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or services or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute

evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

**3. Disclaimers.** No statement, questionnaire or acknowledgement 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.

Agreed to by:

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

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

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

This Addendum amends the Franchise Agreement dated \_\_\_\_\_ (the “**Agreement**”), between The Bunny Hive Franchising, LLC, a Georgia limited liability company (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Franchisee**”) and is effective as of the Agreement date.

- 1. Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “**Maryland Franchise Registration and Disclosure Law**” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.
- 2. Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 3. Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
- 4. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.
- 5. Disclaimers.** No statement, questionnaire or acknowledgement 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.
- 6. Fee Deferral.** Based upon the Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until Franchisor completes its pre-opening obligations under this Agreement.

Agreed to by:

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

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

## MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT

This Addendum amends the Development Agreement dated \_\_\_\_\_ (the “**Agreement**”), between The Bunny Hive Franchising, LLC, a Georgia limited liability company (“**Franchisor**”) and \_\_\_\_\_, a \_\_\_\_\_ (“**Developer**”) and is effective as of the Agreement date.

- 1. Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement. The “**Maryland Franchise Registration and Disclosure Law**” means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.
- 2. Releases, Estoppels and Waivers of Liability.** All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
- 3. Statute of Limitations.** Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.
- 4. Jurisdiction.** Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction in the State of Maryland.
- 5. Disclaimers.** No statement, questionnaire or acknowledgement 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.
- 6. Fee Deferral.** Based upon the Franchisor’s financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all development fees and initial payments by area developers shall be deferred until the first Franchise under this Agreement opens.

Agreed to by:

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

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

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
ADDENDUM TO FRANCHISE AGREEMENT [*if applicable: AND DEVELOPMENT  
AGREEMENT*]**

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

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

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

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

person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

This Addendum is effective as of the Agreement date.

Agreed to by:

FRANCHISOR:

THE BUNNY HIVE FRANCHISING, LLC

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

FRANCHISEE:

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
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	PENDING
Hawaii	NA
Illinois	PENDING
Indiana	NA
Maryland	PENDING
Michigan	NA
Minnesota	NA
New York	PENDING
North Dakota	NA
Rhode Island	NA
South Dakota	NA
Virginia	PENDING
Washington	NA
Wisconsin	NA

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.

**ITEM 23  
RECEIPT**

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If The Bunny Hive Franchising, 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 payment to, The Bunny Hive Franchising, LLC or one of its affiliates in connection with the proposed franchise sale. Michigan law requires that The Bunny Hive Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that The Bunny Hive Franchising, LLC give you this 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, whichever occurs first.

If The Bunny Hive Franchising, 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, D.C. 20580 and the state agency listed on **Exhibit A**.

Issuance date: April 29, 2025

The franchise sellers for this offering are:

Name	Principal Place of Business	Telephone
Mark Schmid	2715 Creek Edge, Powhatan, VA 23139	804-356-0134
Brittany Schmid	2715 Creek Edge, Powhatan, VA 23139	804-356-0134
Kathryn Doar	1169 Westvale Drive, Carmel, IN 46032	802-275-8098
Maria Vincent	3710 Ashwood Drive SE, Smyrna, GA 30080	207-939-8130

We authorize the respective agents identified on **Exhibit A** to receive service of process for us in the particular state. I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an entity), hereby acknowledge receipt from The Bunny Hive Franchising, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 29, 2025. This Disclosure Document includes the following exhibits:

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement
- C. Development Agreement
- D. Financial Statements
- E. Table of Contents to Manuals
- F. List of Current and Former Franchisees
- G. State Specific Addenda to Disclosure Document
- H. State Specific Addenda to Franchise Agreement and Development Agreement

---

Signature (individually and as an officer)

---

Print Name

---

Date Disclosure Document Received

**TO BE RETAINED BY YOU**

---

Print Franchisee's Name (if an entity)

## RECEIPT

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully. If The Bunny Hive Franchising, 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 payment to, The Bunny Hive Franchising, LLC or one of its affiliates in connection with the proposed franchise sale. Michigan law requires that The Bunny Hive Franchising, LLC give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires that we give you this 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, whichever occurs first.

If The Bunny Hive Franchising, 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, D.C. 20580 and the state agency listed on **Exhibit A**.

Issuance date: April 29, 2025

The franchise sellers for this offering are:

Name	Principal Place of Business	Telephone
Mark Schmid	2715 Creek Edge, Powhatan, VA 23139	804-356-0134
Brittany Schmid	2715 Creek Edge, Powhatan, VA 23139	804-356-0134
Kathryn Doar	1169 Westvale Drive, Carmel, IN 46032	802-275-8098
Maria Vincent	3710 Ashwood Drive SE, Smyrna, GA 30080	207-939-8130

We authorize the respective agents identified on **Exhibit A** to receive service of process for us in the particular state. I, personally, and as a duly authorized officer of the prospective franchisee (if the franchisee is an entity), hereby acknowledge receipt from The Bunny Hive Franchising, LLC of the Franchise Disclosure Document (to which this Receipt is attached) dated April 29, 2025. This Disclosure Document includes the following exhibits:

- A. List of State Administrators and Agents for Service of Process
- B. Franchise Agreement
- C. Development Agreement
- D. Financial Statements
- E. Table of Contents to Manuals
- F. List of Current and Former Franchisees
- G. State Specific Addenda to Disclosure Document
- H. State Specific Addenda to Franchise Agreement and Development Agreement

\_\_\_\_\_  
Signature (individually and as an officer)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date Disclosure Document Received

\_\_\_\_\_  
Print Franchisee's Name (if an entity)

OUR COPY; RETURN TO US