

## FRANCHISE DISCLOSURE DOCUMENT

Tumbles LLC (fka JW Tumbles LLC)  
A Delaware limited liability company  
1302 Waugh Drive, Suite 192  
Houston, Texas 77019  
Telephone: (833) GYM-STEM  
franchise@tumbles.net  
[www.tumbles.net](http://www.tumbles.net)



We offer franchises for children’s fitness gym and STEAM centers for children aged 4 months to 10 years to be operated under the mark Tumbles™ that feature basic gymnastics, sports preparation skills, STEAM classes, tumbling, childrens’ games, and activities.

The total investment necessary to begin operation of a Tumbles franchise without the Tumble Zone indoor playground is \$198,500 to \$282,500, and the total investment necessary to begin operation of a Tumbles franchise with the Tumble Zone indoor playground is \$362,000 to \$552,000; each includes \$54,000 that must be paid to the franchisor or affiliate. If you sign a Multi-Unit Development Agreement, initial investment costs are \$385,000 to \$2,712,000 for two to five units, which includes \$96,000 to \$222,000 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, please contact Mr. Manish Vakil at 1302 Waugh Drive, #192, Houston, Texas 77019, telephone (833) GYM-STEM. The terms of your contract will govern your franchise relationship. Don’t rely on the disclosure document alone to understand your contract. Read your entire 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: May 12, 2021.

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State 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 arbitration and/or litigation only in Texas. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Texas than in your own state.
2. **Franchisor's Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's ability to provide services and support to you.
3. **Minimum Royalty.** You must make minimum royalty, advertising, and other payments regardless of your sales levels. Your inability to make payments may result in termination of your franchise and loss of your investment.

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

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

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

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

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

exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

- (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
- (ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.
- (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- (iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

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

Any questions regarding this notice should be directed to:

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

## TABLE OF CONTENTS

| <b><u>Item</u></b>   | <b><u>Page</u></b> |
|--|--------------------|
| Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES ...                      | 1                  |
| Item 2 BUSINESS EXPERIENCE .....   | 4                  |
| Item 3 LITIGATION .....  | 5                  |
| Item 4 BANKRUPTCY .....  | 5                  |
| Item 5 INITIAL FEES .....  | 5                  |
| Item 6 OTHER FEES.....   | 6                  |
| Item 7 ESTIMATED INITIAL INVESTMENT .....  | 11                 |
| Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....                                 | 13                 |
| Item 9 FRANCHISEE’S OBLIGATIONS .....  | 18                 |
| Item 10 FINANCING .....  | 19                 |
| Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND<br>TRAINING .....        | 20                 |
| Item 12 TERRITORY.....   | 27                 |
| Item 13 TRADEMARKS.....  | 29                 |
| Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....                                 | 30                 |
| Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE<br>FRANCHISE BUSINESS ..... | 31                 |
| Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL .....                                   | 32                 |
| Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION .....                         | 33                 |
| Item 18 PUBLIC FIGURES .....   | 37                 |
| Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS .....  | 37                 |
| Item 20 OUTLETS AND FRANCHISEE INFORMATION .....   | 38                 |
| Item 21 FINANCIAL STATEMENTS.....  | 38                 |
| Item 22 CONTRACTS .....  | 41                 |
| Item 23 RECEIPTS.....  | 41                 |

## **EXHIBITS**

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement
  - C. Multi-Unit Development Agreement
  - D. Guaranty and Non-Compete Agreement
  - E. Rider to Lease Agreement
  - F. Software License Agreement
  - G. Form of General Release
  - H. Brand Standards Manual Table of Contents
  - I. State Addenda to Disclosure Document
  - J. State Addenda to Agreements
  - K. Current Franchisees
  - L. Former Franchisees
  - M. Financial Statements
- State Effective Dates  
Receipt (2 copies)

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

In this disclosure document, “we”, “us,” or “our” refers to Tumbles LLC (fka JW Tumbles LLC). “You” means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement (**Exhibit D**), which means that all of the Franchise Agreement’s provisions also will apply to your owners.

Us, Any Parents, Certain Affiliates, and Our Predecessors

Our name is Tumbles LLC. Our principal business address is 1302 Waugh Drive, Suite 192 Houston, Texas 77019.

Our predecessors include:

(1) Cambridge Franchise Enterprises Private Ltd., a Singapore entity (“**Cambridge Enterprises**”), with its principal business address at 81 Clemenceau Ave. #02-12 Singapore 239917. Cambridge owned the assets and the Marks relating to the Tumbles franchise system from October 2014 to December 2015, when we purchased substantially all of Cambridge Enterprises’ assets. Cambridge Enterprises is also our affiliate and purchased the Tumbles brand from Kidville JWT in October 2014. Cambridge Enterprises’ sole business was acting as a holding company for the Tumbles brand. Cambridge Enterprises does not engage in other business activities and does not offer franchises in other lines of business.

(2) Kidville JWT, LLC, a New York limited liability company (“**Kidville JWT**”), with its principal address at 163 East 84<sup>th</sup> Street, New York, New York 10028. Kidville JWT owned the Tumbles brand from approximately December 2008 to October 2014. Kidville JWT’s sole business was supporting Tumbles franchisees. Kidville JWT did not engage in other business activities and did not offer or sell franchises in any line of business.

(3) JWT Kids, Inc., a California corporation (“**JWT Kids**”) and JWT IP, Inc., a California corporation (“**JWT IP**”). JWT Kids and JWT IP’s principal business address is 312 Cedros Avenue, Suite 317, Solana Beach, California 92075. JWT Kids’ sole business was offering, selling and supporting Tumbles franchisees. JWT IP’s sole business was acting as a holding company for the Tumbles brand. JWT Kids offered and sold Tumbles franchises from June 2007 to the end of 2008, when Kidville JWT purchased the Tumbles brand from JWT Kids and JWT IP. These entities did not engage in other business activities and did not offer franchises in other lines of business.

(4) J.W. Tumbles Licensing Corporation, a California corporation (“**JWT Licensing**”), with its principal business at 312 Cedros Avenue, Suite 317, Solana Beach, California 92075. JWT Licensing offered and sold Tumbles franchises from 1993 to June 2007, when it sold substantially all of its assets to JWT Kids and JWT IP. JWT Licensing did not offer franchises in other lines of business. Its sole business was the offer and sale of franchises and support of Tumbles franchisees, and, in some instances, selling equipment to Tumbles franchisees. It did not engage in other business activities and did not offer franchises in other lines of business.



Except as described above, we have no other predecessors or affiliates.

### Our Business Name

We use the names “Tumbles LLC” and “Tumbles”. We do not intend to use any other names to conduct business.

### Agent for Service of Process

Our agent for service of process in Delaware is Harvard Business Services, Inc., and the agent’s principal business address is 16192 Coastal Highway, Lewes, Delaware 19958. Our agents for service of process in other states are disclosed in **Exhibit A**.

### Business Organization

We are a limited liability company organized in Delaware on October 15, 2014.

### Our Business and Prior Business Experience

We have offered franchises since June 2016. Other than offering and supporting franchises, we do not have any other business activities. We have not offered franchises in other lines of business. We have never operated a business of the type to be operated by you.

None of our affiliates has offered franchises in other lines of business.

None of our affiliates provides products or services to our franchisees.

None of our affiliates have operated a business of the type to be operated by you.

### The Business You Will Conduct

If you sign a Franchise Agreement with us, you will develop and operate a facility under the mark “Tumbles” and all other trade names, trademarks, service marks and logos specified by us from time to time (the “**Marks**”). The facility is designed for children between the ages of four months and ten years, and combines basic gymnastics and STEAM, sports preparation skills, tumbling, childrens’ games, movements, and activities in a highly structured program which includes music, movement, and activities appropriate to each child’s age group. All of the activities at Tumbles facilities are specially designed to enhance each child’s abilities in areas such as: physical skills, fine and gross motor skills, spatial awareness, coordination, balance, agility, flexibility, and sports preparation. Many programs at a Tumbles facility are uniquely designed to allow parents and children to participate together. You may also provide Tumbles services and specialized on-site programs (such as birthday parties or special events) at customer locations within your Protected Territory.

Our franchisees typically begin offering our STEAM program (Science, Technology, Engineering, Art and Math) after being open for a full six months. Our STEAM program is designed for children between the ages of four to ten years and uses both basic and advanced

science and engineering principles, innovative technology, out-of-the-box math thinking, hands-on activities, and literature, while utilizing full-body kinesthetic learning. Our unique STEAM curriculum is developed using inspiration from international standards set by the Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS) to ensure our curricula is both cutting edge, relevant, and inspiring in the global children's education market.

Optionally, some new facilities may also incorporate a Tumble Zone™ indoor playground, which is an enclosed soft play area and obstacle course designed for kids above age four and requires a larger space than a standard Tumbles facility.

Under our Franchise Agreement, we grant you the right to establish and operate one Tumbles facility in the manner described in the Franchise Agreement and in our brand standards manuals (the “**Manual**”). Under the Franchise Agreement, you are granted a protected territory within which we will not establish or license other Tumbles facilities, as further described in Item 12 (the “**Protected Territory**”).

We also offer qualified candidates the right to operate multiple Tumbles facilities under the terms of our Multi-Unit Development Agreement (the “**MUDA**”). If you purchase area development rights, you must open at least two facilities according to mutually agreed-upon development deadlines in the development schedule (the “**Development Schedule**”). Before you sign the MUDA, we will mutually agree upon the boundaries of your development territory (the “**Development Territory**”), your development obligations, and development deadlines, all of which will be stated in the MUDA. Franchisees that sign a MUDA will sign the then-current form of franchise agreements for any future locations.

### The General Market

The general market for children's fitness and educational programs is well-established in the United States. Our customers are primarily middle to upper-income class parents with young children. Sales are seasonal based on location and local market. In some locations, summer camps are popular. In most locations, however, the busiest season is during the school year and, in particular, the winter months, when children are not able to play outside.

### Laws and Regulations

Most states do not require a license to operate a children's physical fitness center. You should inquire of your state and local agencies concerning the need to hold any licenses for your facility before purchasing this franchise. You alone are responsible for investigating and complying with all applicable laws and regulations, despite any information that we may give you. You should consult with a legal advisor about legal requirements that may apply to your business.

### Competition

Tumbles facilities compete with national, regional and local children's gyms, fitness programs, and STEAM programs. If we award you the right to operate a Tumbles facility, it is

likely that you will compete with facilities or programs offering similar children's gyms and fitness and STEAM programs.

## **Item 2 BUSINESS EXPERIENCE**

### **Manish Vakil – Chief Executive Officer and Chief Financial Officer**

Manish Vakil has served as our Chief Executive Officer and Chief Financial Officer since October 2014. He has held these positions from Houston, Texas and Park Ridge, New Jersey. Mr. Vakil was a franchisee for Eye Level Learning Centers (March 2006 to February 2015) in Park Ridge, New Jersey; an area developer for Eye Level Learning Centers (March 2006 to October 2013); and a franchisee and area developer for the Tumbles franchise system (April 2007 to December 2013) in Park Ridge, New Jersey.

### **Joseph Flanders – Chief Operating Officer**

Joseph Flanders has served as our Chief Operating Officer since March 2016, this position is based in Buford, Georgia. He was also the managing partner of Peachtree Enrichment, LLC, a multi-unit supplemental education franchise, in Alpharetta and Johns' Creek, Georgia between 2003 and 2017.

### **Karen Kegerreis – Gym Curriculum Specialist**

Karen Kegerreis has served as our Gym Curriculum Specialist in Fairfax, Virginia since April 2020. Prior to that she served as the Director of Fit Kids, LLC (our former franchisee in Arlington, Virginia, and Alexandria, Virginia) between October 2013 and March 2020.

### **Julie McLendon – STEAM Curriculum Specialist**

Julie McLendon has served as our STEAM Curriculum Specialist in Johns Creek, Georgia, since January 2019. She also works as a science teacher for Gilmer County School System in Ellijay, Georgia, since September 2015.

### **Vladimir Milisavljevic – Director of Software**

Vladimir Milisavljevic is a contractor who has served as our Director of Software since January 2016, a position he holds in Belgrade, Serbia. He is employed by his consultancy company in Belgrade, Serbia.

### **Obren Maksimovic – Director of Security**

Obren Maksimovic is a contractor who has served as our Director of Security since December 2015, a position he holds in Belgrade, Serbia. He is employed by his consultancy company in Belgrade, Serbia.

**Item 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**Item 4  
BANKRUPTCY**

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

**Item 5  
INITIAL FEES**

Franchise Fee

When you sign your Franchise Agreement, you must pay us an initial franchise fee of \$42,000. The initial franchise fee for a second and successive unit opened under a MUDA is \$30,000. During the last fiscal year, the range of initial franchise fees we received was \$42,000-\$42,000. The initial franchise fee is uniformly imposed and is non-refundable.

If you would like to develop two or more units, we may offer you rights to develop additional Tumbles facilities (up to five) as an area developer under a MUDA. You must agree to open at least two units to be eligible to be a Tumbles area developer, and you must pay the initial franchise fee of \$42,000 for the first unit under the Franchise Agreement when you sign the MUDA. Under the MUDA, you must also pay a development fee equal to \$15,000 multiplied by the number of Tumbles facilities that you commit to open after the first unit (the “**Development Fee**”). \$15,000 of the Development Fee will be credited towards the initial franchise fee for the second and successive units. The Development Fee is uniformly imposed and is not refundable.

Access Fee

You must pay us an access fee of \$12,000 (the “**Access Fee**”) for the site selection services and design services, which are described in Item 8, as well as for the website setup, including setup and onboarding on the Tumbles Operations Management System (“**TOMS**”) which will be used to run the operations of the business. The access fee is uniform to all franchisees and is not refundable.

**Item 6  
OTHER FEES**

**Franchise Agreement**

| Type of Fee                       | Amount   | Due Date   | Remarks  |
|-----------------------------------|--|--|--|
| Royalty                           | 7% of your Gross Sales, with a minimum royalty payment of \$1,500 per month commencing 24 months after opening | By the 10 <sup>th</sup> day of each month by electronic funds transfer | <b>“Gross Sales”</b> means the total dollar amount of all sales generated through the business for a given period, including, but not limited to, payment for any services or products sold by you, whether for cash or credit. Gross Sales also currently includes payment for all prepaid cards, gift cards or similar items sold by you unless we implement a regional or national gift card/prepaid card program. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes, and (iii) sales of used equipment not in the ordinary course of business. |
| Marketing Fund Contribution       | Up to 2% of your Gross Sales   | By the 10 <sup>th</sup> day of each month by electronic funds transfer |  |
| Market Cooperative Contribution   | As determined by the co-op, but not less than 1% of Gross Sales.   | By the 10 <sup>th</sup> day of each month by electronic funds transfer | We have the right to establish local or regional market cooperatives. No market cooperatives have been established.  |
| Local Area Marketing Expenditures | \$600 per month, subject to adjustment   | By the end of each month   | You must also spend a minimum of \$600 per month for advertising in your trade area. This amount is subject to adjustment upon 90 days advance notice, but we may not increase required expenditures by more than 10% in any 12-month period.  |

| Type of Fee                        | Amount   | Due Date                 | Remarks  |
|------------------------------------|--|--------------------------|--|
| Digital Advertising Management Fee | Currently, \$0 per month                                     | By the end of each month | We will manage the digital advertising and social media platforms, including providing ad planning, analytics information, and having regular marketing strategy calls with you  |
| Promotional Materials              | Varies   | As incurred              | We will supply you with sample advertising materials before you open your facility. Thereafter, we or our suppliers may make additional advertising materials available to you for purchase. If you create your own advertising materials, we must approve the content before you may use the materials. |
| Additional Training                | \$200 per person per day for each additional day of training | Per person, per day      | We train two people at no charge. You must pay this fee only if we reasonably believe you need additional training before you start your business.   |
| National or Regional Meetings      | A reasonable fee (currently, \$500 per person)               | Payable on demand        | From time to time we will hold regional and/or national meetings. These meetings are mandatory. You must also pay for travel, meals and lodging.   |
| Late Fees                          | 18% per year; \$200 late fee                                 | Payable on demand        | Subject to legal maximums.   |
| Collection Costs                   | Actual costs   | Payable on demand        | Payable if we incur costs (including reasonable attorney's fees) in attempting to collect amounts you owe to us.   |

| Type of Fee                     | Amount  | Due Date  | Remarks   |
|---------------------------------|---|---|---|
| Transfer Fee                    | An amount equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs we incur | Before transfer   | Payable when you sell your franchise. No charge if you transfer a franchise to an entity that you control or if transfer occurs because of death or disability.   |
| Renewal Fee                     | \$5,000   | Before each renewal   | Payable if you enter into a successor franchise agreement at the end of your agreement term.  |
| Software Fees                   | Currently, \$500 per month  | Payable monthly on the 10 <sup>th</sup> day of each month, when program commences | Payable to us or approved software supplier. This amount covers the cost of our Tumbles Class Management Program. We reserve the right to increase the fee charged for the Tumbles Operations Management System. The cost of other required software programs will range from \$500 to \$850 per license per month. |
| Additional On-Site Consultation | \$100/hour or \$400/day, plus out-of-pocket expenses  | Payable on demand.  | These fees are payable only if you request additional on-site assistance.   |

| Type of Fee                       | Amount   | Due Date    | Remarks   |
|-----------------------------------|--|-------------|---|
| Non-compliance fee                | \$500  | On demand   | We may charge you \$500 if your business is not in compliance with our system specifications or the franchise agreement and you fail to correct the non-compliance after 30 days' notice. Thereafter, we may charge you \$250 per week until you correct such non-compliance. |
| Records audit                     | Our actual cost  | On demand   | Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period.  |
| Inspection fee                    | Currently \$300, plus our out-of-pockets costs                 | On demand   | Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification.   |
| Non-compliance cure costs and fee | Our out-of-pocket costs and internal cost allocation, plus 10% | When billed | We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs, plus a 10% administrative fee.  |



| Type of Fee                    | Amount   | Due Date  | Remarks  |
|--------------------------------|--|-----------|--|
| Liquidated damages             | An amount equal to royalties and marketing fund contributions for the lesser of 24 months or the remaining months of the term. | On demand | Payable if we terminate your Franchise Agreement because of your default, or if you terminate the Franchise Agreement without the right to do so.                              |
| Indemnity                      | Our costs and losses from any legal action related to the operation of your franchise  | On demand | You must indemnify and defend us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise. |
| Prevailing party's legal costs | Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party                       | On demand | In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses.                               |

All fees are payable only to us. All fees are uniformly imposed by us and collected by us, except as described in the Remarks above. All fees are non-refundable.

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.

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.

We reserve the right to require you to pay royalty fees and other amounts due to us by pre-authorized bank draft or any other alternative method.

You must report your gross sales to us each month. If you fail to report your gross sales, we may withdraw estimated royalty fees and other amounts due based on 110% of the most recent gross sales you reported. We will true-up the actual fees after you report gross sales.

**MULTI-UNIT DEVELOPMENT AGREEMENT**

| <b>NAME OF FEE</b> | <b>AMOUNT</b>   | <b>DUE DATE</b>                 | <b>REMARKS</b>   |
|--------------------|---|---------------------------------|--|
| Transfer Fee       | An amount equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs we incur | Before consummation of transfer | Only applies if you have entered into a MUDA. This is payable for each facility that remains to be opened under your MUDA; the transfer fee described above in the “Franchise Agreement” chart applies to each facility that you have already opened under a MUDA. |

**Item 7  
ESTIMATED INITIAL INVESTMENT**

**SINGLE UNIT**

Except as otherwise described in the notes below, the following table provides an estimate of your initial investment and the costs necessary to begin operating under the Franchise Agreement and under the MUDA. Actual costs will vary for each franchise depending on a number of factors including market condition, the geographic location of your facility, and the amount of construction work necessary for build-out of your facility. All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

**YOUR ESTIMATED INITIAL INVESTMENT  
(SINGLE UNIT WITHOUT TUMBLE ZONE)**

| <b>Type of expenditure</b>                                      | <b>Amount</b> |          | <b>Method of payment</b> | <b>When due</b> | <b>To whom payment is to be made</b> |
|---|---------------|----------|--------------------------|-----------------|--------------------------------------|
| Initial Franchise Fee   | \$42,000      | \$42,000 | Cash                     | Upon signing    | Us                                   |
| Lease Payments <sup>1</sup>                                     | \$6,000       | \$12,000 | Varies                   | As incurred     | Landlord                             |
| Access Fee <sup>2</sup>   | \$12,000      | \$12,000 | Cash                     | Upon signing    | Us                                   |
| Signage and Site Improvements <sup>3</sup>                      | \$45,000      | \$90,000 | As incurred              | Before opening  | Contractors, Approved Suppliers      |
| Utility Deposits, Business Licenses, and Insurance <sup>4</sup> | \$1,000       | \$5,000  | As incurred              | Before opening  | Suppliers                            |

|   |                  |                  |             |                |                                      |
|---|------------------|------------------|-------------|----------------|--------------------------------------|
| Equipment and Inventory <sup>5</sup>                            | \$49,000         | \$55,000         | Lump sum    | Before opening | Us or Approved Suppliers. See Item 8 |
| Shipping on Equipment and Inventory                             | \$5,000          | \$7,000          | As incurred | Before opening | Transportation Companies             |
| Training <sup>6</sup>   | \$1,000          | \$5,000          | As incurred | Before opening | Airlines, Hotels and Restaurants     |
| Grand Opening Advertising <sup>7</sup>                          | \$8,500          | \$15,500         | As arranged | Before opening | Media and Other Suppliers            |
| Computer Hardware and Software                                  | \$1,500          | \$4,000          | As incurred | Before opening | Approved Suppliers                   |
| Miscellaneous <sup>8</sup>                                      | \$2,500          | \$5,000          | As incurred | As incurred    | Approved Suppliers                   |
| Additional Funds (for first 3 months of operation) <sup>9</sup> | \$25,000         | \$30,000         | Lump sum    | As incurred    | Utilities and Employees              |
| <b>Total</b>  | <b>\$198,500</b> | <b>\$282,500</b> |             |                |                                      |

**YOUR ESTIMATED INITIAL INVESTMENT  
(SINGLE UNIT WITH TUMBLE ZONE)**

| Type of expenditure   | Amount    |           | Method of payment | When due       | To whom payment is to be made        |
|---|-----------|-----------|-------------------|----------------|--------------------------------------|
| Initial Franchise Fee   | \$42,000  | \$42,000  | Cash              | Upon signing   | Us                                   |
| Lease Payments <sup>1</sup>                                     | \$15,000  | \$35,000  | Varies            | As incurred    | Landlord                             |
| Access Fee <sup>2</sup>   | \$12,000  | \$12,000  | Cash              | Upon signing   | Us                                   |
| Signage and Site Improvements <sup>3</sup>                      | \$75,000  | \$150,000 | As incurred       | Before opening | Contractors, Approved Suppliers      |
| Utility Deposits, Business Licenses, and Insurance <sup>4</sup> | \$2,500   | \$7,500   | As incurred       | Before opening | Suppliers                            |
| Equipment and Inventory <sup>5</sup>                            | \$150,000 | \$195,000 | Lump sum          | Before opening | Us or Approved Suppliers. See Item 8 |
| Shipping on Equipment and Inventory                             | \$7,000   | \$15,000  | As incurred       | Before opening | Transportation Companies             |
| Training <sup>6</sup>   | \$1,000   | \$5,000   | As incurred       | Before opening | Airlines, Hotels and Restaurants     |
| Grand Opening Advertising <sup>7</sup>                          | \$8,500   | \$15,500  | As arranged       | Before opening | Media and Other Suppliers            |

|   |                  |                  |             |                |                         |
|---|------------------|------------------|-------------|----------------|-------------------------|
| Computer Hardware and Software                                  | \$1,500          | \$5,000          | As incurred | Before opening | Approved Suppliers      |
| Miscellaneous <sup>8</sup>                                      | \$2,500          | \$5,000          | As incurred | As incurred    | Approved Suppliers      |
| Additional Funds (for first 3 months of operation) <sup>9</sup> | \$45,000         | \$65,000         | Lump sum    | As incurred    | Utilities and Employees |
| <b>Total</b>  | <b>\$362,000</b> | <b>\$552,000</b> |             |                |                         |

We do not offer direct or indirect financing for any amount due under the Franchise Agreement or MUDA. We do not guarantee your note, lease or any other obligation. (See Item 10).

### Notes

<sup>1</sup> This amount is an estimate of rent for your facility for your first three months, plus a security deposit equal to one month's rent. Rental costs may vary widely depending on location. Rent depends on size, location, local rental rates, site profile, amenities and other factors, and could be significantly higher in high-density areas.

The approximate size of a standard Tumbles facility with gym and STEAM (and without the Tumble Zone) is 2,700 to 3,200 square feet. The approximate size of a Tumbles facility with gym, STEAM, and the Tumbles Zone indoor playground is 4,500 to 5,500 square feet. Typical locations are accessible warehouse space and the backsides or end caps of strip centers.

A security deposit on your lease will usually be refundable unless you owe money to the landlord for unpaid amounts or damages. Amounts payable to us are not refundable, with the exception of the initial franchise fee, which is refundable only as described in Item 5. Amounts payable to a third party may be refundable depending upon your agreement with such third party.

<sup>2</sup> The access fee covers the design services and site selection services as further described in Item 8, and website set up, including setup and onboarding on TOMS, which will be used to run the operations of the business.

<sup>3</sup> Signage includes interior and exterior signs and graphics. The cost of signage varies depending on the type, size and location of the signs, concessions available from the landlord, and municipal code restrictions in your area. The cost of improvements depends on the size of your site, your location and the characteristics of the site that you select. This estimate assumes that you will lease a site and that you receive a vanilla-shell structure from your landlord.

<sup>4</sup> Utility companies may require that you pay a deposit before installing telephone, gas, electric and related utility services. Permits depend on local laws and conditions. A utility deposit will usually be refundable upon termination of the utility service, unless you owe money to the provider. The cost of insurance will vary based on policy limits, types of policies procured, geographic location and other factors. Our estimate for the initial cost of insurance is based on payment of premium for one quarter (and not for the entire year).

<sup>5</sup> You must buy your initial equipment package and inventory from us or our approved suppliers. The equipment package consists principally of exercise and play equipment for your gym and various items of office furniture and supplies, such as desks and chairs. Some facilities optionally incorporate a Tumble Zone indoor playground, which is designed for kids above age four and includes an enclosed soft play area with various obstacle courses for kids. These structures generally utilize a dedicated footprint between 1200 and 1800 square feet.

<sup>6</sup> You are responsible for making arrangements and paying the expenses for any persons attending the initial training program including, transportation, lodging, meals and wages. The amount depends on the distance you must travel and the type of accommodation you choose. The estimate is for the training of two people for approximately two weeks.

<sup>7</sup> Grand opening advertising includes an approximate 4-month marketing campaign along with a branded tent with tablecloths, food, flyers, and supplies for the event day. Optionally, print marketing may be employed and will require the purchase of a mailing list, creation of custom direct mail pieces, and/or large advertisements in local parent magazines.

<sup>8</sup> You will need office equipment and supplies including envelopes, stationery, business cards, forms, miscellaneous office supplies, and other items. You may need the services of an attorney, accountant or other professionals before opening your facility.

<sup>9</sup> This includes any other required expenses you will incur before operations begin and during the initial period of operations, such as payroll, additional inventory, rent, and other operating expenses in excess of income generated by the business. This estimate does not include an allowance for a draw or salary to you or other owners of the franchise, nor for payments made to a bank or financing company on any loan that you may obtain to finance the cost of purchasing the franchise, equipment, or other financing costs. This estimate of your initial capital needs is based on our executives' experience in developing and operating children's facilities.

## MULTI-UNIT AREA DEVELOPMENT AGREEMENT

### YOUR ESTIMATED INITIAL INVESTMENT (2 TO 5 TUMBLES FACILITIES)

| CATEGORY  | AMOUNT<br>(LOW-HIGH)     | METHOD OF<br>PAYMENT | WHEN DUE     | TO WHOM<br>PAYMENT IS<br>TO BE MADE   |
|---|--------------------------|----------------------|--------------|---------------------------------------|
| Development Fee <sup>1</sup>  | \$15,000 to \$60,000     | Cash                 | Upon signing | Us                                    |
| Credit for Development Fee <sup>2</sup>   | (\$15,000 to \$60,000)   | NA                   | NA           | NA                                    |
| Initial Investment Costs for 2 to 5 Franchises per chart above <sup>3</sup>                             | \$397,000 to \$2,760,000 | Varies               | Varies       | Approved Suppliers, Third Parties, Us |
| \$12,000 Discount on Initial Franchise Fees for 2 <sup>nd</sup> and successive franchise <sup>3,4</sup> | (\$12,000 to \$48,000)   | NA                   | NA           | NA                                    |

|              |                                 |
|--------------|---------------------------------|
| <b>Total</b> | <b>\$385,000 to \$2,712,000</b> |
|--------------|---------------------------------|

The lower end of the range assumes development of two units and the higher end of the range assumes you will develop five units.

<sup>1</sup> The development fee is \$15,000 per franchise that you commit to develop after the first franchise. You will pay a \$42,000 initial franchise fee under the first Franchise Agreement. Therefore, if you were to develop one additional franchise (two total), you'd pay a development fee of \$15,000. For four additional franchises (five total), you'd pay a development fee of \$60,000. You are required to open a minimum of two franchises under a MUDA.

<sup>2</sup> This row reflects that \$15,000 per-franchise of the development fee that is credited against the \$30,000 initial franchise fee for the second and successive franchise. The initial franchise fee for a first franchise is \$42,000 and \$30,000 for each additional franchise.

<sup>3</sup> The initial investment numbers correspond to the costs and expenses in chart above, which is titled Estimated Initial Investment Single Unit. The numbers in this row reflect initial investment costs for two to five franchises with an initial franchise fee of \$42,000 per franchise, and do not take into account the discount on the initial franchise fee for second and successive units. See Note 4.

<sup>4</sup> You will receive a discount of \$12,000 off the standard initial franchise fee of \$42,000 for your second and additional franchise to be opened under a MUDA.

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

### Generally

We may require you to purchase or lease all goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating your business (a) either from us or our designee, or suppliers approved by us, or (b) according to our specifications.

Both in connection with the establishment of your facility and its continuing operation, we estimate that at least 95% or more of your purchases must be in accordance with our requirements or specifications.

### Specific Obligations

The following are our current specific obligations for purchases and leases:

1. Real Estate. Your site is subject to our approval and must meet our specifications. You must have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as **Exhibit E**). We require you to use our approved real estate brokerage firm for site selection services. Fees charged by the broker will be paid by the landlord of your site.

2. Insurance. During the term of your franchise, you must maintain the following types of insurance coverage in the minimum designated amounts:

- A. Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an “occurrence” policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- B. Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount not less than \$1,000,000;
- C. abuse, sexual harassment, sexual misconduct and molestation, with minimum liability coverage of \$100,000 per occurrence and \$300,000 in the aggregate;
- D. property damage covering the facility’s equipment in an amount not less than \$150,000;
- E. business interruption insurance covering at least 12 months of income; and
- F. Workers Compensation coverage as required by state law.

Your policies (other than Workers Compensation) must list us and our affiliates as an additional insured, must include a waiver of subrogation in favor of us and our affiliates, must be primary and non-contributing with any insurance carried by us or our affiliates, and must stipulate that we receive 30 days’ prior written notice of cancellation.

3. Construction. We may require that you use an approved vendor to manage your build-out process.

4. Software and hardware, and related software and hardware. You must purchase (or lease) the software and hardware, and related software and hardware, that we specify. You must use the computer system and software that we specify, and as provided by us or our approved vendor. We currently require that you enter into the Software License Agreement under which you will license our proprietary TOMS (Tumbles Operations Management System), which is attached as **Exhibit F**.

5. Music. You must become a licensee from our specified vendor for music.

6. Equipment and Inventory. You must purchase your initial equipment package and inventory from an approved supplier. See Items 5 and 7 for more information.

7. Design and Site Evaluation Services and TOMS Setup and Onboarding. You must pay us an Access Fee of \$12,000 for the site selection services and design services, and for website set up, including setup and onboarding on TOMS. In addition, the Access Fee covers one visit to your proposed site(s) for evaluation (but only if we deem such visit necessary in our sole discretion), and our analysis of your proposed sites. The Access Fee also covers design services for the layout of the equipment in the facility.

8. Signs. All interior and exterior signage for the facility must conform to such standards and specifications as we may from time to time prescribe as to type, color, size, design, and location, and must be approved by us prior to installation or use.

9. Promotional Items. We require that you purchase certain promotional items such as T-shirts, water bottles, and book bags from our approved vendor.

### Us or our Affiliates as Supplier

We are the only supplier of the site selection services and design services for the initial lay-out of your facility and the Tumbles Class Management Software. With the exception of these items, neither we nor any affiliate are currently a supplier nor the only supplier of any good or service that you must purchase.

### Ownership of Suppliers

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

### Alternative Suppliers

If you wish to use another supplier, you must present us with information about your supplier on a form we will send you and other information that we request. We will approve or disapprove the supplier, in our sole discretion, within 30 business days from the date we receive this information. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, quality, financial stability, reputation, and reliability; inspections; product testing; and performance reviews. Criteria for approving suppliers is not available to franchisees.

We reserve the right to revoke our approval of a supplier or product if it is determined that the supplier or product no longer meets our standards.

### Issuing Specifications and Standards

We issue specifications and standards for the aspects of your business described above in this Item under "Specific Obligations". The specifications and standards are contained in our Manual, and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to do so) issue new or revised specifications only after testing in our headquarters, in company-owned outlets, and/or a limited market tests in multiple units.

### Revenue to Us and Our Affiliates

We may derive revenue from the required purchases and leases by you and other franchisees. Our 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 revenues of \$246,274 that were from required purchases or leases in the prior fiscal year was 0%.

### Payments by Suppliers to Us

We do not receive payments from any designated suppliers based on purchases by you or other franchisees, although we may in the future.



### Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists for any of the items described above.

### Negotiated Arrangements

We have negotiated arrangements with suppliers of equipment to receive discounted pricing on equipment packages and membership kits and promotional/advertising items. Except for these items, we do not negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees. However, we may do so in the future.

### Benefits Provided to You for Purchases

We do not provide any material benefit to you based on your purchase of particular goods or services, or your use of particular suppliers. We may negotiate with certain suppliers from time to time to provide benefits to our franchisees. We do not currently have purchase arrangements with any suppliers. If we do so, we may receive consideration from these agreements. You will not receive any material benefit from purchasing from an approved or designated supplier.

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

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

| <b>Obligation</b>  | <b>Section in Franchise Agreement</b>  | <b>Disclosure Document Item</b> |
|--|--|---------------------------------|
| a. Site selection and acquisition/lease                    | § 6.1  | Items 5, 11                     |
| b. Pre-opening purchase/leases                             | §§ 6.2, 6.3  | Items 5, 7, 8 and 11            |
| c. Site development and other pre-opening requirements     | Article 6  | Items 5, 7, 8 and 11            |
| d. Initial and ongoing training                            | §§ 6.4, 7.6  | Items 5, 6, 8 and 11            |
| e. Opening   | §§ 6.5, 6.6  | Items 7, 8 and 11               |
| f. Fees  | Article 4; §§ 5.3, 7.8, 7.14, 9.5, 9.6, 10.5, 11.2, 14.5, 15.2(i), 16.1, 17.6            | Items 5, 6 and 7                |
| g. Compliance with standards and policies/operating manual | §§ 2.1, 3.2(iii), 4.6, 5.5, 6.3, 6.5, 9.1, 10.1, 10.4, 11.1, 11.2, 1.52(viii); Article 7 | Items 8, 11 and 14              |

| Obligation  | Section in Franchise Agreement   | Disclosure Document Item |
|---|----------------------------------|--------------------------|
| h. Trademarks and proprietary information               | Article 12; § 13.1               | Items 13 and 14          |
| i. Restrictions on products/services offered            | § 7.3                            | Items 8, 11 and 16       |
| j. Warranty and customer service requirements           | §§ 7.8, 7.9                      | Item 8                   |
| k. Territorial development and sales quotas             | N/A                              | Item 12                  |
| l. Ongoing product/service purchases                    | Article 8                        | Items 6 and 8            |
| m. Maintenance, appearance, and remodeling requirements | §§ 7.12, 7.13                    | Items 6, 7 and 8         |
| n. Insurance  | § 7.15                           | Items 6, 7 and 8         |
| o. Advertising  | Article 9                        | Items 6, 7, 8 and 11     |
| p. Indemnification                                      | Article 16                       | Items 6 and 8            |
| q. Owner's participation/management/staffing            | § 2.4                            | Items 15                 |
| r. Records and reports                                  | Article 10                       | Item 11                  |
| s. Inspections and audits                               | §§ 10.5 and 11.2                 | Items 6 and 11           |
| t. Transfer   | Article 15                       | Items 6 and 17           |
| u. Renewal  | § 3.2                            | Items 6 and 17           |
| v. Post-termination obligations                         | §§ 13.1, 13.2(b) and 14.3 - 14.6 | Item 17                  |
| w. Non-competition covenants                            | § 13.2                           | Item 17                  |
| x. Dispute resolution                                   | Article 17                       | Items 6 and 17           |

**Item 10  
FINANCING**

We do not offer direct or indirect financing, but we will provide financial information directly to third party lenders. We do not guarantee your lease or other obligations.

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

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

Except as disclosed below, Tumbles need not provide any assistance to you.

Pre-Opening Obligations:

Before you open your facility, Tumbles will:

1. *Site Selection.* We will review and advise you regarding potential locations that you submit to us. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site, although we may visit the site in person if we believe a site visit is needed, in our sole discretion, and the cost of this visit is covered by the Access Fee. (Sections 5.2 and 6.1). If your site is not already known and approved by us when you sign your Franchise Agreement, then we and you will specify in your Franchise Agreement the area in which you must select a site. (Sections 2.1 and 6.1)

We do not select your site. You must find a potential site and submit your site to us for our approval, together with all information and documents about the site that we request. (Section 6.1)

The factors we consider in approving sites are general location and neighborhood, competition, trade area demographics, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1)

If we and you cannot agree on a site, you will be unable to comply with your obligation to develop and open the franchise by the deadline stated in the Franchise Agreement. Unless we agree to extend the deadline, you will be in default and we may terminate your Franchise Agreement. (Section 14.2(c)(iv))

We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This is your responsibility.

2. *Design.* We or our designee will provide design services for the layout of the equipment at the facility. (Section 5.2).

3. *Hiring and training employees.* All hiring decisions and conditions of employment are your sole responsibility, except that we may set minimum requirements and qualifications for classes of employees.

4. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will consult with you regarding required specifications regarding equipment, inventory, supplies, material and other matters. We may provide you a list of approved suppliers and/or required vendors. (Section 5.2). You must buy your initial equipment package and inventory from us or

our approved suppliers. We may provide these items directly or we may only provide the names of approved suppliers. We do not deliver or install these items, but our approved suppliers may deliver and install these items depending upon your agreement with them.

5. *Brand Standards Manual.* We will make our Brand Standards Manual available to you. (Section 5.1)

6. *Grand Opening Marketing Plan.* We may advise you regarding the planning and execution of your grand opening marketing plan. (Section 5.2)

7. *Grand Opening On-Site Support.* We will have a representative provide on-site support for at least two days in connection with your grand opening so long as permitted by applicable travel restrictions. (Section 5.2)

### Length of Time to Open

The typical length of time between signing the Franchise Agreement and the opening of your business is 6 to 12 months. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain building permits or licenses, and hire employees.

### Ongoing Assistance

After you open your facility, we will:

1. *Developing products or services you will offer to your customers.* To the extent we deem appropriate, we will seek to improve our brand system, including refining existing products, services, techniques and methods, and developing new products, services, techniques and methods. (Section 5.3)

2. *Establishing prices.* Upon your request, we may provide recommended prices for products and services. (Section 5.3) We have the right to determine prices charged by our franchisees for products and services.

3. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* Upon your request, we may consult with you regarding recommended procedures for administrative, bookkeeping, accounting, and inventory control. (Section 5.3) We may make any such procedures part of required (and not merely recommended) procedures for our system.

4. *Marketing Fund.* We will administer the Marketing Fund. (Section 9.3)

5. *Digital Advertising Management.* We (or an approved vendor) will manage your digital advertising and social media platforms. (Section 4.5)

6. *Consulting.* If you request and subject to the availability of our personnel, we will be available to provide advice to you regarding improving and developing your facility and

resolving your operational problems. We may charge a fee of \$100 per hour for in-person support, or \$400 per day, plus reimbursement of our out-of-pocket expenses. (Section 5.3)

### Regional and National Meetings

We may hold regional and/or national meetings. At these meetings, we will provide the latest information about our industry, disseminate new programs, conduct additional training and/or explain future plans for the system. These meetings provide a place for sharing experiences with other franchises and discovering ways to increase profits from operations. Attendance by you, or an approved representative of your franchise, at these meetings is mandatory, and you must pay for your own transportation, lodging, meals and personal expenses. We may require you to pay a reasonable fee (currently, \$500 per person), to help defray the costs of these meetings or conventions. (Section 7.14)

### Advertising

*Our obligation.* We will use the Marketing Fund only for marketing and related purposes and costs. Media coverage is primarily local. We use outside vendors and consultants to produce advertising. We are not required to spend any amount of advertising in the area or territory where any particular franchisee is located. We will maintain the brand website (which will be paid for by the Marketing Fund). We or an approved vendor will manage your digital advertising and social media platforms, including providing ad planning, analytics, and having regular marketing strategy calls. We have no other obligation to conduct advertising.

*Your own advertising material.* You may use your own advertising or marketing material only with our approval. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you.

*Advertising Outside of Your Territory.* You may not advertise in the territory of another System franchisee unless (a) we have approved or provided the content of the advertising (“**approved advertising**”), and (b) you have obtained our specific prior written approval to advertising within the territory of another franchisee. However, you may advertise in the territory of another franchisee using “approved advertising” in a magazine, trade journal or other publication, the circulation of which is at least 2/3rds within your Protected Territory without obtaining our approval.

*Our Approval.* To obtain our approval, you must submit any proposed advertising or marketing material and the proposed areas of circulation at least 14 days prior to use. If we do not respond, the material is deemed rejected.

*Advertising council.* We do not have an advertising council composed of franchisees. The Franchise Agreement does not give us the power to form an advertising council.

*Local or Regional Advertising Cooperatives.* We do not currently have any local or regional advertising cooperative. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. The amount you must contribute to the cooperative will be determined by vote of the members. If our own outlets are members of

a cooperative, they must contribute to the cooperative on the same basis as franchisees. We will administer the cooperative, but we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives must prepare annual financial statements which will be made available for review only by us and by the members of the cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

*Marketing Fund.* You and all other franchisees must contribute to our marketing fund (the “**Marketing Fund**”). Your Marketing Fund Contribution is 2% of Gross Sales per month. We reserve the right to have other franchisees or outlets contribute a different amount or at a different rate. We administer the Marketing Fund. The Marketing Fund is not audited. We will make unaudited annual financial statements available to you upon request.

In our fiscal year ending December 31, 2020, the funds in the Marketing Fund were spent in the following manner: Production (0%), Promotional Materials and Marketing Research (20%), Administration (10%), and Other, including website development and proprietary operations management system, (70%).

If less than all marketing funds are spent in the fiscal year in which they accrue, the money will remain in the Marketing Fund to be spent in the next year.

No money from the Marketing Fund is spent principally to solicit new franchise sales.

*Grand Opening Marketing Plan.* You must develop a grand opening marketing plan and obtain our approval of the plan, at least 90 days before the projected opening date of your business. You must spend at least \$8500 to \$15,500 towards the marketing plan prior to and during the 4 months of operating the business. The plan should include your budget and describe the types of marketing that you will implement in connection with the opening of your business.

*Required Spending.* You must spend at least at least \$600 each month on marketing your business in your trade area. This amount is only a minimum requirement, and we do not represent that it is the optimal amount of money for you to spend on marketing. We have the sole discretion to determine what activities constitute marketing. This is in addition to the requirement to contribute to the Marketing Fund and grand opening expenditures.

*Website.* You may not develop an independent website or acquire an independent Internet domain name. All Internet marketing is conducted by us through our corporate website, [www.tumbles.net](http://www.tumbles.net). (Section 9.7)

### Computer Systems

The minimum computer requirements include a PC or Mac computer that is no more than one year old at the time of purchase. You must also purchase a printer/fax/scanner all in one unit, and you may purchase these items from any vendor. We anticipate the cost of purchasing a system that meets our standards will be between \$1,000 and \$4,000 if operating a standard single

unit, and between \$1,500 and \$5,000 if operating a larger unit with a Tumble Zone indoor playground.

You must also maintain a high-speed Internet connection at your facility, which ranges in cost from \$10 to \$300 per month.

We may require you to update or upgrade your computer system during the term of your Franchise Agreement. There is no contractual limitation on the frequency and cost of your obligation to do so.

Your computer must have basic software, including antivirus software, and you must license additional software that will assist you in class management for the facility. Currently, we require that you license our own proprietary program for class management, which is called the Tumbles Operations Management System; the current cost of this system is \$500 per month, but we reserve the right to increase the cost of this system. Our standard Software License Agreement for the Tumbles Operations Management System is attached as **Exhibit F**. You must also purchase QuickBooks online or a similar software that we approve, which will be a monthly subscription. This software will generate and store class schedules, gross receipts and contact information for clients. License fees for these software programs range from \$100 to \$400 (per license).

We have no obligation to provide any ongoing maintenance, repairs, updates or upgrades to your computer hardware or software systems, with the exception of the Tumbles Operations Management System, which will be maintained, repaired, and updated as necessary. A maintenance contract for the computer hardware or software is not required, but you may choose to obtain a contract from a third party of your choice. We estimate that the cost for this optional maintenance is \$250 to \$500 per year. The required software license fees and costs will include updates.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include all data relating to your business including sales data and client lists. There is no contractual limitation on our right to access the information.

Training Program

Our training program consists of the following:

**TRAINING PROGRAM**

| <b>Subject</b>  | <b>Order of Presentation</b> | <b>Instructional Material</b> | <b>Hours of Self-Study</b> | <b>Hours of Online Training</b> | <b>Hours of in-person Training**</b> | <b>Location</b> |
|-----------------|------------------------------|-------------------------------|----------------------------|---------------------------------|--------------------------------------|-----------------|
| Getting Started | History,                     | Manual #1                     | 4 Hours                    |                                 |                                      | Online          |

|  |  |                       |         |         |         |   |
|--|--|-----------------------|---------|---------|---------|---|
|  | Philosophy, Responsibility, Pre-Opening Concerns, Site Selection   |                       |         |         |         |   |
| Getting Started - Review               | History, Philosophy, Responsibility, Pre-Opening Concerns, Site Selection  | Manual #1             |         | 2 Hours |         | Online / Video Meeting  |
| FUNDamental Video Training #1          | Customer Service Training Videos   | CRM Training Videos   | 2 Hours |         |         | Online  |
| FUNDamental Video Training #1 - Review | Customer Service Training Videos   | CRM Training Videos   |         | 2 Hours |         | Online / Video Meeting  |
| FUNDamental Video Training #2          | Gym Class Overview   | CRM Training Videos   | 2 Hours |         |         | Online  |
| FUNDamental Video Training #2 - Review | Gym Class Overview   | CRM Training Videos   |         | 2 Hours |         | Online / Video Meeting  |
| STEAM Introduction                     | Introduction to STEAM philosophy and process   | STEAM Presentation    |         | 2 Hours |         | Online / Video Meeting  |
| STEAM Curriculum Overview              | Introduce all STEAM curriculum   | STEAM class curricula |         | 2 Hours |         | Online / Video Meeting  |
| Pre-Opening Prep                       | Hiring Staff, Training Staff, Advertising and Promotion  | Manual #1             | 4 Hours |         |         | Online  |
| Pre-Opening Prep - Review              | Hiring Staff, Training Staff, Advertising and Promotion  | Manual #1             |         | 2 Hours |         | Online / Video Meeting  |
| In-Person Training Day 1               | Meet and Greet, Tour of the Tumbles facility, Our Franchise System, The Tumbles Culture, CRM/Systems, Operations | Hands-on Training     |         |         | 8 Hours | Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee** |



|                          |  |                   |  |  |         |   |
|--------------------------|--|-------------------|--|--|---------|---|
|                          | Overview   |                   |  |  |         |   |
| In-Person Training Day 2 | Staffing, Marketing and Advertising, Grand Opening Prep, STEAM Operations, STEAM Curriculum and Method Introduction, Tumble Zone Operations (If applicable)  | Hands-on Training |  |  | 8 Hours | Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee** |
| In-Person Training Day 3 | Class Observation and Participation - Focus on: The Learning Process, Tumbles Method, Warm-Up, Practice Skills, Music/Songs, Points of Interest, Flows, Positioning/Safety Lesson, Class Management, Engagement        | Hands-on Training |  |  | 8 Hours | Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee** |
| In-Person Training Day 4 | Class Observation and Participation - focus on: Mechanics, Parent Share, Separation Time, Games, Practice Skill Review, Mock Classes, Transitioning Lesson, Relays, Tumbling Skills, Sports Skills, Points of Interest | Hands-on Training |  |  | 8 Hours | Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee** |
| In-Person Training Day 5 | Class Instruction, Birthday Party Training, Mock Birthday Party OR Participate in a live Party if one is scheduled, To-Go  | Hands-on Training |  |  | 8 Hours | Encinitas, CA; Johns Creek, GA; or a regional location closer to the franchisee** |

|  |   |                   |                 |                 |                 |                 |
|--|---|-------------------|-----------------|-----------------|-----------------|-----------------|
| Location Review / Grand Opening Event Preparation*** | Review Your Facility: Setup, Storage Room, Equipment, Readiness for opening, Staff review | Hands-on Training |                 |                 | 8 Hours         | Your Location** |
| Location Review / Grand Opening***                   | Participate in Grand Opening Event  | Hands-on Training |                 |                 | 8 Hours         | Your Location** |
| Grand opening Event Debrief***                       | Review the Grand opening event.   | Hands-on Training |                 |                 | 1 Hour          | Your Location   |
| <b>Total Hours</b>                                   |   |                   | <b>12 hours</b> | <b>12 hours</b> | <b>57 hours</b> |                 |

\*\* In the event there are travel restrictions or an inability to attend in-person training sessions, live virtual training will be substituted which could increase or decrease the time commitment.

\*\*\*This is the Grand Opening On-Site Support indicated above.

Training classes will be scheduled in accordance with the needs of new franchisees. We anticipate holding training class once per month. Any in-person training will be held at our franchised location in Encinitas, California or Johns' Creek, Georgia, or we may conduct it at a designated regional facility that is more conveniently located for our franchisee. The instructional materials consist of the Manual, lectures, workbooks and on-the-job demonstration and practice. Training will be supervised or led by Scott Horton and will be conducted by a training manager or other members of our staff. Mr. Horton has been training trainers for Tumbles facilities for over 25 years. The other members of our staff who will conduct training will have a minimum of three years of experience with us and the subjects taught. We reserve the right to vary the length and content of the initial training program based on the experience and level of any individual attending the initial training program.

There is no fee to attend our initial training program. You must pay the travel and living expenses of persons attending training.

Your Principal Executive and your Director must attend training. You may send up to two people to attend training.

We do not currently require additional training programs or refresher courses, but we have the right to do so.

## **Item 12 TERRITORY**

### Your Location

Your franchise is for a specific location. If the specific location is not known at the time you sign a Franchise Agreement, then your location is subject to our approval.

## Relocation

You do not have the right to relocate your business without our approval, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on a case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control.

## Establishment of Additional Outlets

When you sign your Franchise Agreement, we and you may mutually agree to sign a MUDA in the form of **Exhibit C**. Under the MUDA, you will have the right and obligation to develop a specific number of outlets according to an agreed development schedule. The conditions for your development of each additional outlet include (1) you obtain our approval of each additional site, (2) you are in compliance with your Development Schedule and each of your Franchise Agreements, and (3) you sign a new Franchise Agreement (on our then-current form) prior to opening each additional outlet. If you and we do not sign the MUDA, then you do not have the right to establish additional franchised outlets.

Except as described above, you do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

## Territorial Protection

Your Franchise Agreement will specify a Protected Territory. We determine the boundaries of your Protected Territory so that it encompasses a population that is a minimum of 6,000 kids and an average household income of \$55,000 or greater.

Before you sign the MUDA, we will mutually agree upon the boundaries of your Development Territory. The territorial protection that we grant under the MUDA depends on your meeting specific development and opening obligations, which we also identify in the MUDA. So long as you remain in good standing under the MUDA, we agree that, during the term of the MUDA, we will not open or operate, or permit anyone else to open or operate, a Tumbles facility within your Development Territory.

In your Protected Territory, we will not open a business under the Tumbles brand, nor license or franchise another party to open a business under our brand.

Although you receive limited protection from competition as described in this Item, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

There are no restrictions on us from soliciting or accepting orders from consumers inside your territory. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your territory using our principal trademarks or using trademarks different from the ones you will use under your Franchise Agreement. We do not pay any compensation to you for soliciting or accepting

orders from inside your territory.

If, after the first 30 months of operations, your Gross Sales for any consecutive 12-month period are not at least equal to 75% of the average Gross Sales of other Tumbles facilities operating in the United States for the same period (provided such facilities have been open (i) for the entire 12-month period; and (ii) for at least 30 months), we may, at our option, reduce or eliminate your Protected Territory. Otherwise, the continuation of your territorial protection does not depend on achieving a certain sales volume, market penetration, or other contingency.

#### Soliciting by You Outside Your Territory

There are no restrictions on you from accepting customers outside of your territory. However, you may not solicit customers in the protected territory of another System franchisee unless (a) we have approved or provided the content of the advertising, and (b) you have obtained our specific prior written approval to advertising within the protected territory of another franchisee. We reserve the right to control all internet-based marketing and to approve all marketing and advertising.


#### Competition by Us Under Different Trademarks

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

### **Item 13 TRADEMARKS**

#### Registrations

The following are the principal marks that we license to you which are registered on the Principal Register of the United States Patent and Trademark Office. These trademarks are owned by us.

| <b>Mark</b>   | <b>Registration Date</b> | <b>Registration Number</b> |
|---|--------------------------|----------------------------|
|  | May 22, 2018             | 5474282                    |
|  | May 22, 2018             | 5474283                    |
| LEARNING PLAYGROUND   | November 12, 2019        | 5907157                    |
| TUMBLE ZONE   | November 12, 2019        | 5907257                    |

No affidavits are currently required for these marks.

#### Determinations

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings.

#### Litigation

There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

#### Material Agreements

There are no agreements currently in effect that significantly limit our rights to use or license the use to franchisees of the trademarks in any manner material to you.

#### Protection of Rights

We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The Franchise Agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The Franchise Agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to commence and control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the Franchise Agreement, then (i) we will defend you (at our expense) against any legal action by a third party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the Franchise Agreement, we may require you to modify or discontinue using a trademark, at your expense.

#### Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

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

#### Patents

We do not own rights in, or licenses to, patents that are material to the franchise.

## Copyrights

All of 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 Manual, the gym and STEAM curricula, 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, in a manner consistent with our ownership rights, solely for your franchised business.

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 at your expense.

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

## Proprietary Information

We have a proprietary Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information, and know-how.

All customer data and other non-public data generated by your business is confidential and is exclusively owned by us. We license such data back to you without charge solely for use in connection with your Tumbles business.

You must protect the confidentiality of our Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your owners and key employees to sign confidentiality agreements.

You must disclose to us all ideas, plans, improvements, concepts, methods and techniques relating to your Tumbles business that you conceive or develop. We will automatically own all such innovations, and we will have the right to incorporate any innovations into our system for use by all franchisees, without any compensation to you.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE  
FRANCHISE BUSINESS**

Your Participation

You are not required to participate personally in the direct operation of your business. However, we recommend that you participate.

You must designate one person as your “**Principal Executive**”. The Principal Executive is the executive primarily responsible for your business and has decision-making authority on behalf of the business. The Principal Executive must own at least 10% of the business. The Principal Executive must complete our initial training program. The Principal Executive must complete any post-opening training programs that we develop in the future. The Principal Executive must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Principal Executive cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all owners of the business must sign our Guaranty and Non-Compete Agreement (see **Exhibit D**).

“On-Premises” Supervision

You are not required to personally conduct “on-premises” supervision (that is, act as the Director) of the facility. However, we recommend on-premises supervision by you.

There is no limit on whom you can hire as an on-premises supervisor. The Director of your facility (whether that is you or a hired person) must successfully complete our training program.

If the franchise business is owned by an entity, we do not require that the Director of your facility own any equity in the entity-franchisee.

Restrictions On Your Director

You must have your Director (and other key employees that we reasonably designate) sign a confidentiality and non-compete agreement and promptly provide us with a copy of this agreement, unless such agreement violates applicable state law. We do not require you to place any other restrictions on your Director.

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

You must offer for sale only goods and services that we have approved.

You must offer for sale all goods and services that we require. We have the right to change the types of authorized goods or services, and there are no limits on our right to make

changes. We do not restrict your access to customers, except that all sales must occur at or from your location or at customer locations within your Protected Territory.

### Item 17

## RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

### THE FRANCHISE RELATIONSHIP

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

| Provision   | Section in franchise or other agreement  | Summary  |
|---|--|--|
| a. Length of the franchise term                   | Franchise Agreement (FA): § 3.1<br>Multi-Unit Development Agreement (MUDA): § 1(a) | The term of the franchise agreement is 5 years from date of signing.<br>The MUDA will expire on the date that your last franchise is scheduled to open   |
| b. Renewal or extension of the term               | FA: § 3.2<br>MUDA: none  | You may obtain three successor terms of 5 years. After that, successor terms are granted in our discretion.  |
| c. Requirements for franchisee to renew or extend | FA: § 3.2<br>MUDA: none  | At the end of the term, you may be asked to sign a contract with materially different terms and conditions than your original contract.<br>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to then-current standard; sign then-current form of Franchise Agreement and related documents (including personal guaranty); sign general release (unless prohibited by applicable law); pay renewal fee. |
| d. Termination by franchisee                      | FA: § 14.1<br>MUDA: § 4  | If we violate a material provision of the Franchise Agreement and fail to cure or to make substantial progress toward curing the violation within 60 days after notice from you.<br>If you sign a MUDA, you may terminate it at any time.  |
| e. Termination by franchisor without cause        | Not Applicable   |  |



| Provision  | Section in franchise or other agreement | Summary   |
|--|---|---|
| f. Termination by franchisor with cause                | FA: § 14.2<br>MUDA: § 4                 | We may terminate your franchise agreement for cause, subject to any applicable notice and cure opportunity.<br><br>If you sign a Multi-Unit Development Agreement, termination of your MUDA does not give us the right to terminate your franchise agreement. However, if your franchise agreement is terminated, we have the right to terminate your MUDA.   |
| g. “Cause” defined--curable defaults                   | FA: § 14.2<br>MUDA: none                | Non-payment by you (10 days to cure); violate Franchise Agreement other than non-curable default (30 days to cure).   |
| h. “Cause” defined--non-curable defaults               | FA: § 14.2<br>MUDA: § 4                 | FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured.<br><br>MUDA: failure to meet development schedule; violation of franchise agreement or other agreement which gives us the right to terminate it. |
| i. Franchisee’s obligations on termination/non-renewal | FA: §§ 14.3 – 14.6<br>MUDA: none        | Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; pay liquidated damages (for termination only); purchase option by us.  |
| j. Assignment of agreement by franchisor               | FA: § 15.1<br>MUDA: § 7                 | Unlimited   |

| Provision   | Section in franchise or other agreement     | Summary  |
|---|---|--|
| k. “Transfer” by franchisee – defined                                   | FA: Article 1<br>MUDA: Background Statement | For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business.   |
| l. Franchisor’s approval of transfer by franchisee                      | FA: § 15.2<br>MUDA: § 7                     | No transfers without our approval.   |
| m. Conditions for franchisor’s approval of transfer                     | FA: § 15.2<br>MUDA: none                    | Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release (subject to state law); business complies with then-current system specifications (including remodel, if applicable). |
| n. Franchisor’s right of first refusal to acquire franchisee’s business | FA: § 15.5<br>MUDA: none                    | If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal.   |
| o. Franchisor’s option to purchase franchisee’s business                | FA: § 14.6<br>MUDA: none                    | When your franchise agreement expires or is terminated, we will have the right to purchase any or all of the assets of your business.  |
| p. Death or disability of franchisee                                    | FA: §§ 2.4, 15.4<br>MUDA: none              | If you die or become incapacitated, a new principal executive acceptable to us must be designated to operate the business, and your executor must transfer the business to an approved new owner within nine months.   |

| Provision   | Section in franchise or other agreement | Summary  |
|---|---|--|
| q. Non-competition covenants during the term of the franchise             | FA: § 13.2<br>MUDA: none                | Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor.   |
| r. Non-competition covenants after the franchise is terminated or expires | FA: § 13.2<br>MUDA: none                | For two years, no ownership or employment by a competitor within a 15-mile radius from the boundary of your territory (or development area) or within a 15-mile radius from any Tumbles location operating on the date of termination.   |
| s. Modification of the agreement  | FA: § 18.4<br>MUDA: § 7                 | We reserve the right to amend the Franchise Agreement if a change to our standard franchise agreement is agreed to by 75% of the then-current franchisees and is approved by us. Otherwise, no modification or amendment of the Franchise Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications. |
| t. Integration/merger clause  | FA: § 18.3<br>MUDA: § 7                 | Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement (or MUDA) may not be enforceable. However, no claim made in any franchise agreement (or MUDA) is intended to disclaim the express representations made in this Disclosure Document.   |
| u. Dispute resolution by arbitration or mediation                         | FA: § 17.1<br>MUDA: § 7                 | All disputes are resolved by arbitration (except for injunctive relief and certain intellectual property disputes) (subject to applicable state law).  |

| Provision          | Section in franchise or other agreement | Summary  |
|--------------------|---|--|
| v. Choice of forum | FA: §§ 17.1; 17.5<br>MUDA: § 7          | Arbitration will take place in Houston, Texas (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States for Houston, Texas, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law). |
| w. Choice of law   | FA: § 18.8<br>MUDA: § 7                 | Texas (subject to applicable state law).   |

For additional disclosures required by certain states, refer to **Exhibit I - State Addenda to Disclosure Document**.

### Item 18 PUBLIC FIGURES

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

### Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances. We do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, 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 Manish Vakil, 1302 Waugh Drive, Suite 192 Houston, Texas 77019, telephone (833) GYM-STEM, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table 1**  
**Systemwide Outlet Summary**  
**For years 2018 to 2020**

| Column 1<br>Outlet Type | Column 2<br>Year | Column 3<br>Outlets at the Start<br>of the Year | Column 4<br>Outlets at the End<br>of the Year | Column 5<br>Net Change |
|-------------------------|------------------|---|---|------------------------|
| Franchised              | 2018             | 8   | 8   | 0                      |
|                         | 2019             | 8   | 8   | 0                      |
|                         | 2020             | 8   | 6   | -2                     |
| Company-Owned           | 2018             | 0   | 0   | 0                      |
|                         | 2019             | 0   | 0   | 0                      |
|                         | 2020             | 0   | 0   | 0                      |
| <b>Total Outlets</b>    | <b>2018</b>      | <b>8</b>  | <b>8</b>                                      | <b>0</b>               |
|                         | <b>2019</b>      | <b>8</b>  | <b>8</b>                                      | <b>0</b>               |
|                         | <b>2020</b>      | <b>8</b>  | <b>6</b>                                      | <b>-2</b>              |

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2018 to 2020**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Number of Transfers |
|-------------------|------------------|---------------------------------|
| New Jersey        | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 1                               |
| New York          | 2018             | 1                               |
|                   | 2019             | 0                               |
|                   | 2020             | 1                               |
| <b>Total</b>      | <b>2018</b>      | <b>2</b>                        |
|                   | <b>2019</b>      | <b>0</b>                        |
|                   | <b>2020</b>      | <b>1</b>                        |

**Table 3**  
**Status of Franchised Outlets for Years 2018 to 2020**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>the Start<br>of the<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Termi-<br>Nations | Column 6<br>Non-<br>Renewals | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>– Other<br>Reasons | Column 9<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|---|-------------------------------|-------------------------------|------------------------------|--|--|--|
|-------------------|------------------|---|-------------------------------|-------------------------------|------------------------------|--|--|--|

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at<br>the Start<br>of the<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Termi-<br>Nations | Column 6<br>Non-<br>Renewals | Column 7<br>Reacquired<br>by<br>Franchisor | Column 8<br>Ceased<br>Operations<br>– Other<br>Reasons | Column 9<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|---|-------------------------------|-------------------------------|------------------------------|--|--|--|
| California        | 2018             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2019             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2020             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
| Georgia           | 2018             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2019             | 0   | 1                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2020             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
| New Jersey        | 2018             | 4   | 0                             | 0                             | 0                            | 0  | 0  | 4  |
|                   | 2019             | 4   | 0                             | 0                             | 0                            | 0  | 1  | 3  |
|                   | 2020             | 3   | 0                             | 0                             | 0                            | 0  | 1*   | 2  |
| New York          | 2018             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2019             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2020             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
| Texas             | 2018             | 0   | 0                             | 0                             | 0                            | 0  | 0  | 0  |
|                   | 2019             | 0   | 1                             | 0                             | 0                            | 0  | 0  | 1  |
|                   | 2020             | 1   | 0                             | 0                             | 0                            | 0  | 0  | 1  |
| Virginia          | 2018             | 2   | 0                             | 0                             | 0                            | 0  | 0  | 2  |
|                   | 2019             | 2   | 0                             | 0                             | 0                            | 0  | 1  | 1  |
|                   | 2020             | 1   | 0                             | 1                             | 0                            | 0  | 0  | 0  |
| <b>Totals</b>     | <b>2018</b>      | <b>8</b>  | <b>0</b>                      | <b>0</b>                      | <b>0</b>                     | <b>0</b>                                   | <b>0</b>   | <b>8</b>                                     |
|                   | <b>2019</b>      | <b>8</b>  | <b>2</b>                      | <b>0</b>                      | <b>0</b>                     | <b>0</b>                                   | <b>2</b>   | <b>8</b>                                     |
|                   | <b>2020</b>      | <b>8</b>  | <b>0</b>                      | <b>1</b>                      | <b>0</b>                     | <b>0</b>                                   | <b>1</b>   | <b>6</b>                                     |

\*This location ceased operations during 2020; but the parties formally terminated the franchise agreement earlier this year.

**Table 4  
Status of Company-Owned Outlets  
For years 2018 to 2020**

| Column 1<br>State | Column 2<br>Year | Column 3<br>Outlets at the<br>Start of the<br>Year | Column 4<br>Outlets<br>Opened | Column 5<br>Outlets<br>Reacquired<br>from<br>Franchisee | Column 6<br>Outlets<br>Closed | Column 7<br>Outlets Sold<br>to Franchisee | Column 8<br>Outlets at<br>End of the<br>Year |
|-------------------|------------------|--|-------------------------------|---|-------------------------------|---|--|
| <b>Totals</b>     | <b>2018</b>      | <b>0</b>   | <b>0</b>                      | <b>0</b>  | <b>0</b>                      | <b>0</b>                                  | <b>0</b>                                     |
|                   | <b>2019</b>      | <b>0</b>   | <b>0</b>                      | <b>0</b>  | <b>0</b>                      | <b>0</b>                                  | <b>0</b>                                     |
|                   | <b>2020</b>      | <b>0</b>   | <b>0</b>                      | <b>0</b>  | <b>0</b>                      | <b>0</b>                                  | <b>0</b>                                     |

**Table 5**  
**Projected Openings as of December 31, 2020**

| Column 1<br>State | Column 2<br>Franchise Agreements<br>Signed but Outlet Not<br>Opened | Column 3<br>Projected New Franchised<br>Outlets in the Next Fiscal<br>Year | Column 5<br>Projected New Company-<br>Owned Outlets in the Next<br>Fiscal Year |
|-------------------|---|--|--|
| Florida           | 0   | 1  | 0  |
| Georgia           | 0   | 0  | 0  |
| Louisiana         | 1   | 1  | 0  |
| New Jersey        | 1   | 0  | 0  |
| Texas             | 2   | 1  | 0  |
| <b>Totals</b>     | <b>4</b>  | <b>3</b>   | <b>0</b>   |

Current and Former Franchisees

The names of our current franchisees and the address and telephone numbers of each of their outlets is listed on **Exhibit K**. The name, address and 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 has not communicated with the franchisor within 10 weeks of the issuance date of this Disclosure Document is listed on **Exhibit L**.

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

Confidentiality Agreements

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.

Franchisee Organizations

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

**Item 21**  
**FINANCIAL STATEMENTS**

**Exhibit M** to this Disclosure Document contains our audited financial statements for fiscal years ended December 31, 2018; December 31, 2019; and December 31, 2020. Our fiscal year ends on December 31.

**Item 22**  
**CONTRACTS**

All contracts proposed for use in this state are attached as exhibits as follows:

1. Franchise Agreement (**Exhibit B**)
2. Multi-Unit Development Agreement (**Exhibit C**)
3. Guaranty and Non-Compete Agreement (**Exhibit D**)
4. Rider to Lease Agreement (**Exhibit E**)
5. Software License Agreement (**Exhibit F**)
6. Form of General Release (**Exhibit G**)
7. State Addenda to Agreements (**Exhibit J**)

**Item 23**  
**RECEIPTS**

The last two pages of this Disclosure Document are Receipt pages, in duplicate, acknowledging receipt of this Disclosure Document by a prospective franchisee.



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

| State      | State Administrator  | Agent for Service of Process (if different from State Administrator)   |
|------------|--|--|
| California | Commissioner of Financial Protection and Innovation<br>Department of Financial Protection and Innovation<br>2101 Arena Blvd.<br>Sacramento, CA 95834<br>866-275-2677                         |  |
| Hawaii     | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>P.O. Box 40<br>Honolulu, HI 96810<br>(808) 586-2722                           | Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813 |
| Illinois   | Franchise Bureau<br>Office of Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465   |  |
| Indiana    | Franchise Section<br>Indiana Securities Division<br>Secretary of State<br>Room E-111<br>302 W. Washington Street<br>Indianapolis, IN 46204<br>(317) 232-6681                                 |  |
| Maryland   | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360   | Maryland Commissioner of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020  |
| Michigan   | Michigan Attorney General's Office<br>Consumer Protection Division<br>Attn: Franchise Section<br>525 W. Ottawa Street<br>Williams Building, 1st Floor<br>Lansing, MI 48933<br>(517) 373-7117 |  |
| Minnesota  | Minnesota Department of Commerce<br>Securities-Franchise Registration<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500                               | Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7 <sup>th</sup> Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500  |

| State        | State Administrator   | Agent for Service of Process (if different from State Administrator)   |
|--------------|---|--|
| New York     | New York State Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Floor<br>New York, NY 10005<br>212-416-8236                                       | Secretary of State<br>99 Washington Avenue<br>Albany, NY 12231   |
| North Dakota | North Dakota Securities Department<br>600 East Boulevard Ave., State Capital Fifth<br>Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712                     |  |
| Oregon       | Department of Consumer & Business<br>Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4140 |  |
| Rhode Island | Department of Business Regulation<br>Securities Division<br>1511 Pontiac Avenue<br>Building 68-2Cranston, RI 02920-4407<br>(401) 462-9527                               |  |
| South Dakota | Division of Insurance<br>Securities Regulation<br>124 South Euclid Suite 104<br>Pierre, SD 57501-3185<br>(605) 773-3563   |  |
| Virginia     | State Corporation Commission<br>1300 East Main Street<br>9th Floor<br>Richmond, VA 23219<br>(804) 371-9051  | Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219                                    |
| Washington   | Department of Financial Institutions<br>Securities Division<br>P.O. Box 9033<br>Olympia, WA 98507<br>(360) 902-8760   | Department of Financial Institutions<br>Securities Division<br>150 Israel Rd SW<br>Tumwater, WA 98501<br>(360) 902-8760                |
| Wisconsin    | Division of Securities<br>Department of Financial Institutions<br>4822 Madison Yards Way<br>Madison, Wisconsin 53705<br>(608) 266-0448                                  | Division of Securities<br>Department of Financial Institutions<br>4822 Madison Yards Way<br>Madison, Wisconsin 53705<br>(608) 261-7577 |

**EXHIBIT B**  
**FRANCHISE AGREEMENT**  
(ATTACHED)



## FRANCHISE AGREEMENT

| SUMMARY PAGE             |  |
|--------------------------|--|
| 1. Franchisee            | [Insert name], a [insert state and entity type][a resident of ___] |
| 2. Effective Date        | _____  |
| 3. Initial Franchise Fee | \$ _____   |
| 4. Development Area      | _____  |
| 5. Location              | _____  |
| 6. Protected Territory   | _____  |
| 7. Opening Deadline      | _____  |
| 8. Principal Executive   | _____  |
| 9. Franchisee's Address  | _____  |

## FRANCHISE AGREEMENT

This Agreement is made between Tumbles LLC, a Delaware limited liability company (“**Franchisor**”), and Franchisee on the Effective Date.

### Background Statement:

A. Franchisor owns a system (the “**System**”) for developing and operating facilities for children between the ages of four months and nine years to be operated under the trade name Tumbles™ (“**Tumbles**”).

B. The System includes (1) methods and procedures for developing and operating a Tumbles business, (2) plans, specifications, equipment, signage and trade dress for Tumbles facilities, (3) particular products and services, (4) the Marks, (5) training programs, (6) technical knowledge, (7) marketing plans and concepts, (8) a website, (9) accounting and bookkeeping specifications, (10) methods and standards of operation, (11) specialized curriculum, and (12) other mandatory or optional elements as determined by Franchisor from time to time.

C. The parties desire that Franchisor license the Marks and the System to Franchisee for Franchisee to develop and operate a Tumbles facility on the terms and conditions of this Agreement.

## ARTICLE 1. DEFINITIONS

“**Action**” means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

“**Approved Vendor**” means a supplier, vendor, or distributor of Inputs which has been approved by Franchisor.

“**Business**” means the Tumbles facility owned by Franchisee and operated under this Agreement.

“**Competitor**” means any gym, steam facility (science, technology, engineering, arts, math), or similar business that derives at least 50% of its revenue from products and services sold for children ages 1 to 10.

“**Confidential Information**” means all non-public information of or about the System, Franchisor, and any Tumbles facility, including all methods for developing and operating the Business, the curriculum, and all non-public plans, data, financial information, processes, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

“**Gross Sales**” means the total dollar amount of all sales generated through the Business for a given period, including, but not limited to, payment for any services or products sold by Franchisee, whether for cash or credit, including, without limitation, prepaid cards, gift cards or similar products which shall be included in the calculation of Gross Sales at the time of sale (rather than at the time of redemption). Gross Sales does not include (i) bona fide refunds to

customers, (ii) sales taxes collected by Franchisee, or (iii) sales of used equipment not in the ordinary course of business. Franchisor may also elect to exclude in Gross Sales Franchisee's sales of prepaid cards, gift cards or similar products at the time of sale if it establishes a regional or national gift card program, and instead, include payments in the calculation of Gross Sales at the time of redemption. After establishing such a program, Franchisee must adhere to Franchisor's policies and directives with respect to such program and the timing of the inclusion of sales in Gross Sales.

**“Input”** means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

**“Location”** means the location stated on the Summary Page.

**“Losses”** includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys' fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of Franchisor's reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described herein.

**“Manual”** means Franchisor's confidential brand standards manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media.

**“Marketing Fund”** means the fund established by Franchisor into which Marketing Fund Contributions are deposited.

**“Marks”** means the mark “Tumbles” and all other trade names, trademarks, service marks and logos specified by Franchisor from time to time for use in a Tumbles facility.

**“Owner”** means each person or entity which directly or indirectly owns or controls any equity of Franchisee. If Franchisee is an individual person, then “Owner” means Franchisee.

**“Protected Territory”** means the protected territory stated on the Summary Page.

**“Required Vendor”** means a supplier, vendor, or distributor of Inputs which Franchisor requires franchisees to use.

**“Remodel”** means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new Tumbles facility.

**“System Standards”** means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by Franchisor, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, data protection and privacy, design (such as construction,

decoration, layout, equipment, fixtures and signs), equipment, inventory, marketing and public relations, operating days, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors, other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), temporary operational changes due to special circumstances (such as a pandemic), uniforms, curriculum, and vehicles

“**Transfer**” means for Franchisee (or any owner of Franchisee) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business, (ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** Franchisor grants to Franchisee the right (i) to operate a Tumbles facility under the Marks solely at the Location; and (ii) to provide Tumbles services and specialized on-site programs for customers located within the Protected Territory (“**On-Site Programs**”). If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a Tumbles facility at the Location for the entire term of this Agreement. The parties acknowledge that Franchisee must operate the Business to meet Franchisor’s minimum System Standards, but that the means of satisfying the System Standards are left to the control and discretion of Franchisee.

### **2.2 Protected Territory.**

(a) Franchisor shall not establish, nor license the establishment of, another Tumbles facility within the Protected Territory. Franchisor retains the right to:

- (i) establish and license others to establish and operate Tumbles facilities outside the Protected Territory, regardless of their proximity to the Protected Territory or their impact on the Business;
- (ii) operate and license others to operate similar businesses anywhere that do not operate under the Marks; and
- (iii) sell, and license others to sell, products and services under the Marks in the Protected Territory through channels of distribution (including the internet) other than Tumbles facilities.

(b) Notwithstanding anything in this Agreement to the contrary, if, after the first 30 months of operations, Franchisee’s Gross Sales for any consecutive 12-month period are not at least equal to 75% of the average Gross Sales of other Tumbles facilities operating in the United

States for the same period provided such facilities have been open (i) for the entire 12-month period; and (ii) for at least 30 months, Franchisor may, at its option, reduce or eliminate Franchisee's Protected Territory. If Franchisor exercise this right, Franchisee shall not be excused from any of its obligations under this Agreement, and Franchisor shall not be required to refund any amounts paid by Franchisee to Franchisor hereunder.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, member, officer, director and manager (as applicable) of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (and such change is not a Transfer), Franchisee shall notify Franchisor within 10 days.

**2.4 Principal Executive.** Franchisee agrees that the person designated as the "**Principal Executive**" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Principal Executive must have at least 10% ownership interest in Franchisee. The Principal Executive does not have to serve as a day-to-day general manager of the Business, but the Principal Executive must devote substantial time and attention to the Business. If the Principal Executive dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Principal Executive, subject to Franchisor's approval in its sole discretion.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to Franchisor, in the form specified by Franchisor.

**2.6 No Conflict.** Franchisee represents to Franchisor that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

### ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for five years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for three additional periods of five years each, subject to the following conditions:

- (i) Franchisee notifies Franchisor of the election to renew between 90 and 180 days prior to the end of the term;
- (ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with Franchisor (or any of its affiliates) at the time of election and at the time of renewal;



- (iii) Franchisee has made or agrees to make (within a period of time acceptable to Franchisor) renovations and changes to the Business as Franchisor requires (including a Remodel, if applicable) to conform to the then-current System Standards;
- (iv) Franchisee and its Owners execute Franchisor's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will receive any remaining successor terms as provided under the first sentence of this Section 3.2;
- (v) Franchisee and each Owner executes a general release (on Franchisor's then-standard form) of any and all claims against Franchisor, its affiliates, and their respective directors, managers, officers, employees, shareholders, members and agents; and
- (vi) Franchisee pays to Franchisor a successor term fee of \$5,000 per successor term. Additional successor terms may be awarded at Franchisor's sole discretion.

#### **ARTICLE 4. FEES**

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. The initial franchise fee is not refundable.

**4.2 Royalty Fee.** Franchisee shall pay Franchisor a monthly royalty fee (the "**Royalty Fee**") that is the greater of (a) 7% of Gross Sales; or (b) \$1,500 per month if the Minimum Royalty Fee is applicable (the "**Minimum Royalty**"). The Royalty Fee for any given month is due by the 10<sup>th</sup> day of the following month. The Minimum Royalty shall commence being payable after the 24th month of operations.

**4.3 Access Fee.** Upon signing this Agreement, Franchisee must pay Franchisor an access fee of \$12,000 (the "**Access Fee**") for the design services relating to the layout of the facility equipment and site selection services as specified in Section 6.1. The Access Fee also covers website setup, including setup and onboarding of Franchisor's operations management system software, which will be used to run the operations of the Business.

#### **4.4 Marketing Contributions.**

(a) Marketing Fund Contribution. Franchisee shall pay Franchisor a monthly contribution to the Marketing Fund (the "**Marketing Fund Contribution**") equal to up to 2% of Franchisee's Gross Sales (or such lesser amount as Franchisor determines in its sole discretion), at the same time as the Royalty Fee.

(b) Marketing Cooperative Contribution. If the Business participates in a Marketing Cooperative, then Franchisee shall contribute to the Marketing Cooperative a percentage of Gross Sales (or other amount) as determined by the Market Cooperative.

**4.5 Digital Advertising Management Fee.** Franchisee shall pay Franchisor (or Franchisor's approved vendor) then-current "**Digital Advertising Management Fee**". The Digital Advertising Management Fee is payable at the same time as the Royalty Fee and will cover costs to manage Franchisee's digital advertising and social media platforms.

**4.6 Non-Compliance Fee.** Franchisor may charge Franchisee \$500 for any instance of non-compliance with the System Standards or this Agreement (other than failure by Franchisee to pay fees owed to Franchisor) which Franchisee fails to cure after 30 days' written notice. Thereafter, if such non-compliance is ongoing, Franchisor may charge Franchisee \$250 per week until Franchisee ceases such non-compliance. This fee is a reasonable estimate of Franchisor's internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of Franchisor's other rights and remedies, including default and termination).

**4.7 Reimbursement.** Franchisor may (but is never obligated to) pay, on Franchisee's behalf, any amount that Franchisee owes to a supplier or other third party. If Franchisor does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to Franchisor within 15 days after invoice by Franchisor.

#### **4.8 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, Marketing Fund Contribution, Digital Advertising Management Fee, and any other amounts owed to Franchisor by pre-authorized bank draft or in such other manner as Franchisor may require. Franchisee shall comply with Franchisor's payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to Franchisor by 10<sup>th</sup> of each month. If Franchisee fails to report monthly Gross Sales, then Franchisor may withdraw estimated Royalty Fees and Marketing Fund Contributions equal to 110% of the last Gross Sales reported to Franchisor, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that Franchisor will have remote access to Franchisee's point-of-sale system.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a \$200 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Costs of Collection. Franchisee shall repay any actual costs incurred by Franchisor (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(e) Application. Franchisor may apply any payment received from Franchisee to any obligation and in any order as Franchisor may determine, regardless of any designation by Franchisee.

(f) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to Franchisor any fees or amounts described in this Agreement are not dependent on Franchisor's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** Franchisor shall make its Manual available to Franchisee.

**5.2 Pre-Opening Assistance.**

(a) Selecting Location. Franchisor will review and advise Franchisee regarding potential locations submitted by Franchisee. Franchisee is not obligated to further assist Franchisee in locating a site or negotiating the purchase or lease of the site, although Franchisor may visit the site in person if it believes a site visit is needed, in its sole discretion. The cost of one site visit is covered by the Access Fee.

(b) Design Services. Franchisor or its approved vendor will provide design services in connection with the layout of the facility's equipment.

(c) Equipment, Approved Vendors. Franchisee must purchase its initial equipment package from Franchisor or an approved vendor. Franchisor will consult with Franchisee with respect to specifications as Franchisor deems appropriate (which may include specifications regarding equipment, inventory, supplies, materials, and other matters). Franchisor may provide Franchisee with lists of Approved Vendors and/or Required Vendors.

(d) Pre-Opening Training. Franchisor shall make available its standard pre-opening training to the Principal Executive and the person that is in charge of the day-to-day management of the Business (the "**Director**"), at a Tumbles facility or other location designated by Franchisor. Franchisor shall not charge any fee for this training. Franchisee is responsible for its own payroll, travel, lodging, meal, and other out-of-pocket expenses. Franchisor reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(e) Grand Opening Marketing Plan. Franchisor may advise Franchisee regarding the planning and execution of Franchisee's grand opening marketing plan.

(f) On-Site Opening Assistance. Franchisor shall have a representative support Franchisee's grand opening for at least two days of onsite opening training and assistance, unless applicable travel restrictions preclude such on-site assistance.

### 5.3 Post-Opening Assistance.

(a) Continued Development of the System. To the extent Franchisor deems appropriate, in its sole discretion, Franchisor will seek to improve and develop the System during the Term, including the refinement of existing products, services, techniques and methods, and/or the development of new products, services, techniques and methods.

(b) Advice, Consulting, and Support. If Franchisee requests and subject to the availability of its personnel, Franchisor will provide advice to Franchisee regarding improving and developing Franchisee's facility, and resolving operating problems Franchisee encounters, to the extent Franchisor deems appropriate. If Franchisor provides in-person support in response to Franchisee's request, Franchisor may charge its then-current fee for on-site consulting services plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(c) Additional Training. Franchisor may require additional training for any of Franchisee's personnel if it deems additional training is appropriate in its sole discretion. Franchisor may charge its then-current fee for additional training plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing additional training).

(d) Pricing. Franchisor may provide recommended prices for products and services offered by franchisees of the System if it seems such advice appropriate.

(e) Procedures. Franchisor may consult with Franchisee regarding Franchisor's recommended administrative, bookkeeping, accounting, and inventory control procedures. Franchisor may make any such procedures part of required (and not merely recommended) System Standards.

(f) Marketing. Franchisor shall manage the Marketing Fund so long as the Marketing Fund is operating.

## ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

**6.1 Location.** Franchisee is solely responsible for selecting the Location within the Development Area. If the Location is not stated on the Summary Page, then Franchisee shall find a Location within the Development Area described on the Summary Page, and submit its proposed Location to Franchisor for acceptance, with all related information and documentation that Franchisor may request. The Access Fee listed in Section 4.3 covers, inter alia, Franchisor's analysis of the proposed Location and covers one visit to Franchisee's proposed site(s) for evaluation (but only if Franchisor deems such visit necessary in its sole discretion). We may require Franchisee to use Franchisor's approved real estate brokerage firm for site selection services. If Franchisor does not accept the proposed Location in writing within 30 days, then it is deemed rejected. **Franchisor's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful.**

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by Franchisor, Franchisee must submit the proposed lease to Franchisor for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall obtain a rider to the lease signed by the landlord to the Location, on the form required by Franchisor.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with Franchisor's System Standards. If required by Franchisor, Franchisee shall engage the services of an architect licensed in the jurisdiction of the Location. Franchisee shall not begin any construction or remodeling work without first obtaining Franchisor's approval of Franchisee's plans. Franchisor may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by Franchisor or its representatives regarding any architectural, engineering or legal matters in the development and construction of the Business, and Franchisor assumes no liability with respect thereto. Franchisor's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering or legal standards.

**6.4 New Franchisee Training.** Franchisee's Principal Executive and the facility's Director must complete Franchisor's training program for new franchisees at least 4 week prior to the Business' opening.

**6.5 Conditions to Opening.** Franchisee shall notify Franchisor at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) Franchisor has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of Franchisor's required pre-opening training; (7) Franchisee has conducted the grand opening marketing campaign required under Section 9.6, and (8) Franchisor has given its written approval to open.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards.** Franchisee shall at all times and at its own expense comply with all System Standards and with all other mandatory obligations contained in the Manual.

**7.2 Compliance with Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

**7.3 Products and Services; Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, or, in connection with On-Site Programs, on the customer's site located within the Protected Territory. Unless otherwise approved or required by Franchisor, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. Franchisee shall implement any guaranties, warranties, or similar commitments regarding products and/or services that Franchisor may require.

**7.4 Prices.** Franchisee acknowledges that the System Standards determined by Franchisor may include the minimum, maximum, and/or exact prices that franchisees may charge for products or services sold (except to the extent such authority is limited or prohibited by applicable law).

**7.5 Employees.**

(a) Service. Franchisee shall cause its employees to render competent and courteous service to all customers and members of the public.

(b) Appearance. Franchisee shall cause its employees to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(c) Qualifications. Franchisor may set minimum qualifications for categories of employees employed by Franchisee.

(d) Sole Responsibility. Franchisee is solely responsible for all hiring decisions and all of the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and Franchisor are not joint employers, and no employee of Franchisee will be an agent or employee of Franchisor. Within seven days of Franchisor's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not Franchisor) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

**7.6 Post-Opening Training.** Franchisor may at any time require that the Principal Executive and/or any other employees complete training programs, in any format and in any location determined by Franchisor. Franchisor may charge a reasonable fee for any training programs. Franchisor may require Franchisee to provide training programs to its employees. If a training program is held at a location that requires travel by the Principal Executive or any other employee, then Franchisee shall pay all payroll, travel, living and other expenses.

**7.7 Promotions.** Franchisee shall implement any marketing plans determined by Franchisor for the promotion of any particular products and/or services on a national, regional, or local level and shall offer such products or services at the prices determined by Franchisor but only to the extent permitted by applicable law.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. Franchisor may take any action it deems appropriate to resolve a customer complaint regarding the Business, and Franchisor may require Franchisee to reimburse Franchisor for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by Franchisor for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. Franchisor shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by Franchisor for such programs. Franchisor may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by Franchisor (which may include, for example, cash, specific credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by Franchisor. Franchisee is solely responsible for, and must at all times comply with, payment card industry data security standards (PCI-DSS).

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid items, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by Franchisor, in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another Tumbles facility. Franchisee shall comply with all procedures and specifications of Franchisor related to gift cards, certificates, and other pre-paid system, or related to customer loyalty, membership/subscription programs, or customer incentive programs as specified in the Manual.

**7.12 Maintenance and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property to the Business as Franchisor may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, Franchisor may require Franchisee to undertake and complete a Remodel of the Location to Franchisor's satisfaction. Franchisee must complete the Remodel in the time frame specified by Franchisor. Franchisor may require Franchisee to submit plans for Franchisor's approval which may be given in Franchisor's sole discretion prior commencing a required Remodel.

**7.14 Meetings.** The Principal Executive shall attend all in-person meetings and remote meetings (such as telephone or video conference calls) that Franchisor requires, including any national or regional brand conventions. Franchisor may require Franchisee to pay a reasonable meeting fee for any national or regional brand conventions.

**7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by Franchisor in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

- (i) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than \$1,000,000 single limit per occurrence and \$2,000,000 aggregate limit;
- (ii) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount not less than \$1,000,000;
- (iii) abuse, sexual harassment, sexual misconduct and molestation, with minimum liability coverage of \$100,000 per occurrence and \$300,000 in the aggregate;
- (iv) property damage covering the facility's equipment in an amount not less than \$150,000; and
- (v) business interruption insurance covering at least 12 months of income;
- (vi) Workers Compensation coverage as required by state law.

(b) Franchisee's policies (other than Workers Compensation) must (1) list Franchisor and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of Franchisor and its affiliates, (3) be primary and non-contributing with any insurance carried by Franchisor or its affiliates, and (4) stipulate that Franchisor shall receive 30 days' prior written notice of cancellation. Franchisee shall provide Certificates of Insurance evidencing the required coverage to Franchisor prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of Franchisor.

**7.16 Obligations to Third Parties and Government.** Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows



money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location and make all rent payments when due.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding the Tumbles system, the Business, or any particular incident or occurrence related to the Business, without Franchisor's prior written approval.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization or cause, or (ii) act in support of any such organization or cause, without Franchisor's prior written approval.

**7.19 No Other Activity at the Location.** Franchisee shall not engage in any activity at the Location other than the operation of the Business.

**7.20 No Other Businesses.** If Franchisee is an entity, Franchisee shall not own or operate any other business except Tumbles facilities. Franchisee shall not "co-brand" or associate any other business activity with the Tumbles brand in a manner which is likely to cause the public to perceive it to be related to the Tumbles Business.

**7.21 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of Franchisor, in Franchisor's sole discretion.

**7.22 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by Franchisor. Franchisee must display at the Business signage prescribed by Franchisor identifying the Location as an independently owned franchise.

**7.23 Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from Franchisor. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

## ARTICLE 8. SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisor may require Franchisee to purchase or lease any Inputs from Franchisor, from Franchisor's designee, Required Vendors, Approved Vendors, and/or under Franchisor's specifications. Franchisor may change any such requirement or change the status of any vendor. To make such requirement or change effective, Franchisor shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If Franchisor requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and

any information, specifications and/or samples requested by Franchisor. Franchisor may condition its approval on such criteria as Franchisor deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. Franchisor will provide Franchisee with written notification of the approval or disapproval of any propose new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If Franchisor requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by Franchisor. Franchisor will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** Franchisor may implement a centralized purchasing system and negotiate prices and terms with vendors on behalf of the System. Franchisor may receive rebates or payments from vendors in connection with purchases by franchisees. Franchisor may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as Franchisor may determine.

**8.5 No Liability of Franchisor.** Franchisor shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

**8.6 Product Recalls.** If Franchisor or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from Franchisor or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

## ARTICLE 9. MARKETING

**9.1 Approval and Implementation.** Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by Franchisor. Franchisor may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, including any social media policy that Franchisor may prescribe. Franchisee shall implement any marketing plans or campaigns determined by Franchisor.

**9.2 Use by Franchisor.** Franchisor may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, royalty-free license to Franchisor for such purpose.

### 9.3 Marketing Fund.

(a) Separate Account. Franchisor shall hold the Marketing Fund Contributions from all franchisees in one or more bank accounts separate from Franchisor's other accounts.

(b) Use. Franchisor shall use the Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as Franchisor determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e-commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the Marketing Fund (including the compensation of Franchisor's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the Marketing Fund need not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee. The Marketing Fund will be spent at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Marketing Fund.

(d) Contribution by Other Outlets. Franchisor is not obligated to (i) have all other Franchisor businesses (whether owned by other franchisees or by Franchisor or its affiliates) contribute to the Marketing Fund, or (ii) have other Franchisor businesses that do contribute to the Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. Franchisor may accumulate funds in the Marketing Fund carry the balance over to subsequent years. If the Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor may loan such funds to the Marketing Fund on reasonable terms.

(f) Financial Statement. Franchisor will prepare an unaudited annual financial statement of the Marketing Fund within 120 days of the close of Franchisor's fiscal year and will provide the financial statement to Franchisee upon request.

**9.4 Market Cooperatives.** Franchisor may establish market advertising and promotional cooperative funds ("**Market Cooperative**") in any geographical area(s). If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days of notice from Franchisor. Franchisor shall not require Franchisee to be a member of more than one Market Cooperative. If Franchisor establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by Franchisor. Franchisor may require the Market Cooperative to adopt bylaws or regulations prepared by Franchisor. Unless otherwise specified by Franchisor, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. Franchisor will be entitled to attend and participate in any meeting of a Market Cooperative. Any Tumbles facility owned by Franchisor in the Market Cooperative will have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, Franchisor may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to Franchisor's approval), standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of Franchisor pursuant to Section 9.1. Franchisor may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not less than 1% of Gross Sales.

(e) Enforcement. Only Franchisor will have the right to enforce the obligations of franchisees that are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. Franchisor may terminate any Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the Marketing Fund.

**9.5 Required Spending.** After the Business opens to the public, Franchisee shall spend at least \$600 each month on marketing the Business. Upon request of Franchisor, Franchisee shall furnish such proof of its compliance with this Section. Franchisor has the sole discretion to determine what activities constitute "marketing" under this Section. Franchisor may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section. This amount is subject to adjustment upon 90 days advance notice, but Franchisor shall not increase required marketing expenditures by more than 10% in any 12-month period.

**9.6 Grand Opening Marketing.** Franchisee must develop a grand opening marketing plan and obtain Franchisor's approval of the grand opening marketing plan at least 90 days before the projected opening date of the Business. Franchisee must spend at least \$8,000 on marketing prior to and during the first eight weeks of operating the Business.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and inventory control procedures and systems as Franchisor may specify in the Manual or otherwise in writing.

### 10.2 Reports.

(a) Financial Reports. Franchisee shall provide such periodic financial reports as Franchisor may require in the Manual or otherwise in writing, including:

- (i) a quarterly profit and loss statement and balance sheet for the Business within 30 days after the end of each fiscal quarter of Franchisor's fiscal year, and
- (ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of Franchisor's fiscal year.

(b) Legal Actions and Investigations. Franchisee shall promptly notify Franchisor of any Action or threatened Action by any customer or other third party against Franchisee or the Business, or otherwise involving Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as Franchisor may request.

(c) Government Inspections. Franchisee shall give Franchisor copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to Franchisor such other financial statements, reports, budgets, forecasts, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business as specified in the Manual or that Franchisor may reasonably request.

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to Franchisor a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of Franchisor's Franchise Disclosure Document and with such other information as Franchisor may request.

**10.4 Business Records.** Franchisee shall keep accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. Franchisee shall keep such other business records as Franchisor may specify in the Manual or otherwise in writing.

**10.5 Records Audit.** Franchisor may examine and audit all books and records related to the Business, and supporting documentation, at any reasonable time. Franchisor may conduct the

audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by Franchisor. Franchisee shall also reimburse Franchisor for all costs and expenses of the examination or audit if (i) Franchisor conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

**10.6 Remote Access To Point of Sale System.** Franchisee shall give Franchisor unlimited access to Franchisee's point of sale system and other software systems related to the operation of the Business, by any means designated by Franchisor.

## **ARTICLE 11. FRANCHISOR RIGHTS**

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by Franchisor. Franchisor may supplement, revise, or modify the Manual, and Franchisor may change, add or delete System Standards at any time in its discretion. Franchisor may inform Franchisee thereof by any method that Franchisor deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, Franchisor's master copy will control.

**11.2 Business Evaluation.** Franchisor may accompany Franchisee or its personnel on any services performed for a customer to conduct an evaluation. If the Location will be open to the public or used for meeting customers or potential customers, Franchisor may enter the premises of the Business from time to time during normal business hours and conduct an evaluation. Franchisee shall cooperate with Franchisor's evaluators. The evaluation may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. Franchisor may videotape and/or take photographs of the evaluation. Franchisor may set a minimum score requirement for evaluations, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting Franchisor's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an evaluation. If Franchisor conducts an evaluation because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed evaluation), then Franchisor may charge all out-of-pocket expenses plus its then-current evaluation fee to Franchisee.

**11.3 Franchisor's Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, Franchisor may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse Franchisor for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, Franchisor may (i) require that Franchisee pay cash on delivery for products or services supplied by Franchisor, (ii) stop selling or providing any products and services to

Franchisee, and/or (iii) request or require vendors or suppliers to not sell or provide products or services to Franchisee. No such action by Franchisor shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of Franchisor are in addition to any other right or remedy available to Franchisor.

**11.5 Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by Franchisor. Franchisor hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.6 Temporary Public Safety Closure.** If Franchisor discovers or becomes aware of any aspect of the Business which, in Franchisor's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Franchisor's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. Franchisor shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

**11.7 Innovations.** Franchisee shall disclose to Franchisor all ideas, plans, improvements, concepts, methods, techniques, and other items developed or created by it, its employees, agents or contractors relating to the Business (collectively, "**Innovations**"). Franchisor will automatically own all Innovations and will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents requested by Franchisor to document Franchisor's ownership of the Innovations.

**11.6 Delegation.** Franchisor may delegate any duty or obligation of Franchisor under this Agreement to a third party.

**11.7 Communication Systems.** If Franchisor provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes Franchisor to access such communications.

**11.8 Communication with Employees.** Franchisee irrevocably authorizes Franchisor to communicate with Franchisee's employees and contractors on any matter related to the System or the Business. Franchisee will not prohibit any employee or contractor from communicating with Franchisor on any matter related to the System or the Business.

**11.9 Communications with Landlord and Lenders.** Franchisee irrevocably authorizes Franchisor to communicate with Franchisee's landlord and lender(s), or prospective landlord and lender(s), about matters relating to the Business, and to provide information about the Business to them.

**11.10 System Variations.** Franchisor may vary or waive any System Standard for any one or more Tumbles franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices or any

other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.

**11.11 Temporary Public Safety Closure.** If Franchisor discovers or becomes aware of any aspect of the Business which, in Franchisor's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon Franchisor's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. Franchisor shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by Franchisor, and only in the manner as Franchisor may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of Franchisor.

**12.2 Change of Marks.** Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after Franchisor makes any such change, Franchisee must comply with the change, at Franchisee's expense.

### 12.3 Infringement.

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) Franchisor shall defend Franchisee (at Franchisor's expense) against any Action by a third party alleging infringement by Franchisee's use of a Mark, and (ii) Franchisor will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify Franchisor if Franchisee becomes aware of any possible infringement of a Mark by a third party. Franchisor may, in its sole discretion, commence any claim against the infringing party.

(c) Control. Franchisor shall have the exclusive right to commence and control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the word "Tumbles" or any confusingly similar words in its legal name.

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by Franchisor for maintaining confidentiality, (b) disclose



such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by Franchisor, (d) exercise the highest degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by Franchisor (except for Confidential Information which Franchisor licenses from another person or entity). Franchisee acknowledges that all customer data generated or obtained by Franchisee is Confidential Information belonging to Franchisor. This Section will survive the termination or expiration of this Agreement indefinitely.

### **13.2 Covenants Not to Compete.**

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the “Restricted Parties”) shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within fifteen miles of Franchisee’s Protected Territory or the territory of any other Tumbles business operating on the date of termination or transfer, as applicable. If this Agreement is terminated before the Protected Territory is determined, then the area of non-competition will be fifteen miles from the Development Area and fifteen miles from the protected territory of any other Tumbles business operating on the date of termination, expiration, or transfer, as applicable.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of Franchisor. Franchisee agrees that the existence of any claim it may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** Franchisee will cause its Director and other key employees reasonably designated by Franchisor to sign Franchisor’s then-current form of confidentiality and non-compete agreement and promptly provide copies of the same to Franchisor (unless prohibited by applicable law).

## ARTICLE 14. DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if Franchisor violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 60 days after receiving written notice from Franchisee detailing the alleged default. Such termination is effective any time after such 60-days upon Franchisor's receipt of written notice of termination given by Franchisee.

### **14.2 Termination by Franchisor.**

(a) Subject to 10-Day Cure Period. Franchisor may terminate this Agreement if Franchisee does not make any payment to Franchisor when due, or if Franchisee does not have sufficient funds in its account when Franchisor attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after Franchisor gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to Franchisor's satisfaction within 30 days after Franchisor gives notice to Franchisee of such breach, then Franchisor may terminate this Agreement.

(c) Without Cure Period. Franchisor may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;
- (ii) Franchisee knowingly submits any false report or knowingly provides any other false information to Franchisor;
- (iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;
- (iv) Franchisee fails to open for business by the opening deadline specified on the Summary Page or ceases operating the Business for more than five consecutive days;
- (v) Franchisee loses possession of the Location;

- (vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;
- (vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;
- (viii) Franchisee or any Owner slanders or libels Franchisor or any of its employees, directors, managers, owners, or officers;
- (ix) Franchisee refuses to cooperate with or permit any audit or inspection by Franchisor or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2
- (x) The Business is operated in a manner which, in Franchisor's sole discretion, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger immediately after becoming aware of the danger (due to notice from Franchisor or otherwise);
- (xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;
- (xii) Franchisor (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate) (provided that termination of a Multi-Unit Development Agreement with Franchisee or its affiliate shall not give Franchisor the right to terminate this Agreement);
- (xiii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or
- (xii) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in Franchisor's opinion is reasonably likely to materially and unfavorably affect the Franchisor's brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity and dispute resolution, will remain in effect, and Franchisee must immediately:

- (i) Pay all amounts owed to Franchisor based on the operation of the Business through the effective date of termination or expiration;

- (ii) Return to Franchisor all copies of the Manual, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items;
- (iii) Notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and authorize their transfer to Franchisor or any new franchisee as may be directed by Franchisor, and Franchisee hereby irrevocably appoints Franchisor, with full power of substitution, as its 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; and
- (iv) Cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, Franchisee shall at its own expense “de-identify” the Location so that it no longer contains the Marks, signage, or any trade dress of a Tumbles facility, to the satisfaction of Franchisor as determined in its sole discretion. Franchisee shall comply with any reasonable instructions and procedures of Franchisor for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, Franchisor may enter the Location to remove the Marks and de-identify the Location. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by Franchisor.

**14.5 Liquidated Damages.** If Franchisor terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), Franchisee shall pay to Franchisor a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average monthly Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor under this Agreement for the 12 month period preceding the effective date of termination (disregarding any fee waivers or reductions granted to Franchisee); multiplied by (y) the lesser of (1) 24, or (2) the number of months remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 12 months, then (x) will equal the average monthly Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor during the period that Franchisee operated the Business. The “average monthly Royalty Fees and Marketing Fund Contributions that Franchisee owed to Franchisor shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and Marketing Fund Contributions set forth in an addendum to this Agreement, unless this Section 14.5 is specifically amended in such addendum. Franchisee acknowledges that a precise calculation of the full extent of Franchisor's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to Franchisor under this Section will be in lieu of any direct monetary damages that Franchisor may incur as a result of Franchisor's loss of Royalty Fees and Marketing Fund Contributions that would have been owed to Franchisor after the date of termination; however, such payment shall be in addition to all damages arising under Section

14.3 and Section 14.4, Franchisor's right to injunctive relief for enforcement of Article XIII, and any attorneys' fees and other costs and expenses to which Franchisor is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that Franchisor may have under this Agreement or otherwise.

**14.6 Purchase Option.** When this Agreement expires or is terminated, Franchisor will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to Franchisor. To exercise this option, Franchisor must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that Franchisor elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. Franchisor's purchase will be of assets only (free and clear of all liens), and will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. Franchisor may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by Franchisor. If Franchisor exercises the purchase option, Franchisor may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by Franchisor to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to liens, Franchisor may withhold a portion of purchase price directly to the lienholder to pay off such lien. Franchisor may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. Franchisor may assign this purchase option to another party.

## **ARTICLE 15. TRANSFERS**

**15.1 By Franchisor.** Franchisor may transfer or assign this Agreement, or any its rights or obligations under this Agreement, to any person or entity, and Franchisor may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that Franchisor entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing Franchisor at least 60 days prior notice of the proposed Transfer, and without obtaining Franchisor's consent, which may be given in Franchisor's sole discretion. In granting any such consent, Franchisor may impose conditions, including, without limitation, the following:

- (i) Franchisor receives a transfer fee equal to 50% of our then-current initial franchise fee, plus any broker fees and other out-of-pocket costs we incur;

- (ii) The proposed assignee and its owners have completed Franchisor's franchise application processes, meet Franchisor's then-applicable standards for new franchisees, and have been approved by Franchisor as franchisees;
- (iii) The proposed assignee is not a Competitor;
- (iv) The proposed assignee and its Owners execute Franchisor's then-current form of franchise agreement and any related documents (including personal guaranty), which form may contain materially different provisions than this Agreement (provided, however, that the proposed assignee will not be required to pay an initial franchise fee);
- (v) Franchisee has paid all monetary obligations to Franchisor and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to Franchisor or its affiliates;
- (vi) The proposed assignee and its owners and employees undergo such training as Franchisor may require;
- (vii) Franchisee, its Owners, and the transferee and its owners execute a general release of Franchisor in a form satisfactory to Franchisor (subject to applicable law); and
- (viii) The Business fully complies with all of the Franchisor's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to Franchisor, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by Franchisor, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with a largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by Franchisor (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 Franchisor's Right of First Refusal.** Before Franchisee (or any owner) engages in a Transfer (except under Section 15.3 or Section 15.4), Franchisor will have a right of first refusal, as set forth in this Section. Franchisee (or its owners) shall provide to Franchisor a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of Franchisor's receipt of such copy, Franchisor will have the right, exercisable by notice to Franchisee, to

purchase the assets that are the subject of the proposed Transfer for the same price and on the same terms and conditions (except that Franchisor may substitute cash for any other form of payment). If Franchisor does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

## **ARTICLE 16. INDEMNITY**

**16.1 Indemnity.** Franchisee shall indemnify and defend (with counsel acceptable to Franchisor as determined in its sole discretion) Franchisor, its affiliates, and their respective directors, managers, officers, employees, shareholders, members, agents, successors and assignees (collectively, "**Indemnitees**") against all Losses in any Action by or against Franchisor and/or any Indemnitee directly or indirectly related to, or alleged to arise out of, the operation of the Business. Notwithstanding the foregoing, Franchisee shall not be obligated to indemnify an Indemnitee from Actions arising as a result of any Indemnitee's intentional misconduct or negligence. Any delay or failure by an Indemnitee to notify Franchisee of an Action shall not relieve Franchisee of its indemnity obligation except to the extent (if any) that such delay or failure materially prejudices Franchisee. Franchisee shall not settle an Action without the consent of the Indemnitee. This indemnity will continue in effect after this Agreement ends.

**16.2 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## **ARTICLE 17. DISPUTE RESOLUTION**

### **17.1 Arbitration.**

(a) Disputes Subject to Arbitration. Except as expressly provided in subsections (c) and (d), any controversy or claim between the parties (including any claim or controversy arising out of or relating to this Agreement, or the breach thereof), shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be Houston, Texas.

(c) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief.

(d) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of Franchisor's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this Agreement.

(e) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Franchisor to comply with laws and regulations applicable to the sale of franchises.

(f) Performance During Arbitration or Litigation. Franchisor and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages authorized by federal statute. In no event shall Franchisor's liability to Franchisee exceed the initial franchise fee plus the total amount of Royalty Fees paid by Franchisee under this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article XVI, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not submitted to arbitration, the parties agree that such proceeding will be brought in federal or state courts located in Texas. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where Franchisor's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "**Prevailing party**" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.



**17.7 Franchisor Personnel.** The provisions of this Article 17 will apply to any Action by Franchisee or its Owners against Franchisor’s officers, directors, shareholders, members, employees, and/or agents. Nothing in this Agreement authorizes any Action against Franchisor’s officers, directors, shareholders, members, employees, and/or agents or makes those persons liable for Franchisor’s conduct.

## **ARTICLE 18. MISCELLANEOUS**

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. Franchisor is not a fiduciary of Franchisee and does not control Franchisee or its Business. Franchisor has no liability for Franchisee’s obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** Except as stated in Article 16 or Article 17, this Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, Franchisor, and Franchisor’s affiliates.

**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in the Agreement or in any related agreement is intended to disclaim the representations made by Franchisor in its franchise disclosure document.

**18.4 Modification.** Franchisor shall have the right to amend this Agreement if an amendment to Franchisor’s standard form of franchise agreement is agreed to by Franchisor and by at least seventy-five percent (75%) of Franchisor’s then-current franchisees (each, a “**Standard Amendment**”), in which case this Agreement shall be automatically amended as provided in the Standard Amendment without further action by the parties, and Franchisee agrees to abide by any such Standard Amendment effective as of the effective date of such Standard Amendment. Otherwise, no modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit Franchisor’s rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party’s rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case

that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** The laws of the state of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to Franchisor, addressed to 1302 Waugh Drive, #192, Houston, Texas 77019. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notices will be effective upon the earlier of: (i) receipt by the recipient, (ii) first rejection by the recipient, (iii) three business days after mailing if sent via registered or certified mail; or (iv) the next business day after mailing if sent via overnight courier. Notwithstanding the foregoing, Franchisor may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication, in which case notice would be effective on Franchisee upon the delivery of the electronic mail or other electronic communication.

**18.10 Joint and Several Liability.** If two or more people sign this Agreement as “Franchisee”, each will have joint and several liability.

**18.11 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by Franchisor does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and Franchisor.

*[Signatures on next page]*

Agreed to by:

FRANCHISOR:

TUMBLES LLC

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

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

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

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

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Franchise Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Ohio
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington

**Attachment 1 to Franchise Agreement**

**OWNERSHIP INFORMATION**

1. **Form of Ownership.** Franchisee is a (check one):

- \_\_\_\_\_ *Sole Proprietorship*  
\_\_\_\_\_ *Partnership*  
\_\_\_\_\_ *Limited Liability Company*  
\_\_\_\_\_ *Corporation*

2. **Owners/Members.** If Franchisee is a partnership, limited liability company or corporation:

| Name | Shares or Percentage of Ownership |
|------|-----------------------------------|
|      |                                   |
|      |                                   |
|      |                                   |
|      |                                   |
|      |                                   |

3. **Officers/Manager(s).** If Franchisee is a limited liability company or corporation:

| Name | Title |
|------|-------|
|      |       |
|      |       |
|      |       |
|      |       |
|      |       |

**Attachment 2 to Franchise Agreement**

**CERTIFICATION OF FRANCHISOR’S COMPLIANCE**

By signing below, the undersigned acknowledges the following:

- (1) The undersigned understands all the information in Franchisor’s Disclosure Document.
- (2) The success or failure of the Business will depend in large part upon Franchisee’s skills, abilities and efforts and those of the persons Franchisee employs, as well as many factors beyond Franchisee’s control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, and the marketplace.
- (3) That no person acting on Franchisor’s behalf made any statement or promise regarding the costs involved in operating a Tumbles franchise that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (4) That no person acting on Franchisor’s behalf made any claim or representation to Franchisee, orally, visually, or in writing, that contradicted the information in the Disclosure Document.
- (5) That no person acting on Franchisor’s behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money Franchisee may earn, or the total amount of revenue a Tumbles franchise will generate, that is not in the Disclosure Document or that is contrary to, or different from, the information in the Disclosure Document.
- (6) That no person acting on Franchisor’s behalf made any statement or promise or agreement, other than those matters addressed in this Agreement, concerning advertising, marketing, media support, market penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Disclosure Document.
- (7) The undersigned understands that this Agreement contains the entire agreement between Franchisor and Franchisee concerning the Tumbles franchise, which means that any oral or written statements not set out in this Agreement will not be binding. In deciding to enter into this Agreement, the undersigned is not relying on any statement, promise, claim, or representation not expressly set forth in this Agreement or in the Disclosure Document.

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

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

**EXHIBIT C  
MULTI-UNIT DEVELOPMENT AGREEMENT**

This Multi-Unit Development Agreement (this “MUDA”) is made between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”) on the Effective Date.

**Background Statement:** On the same day as they execute this MUDA, Franchisor and Franchisee have entered into a Franchise Agreement for the franchise of a Tumbles™ facility (the “Franchise Agreement”; capitalized terms used but not defined in this MUDA have the meanings given in the Franchise Agreement). Franchisor and Franchisee desire that Franchisee develop multiple Tumbles facilities.

**1. Multi-Unit Commitment.**

(a) Development Schedule; Fee. Franchisee shall develop and open Tumbles facilities on the following schedule:

| Store # | Deadline for Opening | Total # of Stores to be Open and Operating on Deadline | Initial Franchise Fee |
|---------|----------------------|--|-----------------------|
|         |                      |  |                       |
|         |                      |  |                       |
|         |                      |  |                       |

(b) Form of Agreement. For Store #1, Franchisee and Franchisor have executed the Franchise Agreement simultaneously with this MUDA. For each additional Tumbles franchise, Franchisee shall execute Franchisor’s then-current standard form of franchise agreement (with any modifications negotiated for the first Franchise Agreement) at least 90 days before the deadline for opening, and no later than three business days after Franchisee leases or acquires a location. This MUDA does not give Franchisee the right to construct, open, or operate a Tumbles facility, and Franchisee acknowledges that Franchisee may construct, open, and operate each Tumbles facility only pursuant to a separate franchise agreement executed pursuant to this MUDA for each such Tumbles facility.

**2. Development Area.** Franchisee shall locate each Tumbles facility it develops under this MUDA within the following area: \_\_\_\_\_ (the “Development Area”). Franchisee acknowledges that it does not have exclusive rights to develop, open or operate Tumbles facilities in the Development Area.

**3. Fees.** Upon execution of this MUDA, Franchisee shall pay \$\_\_\_\_\_ to Franchisor (the “Development Fee”). The Development Fee is non-refundable. In addition to the

Development Fee, Franchisee shall pay the initial franchise fee described above upon execution of the applicable franchise agreement.

**4. Default and Termination.** Franchisor may terminate this MUDA by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

- (i) Franchisee fails to satisfy the development schedule; or
- (ii) Franchisor has the right to terminate any franchise agreement between Franchisor and Franchisee (or any affiliate thereof) due to Franchisee's default thereunder (whether or not Franchisor actually terminates such franchise agreement).

**5. Limitation of Liability.** Franchisee's commitment to develop Tumbles facilities is in the nature of an option only. If Franchisor terminates this MUDA for Franchisee's default, Franchisee shall not be liable to Franchisor for lost future revenues or profits from the unopened Tumbles facilities.

**6. Conditions.** Franchisee's right to develop each Tumbles franchise after the Store #1 is subject to the following:

- (i) Franchisee must possess sufficient financial and organizational capacity to develop, open, operate, and manage each additional Tumbles facility, in the reasonable judgment of Franchisor, and
- (ii) Franchisee must be in full compliance with all brand requirements at its open Tumbles facilities, and not in default under any Franchise Agreement or any other agreement with Franchisor.

**7. Dispute Resolution; Miscellaneous.** The laws of the State of Texas (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. Franchisee shall not transfer this MUDA without the prior written consent of Franchisor, and any Transfer without Franchisor's prior written consent shall be void. As a condition of transfer, Franchisee shall pay to Franchisor a transfer fee that is equal to: (i) the number of Tumbles facilities scheduled to be opened under this MUDA multiplied by an amount which is equal to 50% of Franchisor's then-current initial franchise fee; plus (ii) any out-of-pocket costs, including brokers' fees, that Franchisor incurs. The provisions of Article XVII (Dispute Resolution) and Article XVIII (Miscellaneous) of the Franchise Agreement apply to, and are incorporated into this MUDA, as if fully set forth herein.

*{Signatures Appear on the Following Page}*

*{Signature Page to MUDA}*

Agreed to by:

FRANCHISOR:

TUMBLES LLC

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

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

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

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

FRANCHISEE:

*[if an individual:]*

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

*[if an entity:]*

\_\_\_\_\_

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

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

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

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

*(Check if applicable)* At the same time as the parties execute this Agreement, they are also executing a Rider to Multi-Unit Development Agreement pursuant to:

- \_\_\_\_\_ Illinois
- \_\_\_\_\_ Indiana
- \_\_\_\_\_ Maryland
- \_\_\_\_\_ Minnesota
- \_\_\_\_\_ New York
- \_\_\_\_\_ North Dakota
- \_\_\_\_\_ Rhode Island
- \_\_\_\_\_ Washington
- \_\_\_\_\_ Other



**EXHIBIT D**  
**GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this “Guaranty”) is executed by the undersigned person(s) (each, a “Guarantor”) in favor of Tumbles LLC, a Delaware limited liability company (“Franchisor”).

**Background Statement:** \_\_\_\_\_ (“Franchisee”) desires to enter into a Franchise Agreement with Franchisor for the franchise of a Tumbles™ facility (the “Franchise Agreement”; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce Franchisor to enter into the Franchise Agreement.

Guarantor agrees as follows:

1. **Guaranty.** Guarantor hereby unconditionally guarantees to Franchisor and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to Franchisor, whether or not contained in the Franchise Agreement. Guarantor represents and certifies that he/she has read the Franchise Agreement and understands his or her obligations under the Franchise Agreement pursuant to this Guaranty. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and Franchisor upon demand from Franchisor. Guarantor waives (a) acceptance and notice of acceptance by Franchisor of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that Franchisor make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

2. **Confidential Information.** With respect to all Confidential Information, Guarantor shall (a) adhere to all security procedures prescribed by Franchisor for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor, (d) exercise the highest degree of diligence and make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of

Confidential Information. Guarantor acknowledges that all Confidential Information is owned by Franchisor or its affiliates (except for Confidential Information which Franchisor licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to Franchisor. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**3. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within fifteen miles of Franchisee’s Protected Territory or the protected territory of any other Tumbles business operating on the date of termination or transfer, as applicable. If the Franchise Agreement is terminated before the Protected Territory is determined, then the area of non-competition will fifteen miles from the Development Area and fifteen miles from the protected territory of any other Tumbles business operating on the date of termination, expiration, or transfer, as applicable.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then parties intend that the court or arbitrator modify such restriction to extent reasonably necessary to protect the legitimate business interests of Franchisor. Guarantor agrees that the existence of any claim it or Franchisee may have against Franchisor shall not constitute a defense to the enforcement by Franchisor of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended for each day of noncompliance.

**4. Modification.** Guarantor agrees that Guarantor’s liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**5. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of Texas. The provisions of Article XVII (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to Franchisor all costs incurred by Franchisor (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

*{Signature Page to Guaranty Agreement}*

Agreed to by:

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

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

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

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

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

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

**EXHIBIT E  
RIDER TO LEASE AGREEMENT**

Landlord: \_\_\_\_\_  
Notice Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_

Franchisor: Tumbles LLC  
Notice Address: 1302 Waugh Drive, #192,  
Houston, Texas 77019  
Telephone: (833) GYM-STEM

Tenant: \_\_\_\_\_

Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used for the operation of a Tumbles™ facility (or any name authorized by Franchisor) offering basic gymnastics, STEAM curriculum, sports preparation skills, tumbling, childrens’ games, and activities. Landlord acknowledges that such use does not violate any exclusives granted to any other existing tenant of Landlord.

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated or expires during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor or an affiliate of Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor or an affiliate becomes the lessee of the Leased Premises, then Franchisor or affiliate shall have the right to assign or sublease its lease to a franchisee of the Tumbles brand. Any provision of the Lease which limits Tenant’s right to own or operate other Tumbles outlets in proximity to the Leased Premises shall not apply to Franchisor or its affiliate.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Lease or the Franchise Agreement, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

\_\_\_\_\_

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

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

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

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

TENANT:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

TUMBLES LLC

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

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

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

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

**EXHIBIT F**  
**SOFTWARE LICENSE AGREEMENT**

**THIS AGREEMENT** made as of \_\_\_\_\_ 20\_\_ (the “Effective Date”), by and between TUMBLES LLC, a Delaware limited liability company having its principal place of business 1302 Waugh Drive, Suite 192, Houston, Texas 77019 (“Franchisor”), on the one hand, and \_\_\_\_\_, having its principal place of business at \_\_\_\_\_ (“Franchisee”), on the other hand, with reference to the following facts:

A. Franchisor offers franchises for facilities for children between the ages of four months and nine years to be operated under the mark Tumbles™ that features basic gymnastics, STEAM curriculum, sports preparation skills, tumbling, childrens’ games, and activities (the “Franchise”).

B. Franchisor and Franchisee have entered into a Franchise Agreement (the “Franchise Agreement”) under which Franchisor has granted Franchisee a license to use the system developed by Franchisor (the “System”) to operate the Franchise.

C. Franchisor and Franchisee desire to enter into this Agreement to grant Franchisee a license to use the package of computer programs, data and related materials known as the “Tumbles Operations Management System” (the “Software”) for tracking and managing data related to the Franchise (the “License”) on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE, IT IS AGREED:**

**1. GRANT OF SOFTWARE LICENSE**

Franchisor Software grants to Franchisee, upon the terms and conditions contained in this Agreement, a non-exclusive right to use the Software only in connection with Franchisee’s operation of the Franchise.

**2. TERM OF AGREEMENT**

The term of this Agreement shall commence on the Effective Date and shall expire upon the expiration or termination of the Franchise Agreement, whichever shall first occur, unless sooner terminated under the terms of this Agreement.

**3. LICENSE FEES**

Franchisee shall pay Franchisor a monthly fee of \$500 as a license fee for the Software (the “License Fee”). Franchisee shall pay Franchisor the License Fee and Support Fee either by check, or by direct debit by Franchisor against a bank account maintained by Franchisee, as Franchisor shall determine, in Franchisor’s sole and absolute discretion, and any failure by Franchisee to do so shall be deemed to be a breach of this Agreement. Franchisee hereby authorizes Franchisor to initiate debit entries and/or credit collection entries to Franchisee’s designated primary business operating checking or savings account for the payment of the License Fee. Franchisee shall not be entitled to set-off the payments of the License Fee against any monetary claim Franchisee may have against Franchisor.

#### **4. OWNERSHIP OF SOFTWARE**

Franchisor shall have sole and exclusive ownership of all right, title and interest in and to the Software, all modifications and enhancements of the Software, including all trade secrets and copyrights pertaining thereto, and all rights of every kind and character whatsoever, whether or not those rights are now existing or come into existence hereafter, and whether or not the rights are now known, recognized or contemplated, subject only to the rights granted to Franchisee under this Agreement. Franchisee represents with respect to the Software that:

**4.1** Franchisee shall use only the Software in the manner authorized and permitted by this Agreement.

**4.2** Franchisee shall use the Software only in connection with the operation of the Franchise and any unauthorized use thereof shall constitute an infringement. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge, or use the Software for the benefit of anyone else.

**4.3** During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor's ownership of, the Software, nor take any other action which may tend to jeopardize Franchisor's interest therein, or Franchisor's right to use, and to license others to use, the Software.

**4.4** Franchisee's use of the Software pursuant to this Agreement does not give Franchisee any ownership interest or other interest in or to the Software other than the License granted by this Agreement.

**4.5** The License granted under this Agreement to Franchisee is non-exclusive.

#### **5. TERMINATION OR EXPIRATION**

Upon termination or expiration of this Agreement, all rights granted under this Agreement to Franchisee shall forthwith terminate and Franchisee shall immediately and permanently cease to use the Software. Any default by Franchisee under the terms and conditions of the Franchise Agreement or any other agreement between Franchisor, or its affiliates (including among others, Franchisor), and Franchisee, shall be deemed to be a default of this Agreement. In the event of the termination or expiration of the Franchise Agreement, this Agreement shall automatically terminate. The termination of this Agreement shall be without prejudice to any other remedy or cause of action which Franchisor may have against Franchisee to recover damages for any breach hereof. Upon termination or the expiration of this Agreement, Franchisee shall immediately deliver to Franchisor all components of the Software and any confidential information relating to the Software which are in Franchisee's possession, and all copies thereof.

#### **6. ASSIGNMENT**

Franchisee shall not sell, encumber, assign, transfer, convey, pledge, merge, license or give away any direct or indirect interest in this Agreement, the Software or the License. Any purported assignment or transfer shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate this Agreement.

## **7. INJUNCTIVE RELIEF**

Franchisee acknowledges that failure to comply with the terms of this Agreement will result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Franchisee consents to the issuance of, and agrees to pay all court costs and reasonable attorneys' fees incurred by either Franchisor or Franchisee in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to the requirements of this Agreement.

## **8. WARRANTIES; LIMITATION OF LIABILITY**

Franchisor does not provide any warranties, expressed or implied, including any warranty of merchantability or fitness for a particular purpose. Franchisor shall not be liable for any loss of profit, loss of business or other financial loss which may be caused by, directly or indirectly, the inadequacy of the Software for any purpose or any use thereof or by any defect or deficiency therein. Franchisee acknowledges and agrees that Franchisor's liability for damages, if any, shall not exceed the charges paid to Franchisor by Franchisee under this Agreement. Franchisor and Franchisee, and their respective directors, managers, officers, employees, shareholders, members, agents and guarantors, as applicable, each hereby waive to the fullest extent permitted by law, any right to, or claim for, punitive or exemplary damages against the other and agree that, in the event of a dispute between them, each is limited to recovering only the actual damages proven to have been sustained by it subject to the limitations contained in this **Section 8**.

## **9. RECORDKEEPING**

Franchisee shall prepare and preserve, for a period of at least seven years from the date of the transaction, and in hard copy and recoverable electronic form, records of all of Franchisee's customer transactions containing a minimum of the following (a) transaction date; (b) services rendered and/or products sold; (c) customer name and address; and (d) amount of the transaction.

## **10. INDEPENDENT CONTRACTOR AND INDEMNIFICATION**

**10.1** Franchisee is an independent contractor; and nothing in this Agreement is intended to constitute or appoint either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever.

**10.2** Franchisee shall indemnify and hold harmless to the fullest extent by law, Franchisor, its affiliates and their respective directors, managers, officers, employees, shareholders, members and agents (collectively the "Indemnitees"), from any and all losses and expenses (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with Franchisee's breach or failure to perform any of its representations, warranties, covenants or agreements set forth in this Agreement or with Franchisee's use of the Software (collectively an "event"). For the purpose of this **Section 10.2**, the term "losses and expenses" shall be deemed to include compensatory, exemplary, or punitive damages; fines and penalties; attorneys' fees; experts' fees; court costs; costs associated with investigating and defending against claims; settlement amounts; judgments; compensation for



damages to Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. Franchisee shall give Franchisor prompt notice of any event of which it is aware, for which indemnification is required, and, at the expense and risk of Franchisee, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek the advice and counsel of Franchisee. Any assumption of Franchisor shall not modify Franchisee's indemnification obligation. Franchisor may, in its sole judgment, take such actions as it deems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole judgment, necessary for the protection of the indemnities or the System. Franchisee shall defend Franchisor and its affiliates, and their respective directors, managers, officers, employees, shareholders, members and agents and shall pay all costs and reasonable attorney' fees associated with such defense.

## **11. WAIVERS**

No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee of any of the terms, provisions, or covenants thereof, and no custom or practice by the parties at variance with the terms of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, or power as against Franchisee, or as to a subsequent breach or default by Franchisee. Subsequent acceptance by Franchisor of any payments due to it under this Agreement shall not be deemed to be a waiver by Franchisor of any preceding or succeeding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

## **12. ENTIRE AGREEMENT, SEVERABILITY AND CONSTRUCTION**

**12.1 Entire Agreement.** This Agreement, any attachments hereto, and any ancillary agreements between Franchisee and Franchisor or any affiliate which are executed contemporaneously with this Agreement, constitute the entire and complete Agreement between Franchisor (and, if applicable, any affiliate) and Franchisee concerning the subject matter thereof, and supersede all prior agreements. No amendment, change, or variation from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

**12.2 Severability and Construction.** Except as expressly provided to the contrary herein, each section, paragraph, part, term, and provision of this Agreement shall be considered severable; and if, for any reason, any section, paragraph, part, term, provision, and/or covenant herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, paragraphs, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and the invalid portions, sections, paragraphs, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement. Neither this Agreement or any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. On the contrary, this Agreement has been review by all parties and shall be construed and interpreted according to the ordinary meaning of the words used to fairly accomplish the purposes and intentions of all parties to this Agreement. Franchisor

and Franchisee intend that if any provision of this Agreement is susceptible to two or more constructions, one of which would render the provision enforceable and the other or others of which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

**12.3 Survival of Obligations after Expiration or Termination of Agreement.** Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

**12.4 Captions.** All captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

**12.5 Counterparts.** This Agreement may be executed by the parties in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

## **13. DISPUTES**

**13.1 Governing Law.** This Agreement shall be interpreted and construed exclusively under the laws of the State of Texas, which laws shall prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of Texas choice-of-law rules).

### **13.2 Arbitration.**

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c), any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be resolved by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be Houston, Texas.

(c) Exceptions. Franchisor may file a lawsuit in any court of competent jurisdiction for a claim of non-payment of amounts due hereunder. The parties acknowledge and agree that the rights of Franchisor under this Agreement with respect to the use of the Software is of a specialized and unique nature, and that immediate and irreparable damage will result to Franchisor if Franchisee fails or refuses to perform obligations under this Agreement, and, notwithstanding any election by Franchisor to claim damages from Franchisee as a result of such failure or refusal, Franchisor may, in addition to any other remedies and damages available, seek an injunction in any court of competent jurisdiction to restrain such failure or refusal.

(d) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for Franchisor to comply with laws and regulations applicable to the sale of franchises.

(e) Performance During Arbitration or Litigation. Franchisor and Franchisee will comply with this Agreement and will perform their respective obligations under this Agreement during the arbitration or litigation process.

**13.3 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages authorized by federal statute.

**13.4 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**13.5 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Section 10.2, or (iii) related to unauthorized use of the License.

**13.6 Venue Other Than Arbitration.** For any legal proceeding not submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court for Houston, Texas. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county in Houston, Texas. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**13.7 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

**13.8 No Exclusive Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

*{Signatures Appear on the Following Page}*

*{Signatures Page to Software License Agreement}*

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the date first shown above.

TUMBLES LLC

[INSERT FRANCHISEE NAME]

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

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

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

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

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

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

**EXHIBIT G**  
**FORM OF GENERAL RELEASE**

*[This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.]*

This General Release (“Release”) is executed by the undersigned (“Releasor”) in favor of Tumbles LLC, a Delaware limited liability company (“Franchisor”).

**Background Statement:** *[describe circumstances of Release]*

Releasor agrees as follows:

1. **Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the “Releasing Parties”)) hereby releases Franchisor, its affiliates, and their respective directors, managers, officers, employees, shareholders, members and agents (collectively, the “Released Parties”) from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, “Claims”).

2. **Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.

3. **Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor’s choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

4. **Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that Franchisor reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

5. State Addenda.

**[Maryland Residents]:** This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

**[Washington Residents]:** A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the franchise agreement is in effect and where the parties are represented by independent counsel.

Agreed to by:

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

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

**EXHIBIT H**  
**TUMBLES™ BRAND STANDARDS MANUAL TABLE OF CONTENTS**

**Volume 1**  
**GETTING STARTED**

**PART I: BACKGROUND AND HISTORY**

| <u>SUBJECT</u>                                | <u>NUMBER OF PAGES</u> |
|---|------------------------|
| Our History                                   | 1                      |
| Our Philosophy                                | 3                      |
| Franchise Relations                           | 2                      |
| Ongoing Commitment                            | 2                      |
| Your Responsibilities as a Tumbles Franchisee | 4                      |
| Responsibilities to Your Customers            |                        |
| Responsibilities to Your Employees            |                        |
| Responsibilities to Tumbles Home Office       |                        |
| Responsibilities to Yourself                  |                        |

**PART II: PRE-OPENING CONCERNS**

| <u>SUBJECT</u>   |   |
|--|---|
| Selecting Your Business Type                               | 7 |
| Sole Proprietorship  |   |
| General Partnership  |   |
| Limited Partnership  |   |
| Corporation  |   |
| Use of the Tumbles Name and Service Marks in Your Business | 3 |
| Selecting Your Professional Advisors                       | 3 |
| Accountant   |   |
| Attorney   |   |
| Real Estate Broker   |   |
| Registering to Do Business                                 | 3 |
| City Business License                                      |   |
| State Registration   |   |
| Federal Business Tax Registration Kit                      |   |
| Preparing to Pay Taxes                                     | 8 |
| Payroll Taxes  |   |
| Federal Taxes  |   |
| Employer Identification Number                             |   |
| Income Tax   |   |
| Withholding and Estimated Tax                              |   |
| Self-Employment Tax  |   |
| Employment Taxes   |   |

|  |    |
|--|----|
| Excise Taxes   |    |
| State Taxes  |    |
| Income Tax   |    |
| Payroll Taxes-Unemployment Compensation (SUTA)                 |    |
| Sales Tax  |    |
| City (Local) Taxes   |    |
| Sales Tax  |    |
| Personal Property Tax  |    |
| City Business Tax  |    |
| Insurance  | 11 |
| Required Coverages   |    |
| Workers' Compensation Insurance                                |    |
| Employer's Liability Insurance                                 |    |
| Comprehensive General Liability Insurance                      |    |
| Fire Insurance   |    |
| Automobile Liability Insurance                                 |    |
| Non-Owned Automobile Liability Insurance                       |    |
| Hired Automobile Liability Insurance                           |    |
| Desirable Coverages  |    |
| Group Life Insurance   |    |
| Group Health Insurance   |    |
| Retirement Income  |    |
| Selecting and Securing a Site of a Tumbles Children's Facility | 6  |
| Assessing the General Area                                     |    |
| Qualifying the Site  |    |
| Securing a Lease   |    |
| Banking Relations  | 4  |
| Differences Among Banks  |    |
| Guidelines for Selecting a Bank                                |    |
| Accounts to Open   |    |
| Grooming the Relationship                                      |    |
| Accounting   | 7  |
| Record Keeping   |    |
| Double Entry Accounting  |    |
| Goals of Your Accounting Program                               |    |
| Bookkeeping  |    |
| Payroll Services   | 1  |
| The Importance of Financial Planning                           | 1  |
| Hiring Instructors and Assistants                              | 17 |
| Two Basic Hiring Situations                                    |    |
| Employee Profile   |    |
| Head Instructor Job Description                                |    |
| Assistant Job Description                                      |    |
| Director Job Description                                       |    |
| Assistant Director Job Description                             |    |
| Employee Hierarchy   |    |



|                                    |    |
|------------------------------------|----|
| Training of Staff                  | 38 |
| New Employee Packet                |    |
| A Trainers Guide for New Employees |    |
| SAMPLE Tumbles Employee Handbook   | 18 |
| Personnel Policies                 | 2  |
| Employee Relations                 | 1  |
| Community Relations                | 4  |
| Equipment to Purchase              | 10 |
| Equipment Package                  |    |
| Other Basic Equipment              |    |
| Custom Built Equipment             |    |
| Advertising and Promotion          | 18 |
| Promotions/Advertising Ideas       |    |
| The Grand Opening                  | 11 |
| Physical Set Up                    | 18 |
| Zipline And Skyride Drawings       |    |
| Ceiling Structure Drawings         |    |
| Equipment Storage Shelves          |    |
| The Circle                         |    |
| The Lines                          |    |
| Equipment Positioning              |    |
| Back Office/File Area              |    |

## Volume II GENERAL PROCEDURES

### SUBJECT

|   |    |
|---|----|
| Tumbles Program                           | 10 |
| Tumbles Philosophy                        |    |
| Tumbles Program Levels                    |    |
| Keys to Our Success                       |    |
| The Importance of “Circle Time”           |    |
| The Importance of “Adventure Time”        |    |
| The Importance of “Parent Share”          |    |
| The Importance of “Separation/Quiet Time” |    |
| General Procedures                        | 38 |
| Safety and First Aid                      |    |
| Equipment Maintenance                     |    |
| Cleaning                                  |    |
| Cleaning Supplies List                    |    |
| Changing the Gym                          |    |
| Guests                                    |    |
| Registration                              |    |
| Mail List                                 |    |

|   |   |
|---|---|
| Staff Interaction Signals                       |   |
| Customer Service/Staff Interaction with Members |   |
| Tumbles: Managing Disruption                    |   |
| Children  |   |
| Parents   |   |
| Visitors, Invited                               |   |
| Visitors, Uninvited                             |   |
| Tumbles Forms                                   | 6 |
| Accident Report Form                            |   |
| Registration Card                               |   |
| Class Attendance Sheet                          |   |
| Registration Sheet                              |   |
| Guest Make-Up Sheet                             |   |
| Class Wish List                                 |   |
| Gift Certificate Record                         |   |

**Volume III  
CAMPS**

|   |    |
|---|----|
| <u>SUBJECT</u>                                  |    |
| Camp Tumbles                                    | 18 |
| Camp Outline                                    |    |
| Camp Letter                                     |    |
| Camp Medical Release                            |    |
| Camp Sign-In Sheet (includes a medical release) |    |
| Cheerleading Camp Program                       |    |
| Sample Cheer Camp Itinerary                     |    |
| Camp Schedule                                   |    |
| Flyers  | 6  |
| Spring Break Camp Flyer                         |    |
| Summer Camp Flyer                               |    |
| Winter Camp Flyer                               |    |
| Sample Camp Theme Flyers for Bulletin Board     |    |

**Volume IV  
TUMBLES CLASS FORMATS  
TUMBLES SQUEAKERS THROUGH TUMBLES TWOS**

|                                   |    |
|-----------------------------------|----|
| <u>SUBJECT</u>                    |    |
| Tumbles SQUEAKERS (Age 4-10 mos.) | 10 |
| Issues Specific to this Level     |    |
| General Schedule                  |    |
| Three Sample Eight Week Schedules |    |
| Problems and Solutions            |    |
| Tumbles WOBBLERS (Age 11-18 mos.) | 10 |

|  |    |
|--|----|
| Issues Specific to this Level  |    |
| General Schedule   |    |
| Three Sample Eight Week Schedules  |    |
| Problems and Solutions   |    |
| Tumbles WIGGLERS (Age 19 mos.-2 ½ yrs.)  | 10 |
| Issues Specific to this Level  |    |
| General Schedule   |    |
| Three Sample Eight Week Schedules  |    |
| Problems and Solutions   |    |
| Tumbles TWOS (Age 1 ½ -3 yrs.)   | 10 |
| Issues Specific to this Level  |    |
| General Schedule   |    |
| Three Sample Eight Week Schedules  |    |
| Problems and Solutions   |    |
| Tumbles WARMUP EXERCISE FORMATS  | 10 |
| Tumbles SQUEAKERS  |    |
| Tumbles WOBBLERS   |    |
| Tumbles WIGGLERS and Tumbles TWOS  |    |
| Tumbles SQUEAKERS PRACTICE SKILLS  | 15 |
| This section contains a complete description of 14 practice skills used in the Tumbles program     |    |
| Tumbles PRACTICE SKILLS  | 21 |
| This section contains a complete description of 18 practice skills used in the Tumbles program     |    |
| Tumbles APPARATUS/POINTS OF INTEREST   | 64 |
| This section contains a complete description of 39 pieces of apparatus used in the Tumbles program |    |
| Tumbles FLOWS  | 27 |
| This section contains complete a list of 24 flows used in the Tumbles program                      |    |
| Tumbles GAMES  | 18 |
| This section contains a complete list of 13 games used in the Tumbles program                      |    |
| Tumbles SEPARATION AND QUIET TIME  | 2  |

**EXHIBIT I**  
**STATE 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.

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 OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

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 6 of the Disclosure Document:

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. 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 Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

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 Houston, Texas, 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 Texas. This provision may not be enforceable under California law.

4. The following additional risk factors are noted:

THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS DATED DECEMBER 31, 2020 REFLECT THAT CURRENT LIABILITIES PER THE AUDITED BALANCE SHEET ARE \$390,176 AND CURRENT ASSETS ARE \$554,895.

THE FRANCHISEE OR MULTI-UNIT DEVELOPER WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$198,500 TO \$2,712,000. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2020, WHICH IS \$164,719.

## HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

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

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

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

Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states: \_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

## **ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the "Act"), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the 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 outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the 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.



## **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

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.

## MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION**

**WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

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 STREET, 21ST FLOOR, NEW YORK, NEW YORK 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 franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled

**“Termination by franchisee”: You may terminate the agreement on any grounds available by law.**

7. The following is added to the end of the “Summary” section of Item 17(j), titled **“Assignment of contract by franchisor”**:

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 19:

**REPRESENTATIONS REGARDING EARNINGS CAPABILITY**

TUMBLES 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 TUMBLES LLC CANNOT ESTIMATE THE EARNINGS OF ANY PARTICULAR FRANCHISE.

10. The following is added as an additional risk factor:

THE FRANCHISEE OR MULTI-UNIT DEVELOPER WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$198,500 TO \$2,712,000. THIS AMOUNT EXCEEDS THE FRANCHISOR’S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2020, WHICH IS \$164,719.

## NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

## **OHIO ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Ohio only, this Disclosure Document is amended by adding the following two cover pages to this Disclosure Document:

**TUMBLES, LLC**

**May 12, 2021**

### **READ THIS DISCLOSURE DOCUMENT CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any franchise. If you have any questions about this franchise, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement.**



**The following disclosure document contains the disclosures required by Ohio law.**

## **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

## **VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

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 does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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.

Item 5 is amended to add the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT**

(See Exhibit J for Washington Addendum to Disclosure Document and Rider to Franchise Agreement)

**EXHIBIT J**  
**STATE ADDENDA TO AGREEMENTS**

**ILLINOIS RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Governing Law.** Illinois law governs the Agreement.
  
- 2. 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.
  
- 3. 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.
  
- 4. Effective Date.** This Rider is effective as of the date of the Agreement.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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

**INDIANA RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**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. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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



**MARYLAND RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider 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.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

**MINNESOTA RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The “Minnesota Act” means Minnesota Statutes, Sections 80C.01 to 80C.22.

**2. Amendments.** The Agreement is amended to comply with the following:

Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

The franchisor will protect the franchisee’s rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee’s right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state “No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues.”

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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

**NEW YORK RIDER TO \_\_\_\_\_ AGREEMENT**

This Rider amends the \_\_\_\_\_ Agreement dated \_\_\_\_\_, 20\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Waivers Not Required.** Notwithstanding any provision of the Agreement to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve Franchisor or any other person from any duty or liability imposed by New York General Business Law, Article 33 (the “New York Franchise Law”).

**3. Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement purporting to bind Franchisee to waive compliance by Franchisor with any provision of the New York Franchise Law, or any rule promulgated thereunder, is hereby deleted.

**4. Governing Law.** Notwithstanding any provision of the Agreement to the contrary, the New York Franchise Law shall govern any claim arising under that law.

**5. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

TUMBLES LLC

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

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

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

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

**NORTH DAKOTA RIDER TO FRANCHISE AGREEMENT [*if applicable*: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [*if applicable*: and Multi-Unit Development Agreement] \_\_\_\_\_ (the “Agreement”), b between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

**1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.

**2. Amendments.** The Agreement (and any Guaranty Agreement) is amended to comply with the following:

- (1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind is subject to NDCC Section 9-08-06.
- (2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee’s business.
- (3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.
- (4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.
- (5) Applicable Laws: The Agreement (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.
- (6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.
- (7) Waiver of Exemplary and Punitive Damages: The parties do not waive exemplary and punitive damages.
- (8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.
- (9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
- (10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

**3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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

**OHIO RIDER TO FRANCHISE AGREEMENT [*if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT*]**

This Rider amends the Franchise Agreement [*if applicable: and Multi-Unit Development Agreement*] dated \_\_\_\_\_ (the "Agreement"), between Tumbles LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement. The "BOPA" means the Ohio Business Opportunity Act, codified in Revised Code of Ohio, Title XIII, Chapter 1334.
  
- 2. Applicability of BOPA.** Franchisee acknowledges that Franchisor is providing this Rider out of an abundance of caution, and that neither the execution of this Rider nor any other act of Franchisor constitutes an intent that BOPA apply to the transaction between Franchisor and Franchisee or an admission by Franchisor that the transaction fails to comply in any material respects with the trade regulation rule of the federal trade commission, "disclosure requirements and prohibitions concerning franchising," 16 C.F.R. 436.1 et seq.
  
- 3. No Delivery of Goods or Services during Cancellation Period.** Franchisor will not commence delivery of any goods or provide any services during the time within which Franchisee may cancel the Agreement as provided in Section 5 below.
  
- 4. Jurisdiction and Venue.** In connection with the sale of the franchise, any provision in the Agreement restricting jurisdiction or venue to a forum outside of Ohio, or requiring the application of laws of another state, is void with respect to a claim otherwise enforceable under Sections 1334.01 to 1334.15 of the BOPA.
  
- 5. Cancellation.** You, the franchisee, may cancel the transaction at any time prior to midnight of the fifth business day after the date you sign this Agreement. See the attached notice of cancellation for an explanation of this right.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

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

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

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

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

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

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

**OHIO  
NOTICE OF CANCELLATION**

[*Insert Date Agreement Signed by FRANCHISEE*]

**You may cancel this transaction, without penalty or obligation, within five business days from the above date. If you cancel, any payments made by you under the Agreement, and any negotiable instrument executed by you will be returned within ten business days following Franchisor's receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to Franchisor at your business address all goods delivered to you under this agreement; or you may if you wish, comply with the instructions of Franchisor regarding the return shipment of the goods at Franchisor's expense and risk. If you do make the goods available to Franchisor and Franchisor does not pick them up within twenty days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to Franchisor, or if you agree to return them to Franchisor and fail to do so, then you remain liable for the performance of all obligations under the Agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice, or send a telegram, to Franchisor, at 1302 Waugh Drive, Suite 192, Houston, TX 77019, or send a fax to Franchisor at [*Insert facsimile number*] or an e-mail to Franchisor at franchise@tumbles.net, not later than midnight of [*Insert date that is five business days after the date above*].**

**I hereby cancel this transaction.**

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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



**RHODE ISLAND RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT DEVELOPMENT AGREEMENT]**

This Rider amends the Franchise Agreement [if applicable: and Multi-Unit Development Agreement] dated \_\_\_\_\_ (the “Agreement”), between Tumbles LLC, a Delaware limited liability company (“Franchisor”) and \_\_\_\_\_, a \_\_\_\_\_ (“Franchisee”).

- 1. Definitions.** Capitalized terms used but not defined in this Rider have the meanings given in the Agreement.
- 2. Jurisdiction and Venue.** Any provision of the Agreement restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.
- 3. Effective Date.** This Rider is effective as of the Effective Date.

Agreed to by:

FRANCHISOR:

FRANCHISEE:

TUMBLES, LLC

\_\_\_\_\_

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

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

**VIRGINIA RIDER TO \_\_\_\_\_ AGREEMENT**

This Rider amends the \_\_\_\_\_ Agreement dated \_\_\_\_\_, 20\_\_ (the "Agreement"), between Tumbles LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the Franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

FRANCHISOR:

TUMBLES LLC

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

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

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

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

**WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT  
AND  
RIDER TO FRANCHISE AGREEMENT [if applicable: AND MULTI-UNIT  
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.

Agreed to by:

FRANCHISOR:

TUMBLES, LLC

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

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

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

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

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

**EXHIBIT K  
CURRENT FRANCHISEES**

Below are all of our current franchisees and the address and telephone number of each of their outlets. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

**California**

**Fitkids, LLC**

292-A N. El Camino Real  
Encinitas, California 92024  
Telephone: 760-942-7411  
Email: encinitas@tumbles.net  
Attn: Scott Horton

**Georgia**

**Atlanta Tumbles, LLC**

1280 Atherton Park  
Roswell, GA 30076  
Telephone: 678-691-4072  
Email:johnscreek@tumbles.net  
Contact: Vivek Shah

**Louisiana**

**Bro-J, LLC\***

5602 South Chalet Court  
Baton Rouge, LA 70808  
Telephone: 225-590-1683  
Email: thompsonphoto@gmail.com  
Contact: Brody Caleb Thompson

**New Jersey**

**Shubh Deip, LLC**

175 Rock Road  
Glen Rock, NJ 07452  
Telephone: 551-246-0018  
Email: glenrock@tumbles.net  
Attn: Nainsi Sheth

**Shubh Deip, LLC\*\***

175 Rock Road  
Glen Rock, NJ 07452  
Telephone: 551-246-0018  
Email: glenrock@tumbles.net

Attn: Nainsi Sheth

**JK Children's Fitness & Education, LLC**

1225 State Road 206, Suite 14

Princeton, NJ 08540

Telephone: 201-745-0235

Email: princeton@tumbles.net

Attn: Jade Ko

**Texas**

**Zyan Learn and Play, LLC\***

7151 Preston Road, suite 141

Frisco, Texas 75034

Telephone: (732) 371-8151

Email: shankg@yahoo.com

Contact: Shakar Gopal and Sweta Patel

**Roent Yew LLC**

7690 Nez Perce Trace

Manor, TX 78653-9600

Telephone: 609-937-6875

Email: roundrock@tumbles.net

Contact: Derek Wayne Hargis

**Ye Sun\***

5206 Jason Street

Houston, TX 77096

Email: sunye925@gmail.com

Telephone: 907-306-2139

\* not opened as of the date of this disclosure document

\*\* additional location not opened as of the date of this disclosure document

**EXHIBIT L  
FORMER FRANCHISEES**

Below are the names, 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 has not communicated with us within 10 weeks of the Disclosure Document issuance date:

Mahavir's Kids LLC  
1225 State Road 206, Suite 14  
Princeton, NJ 08540  
Telephone: 201-745-0235  
Attn: Jeckin Shah  
(transferred during 2020)

Generation Me LLC  
321 Broadway  
Hillsdale, NJ 07642  
Telephone: 201-453-3010  
Attn: Brendan & Michelle Meehan  
(closed operations during 2020, mutually terminated during 2021)

PJS Elevenelevens LLC  
65 Peacock Loop  
Staten Island, NY 10309  
Telephone: 718-554-4009  
Contact: Patricia Wolf  
(terminated January 2021)

Fit Kids, LLC  
2499 N. Harrison Street  
Arlington, VA 22207  
Telephone: 703-531-1470  
Contact: Brad Dancaceau

**EXHIBIT M**  
**FINANCIAL STATEMENTS**



**Tumbles LLC**

(A Limited Liability Company)

**Audited Financial Statements**

As of and for the Year Ended December 31, 2020

# Tumbles LLC

## Table of Contents

---

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report   | 3 - 4       |
| Financial Statements:  |             |
| • Balance Sheet as of December 31, 2020  | 5           |
| • Statement of Operations and Changes in Members' Equity<br>for the Year Ended December 31, 2020 | 6           |
| • Statement of Cash Flows for the Year Ended December 31, 2020                                   | 7 - 8       |
| Notes to Financial Statements  | 9 - 22      |

## Independent Auditor's Report

To the Members and Management of  
Tumbles LLC  
Houston, TX

We have audited the accompanying financial statements of Tumbles LLC, which comprise the balance sheet as of December 31, 2020 and the related statements of operations and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility 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 (U.S. GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tumbles LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

**Correction of Error**

As described in Note 8 to the financial statements, beginning members' equity, as previously reported, was increased by \$146,937 to correct for certain asset, liability, and equity accounts that management determined were incorrectly reported at December 31, 2019. Our conclusion is not modified with respect to this matter.

**Prior Year Financial Statements**

The financial statements of Tumbles LLC for the year ended December 31, 2019, before the restatement described in Note 8, were audited by another auditor whose report dated May 1, 2020, expressed an unmodified opinion on those statements.

As part of our audit of the December 31, 2020 financial statements, we also audited the adjustments described in Note 8 that were applied to restate the December 31, 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2019 financial statements of Tumbles LLC other than with respect to the adjustments; accordingly, we do not express an opinion or any other form of assurance on the December 31, 2019 financial statements as a whole.

**Adoption of New Accounting Pronouncements**

As discussed in Note 2 to the financial statements, effective January 1, 2020, Tumbles LLC adopted *Revenue from Contracts with Customers* (ASU 2014-09) (Topic 606), as amended and clarified, using the modified retrospective method, *Franchisors—Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient* (ASU 2021-02) and ASC Topic 340 – *Other Assets and Deferred Cost* (ASC 340). Our opinion is not modified with respect to this matter.



K. Glenn Aldridge, PC  
(d/b/a Aldridge & Associates)  
May 12, 2021

## Tumbles LLC

Balance Sheet  
December 31, 2020

---

### Assets

|                                   |                   |
|-----------------------------------|-------------------|
| Current assets:                   |                   |
| Cash                              | \$ 187,929        |
| Accounts receivable               | 68,044            |
| Inventory                         | 144,811           |
| Current portion of contract asset | 2,750             |
| Prepaid expenses                  | 17,383            |
| Total current assets              | <u>420,917</u>    |
| Noncurrent assets:                |                   |
| Goodwill                          | 51,000            |
| In-process software               | 24,050            |
| Due from franchisee               | 6,000             |
| Contract asset                    | 10,928            |
| Investment in franchisee          | 42,000            |
| Total noncurrent assets           | <u>133,978</u>    |
| Total assets                      | <u>\$ 554,895</u> |

### Liabilities and Members' Equity

|  |                   |
|--|-------------------|
| Current liabilities:                       |                   |
| Line of credit                             | \$ -              |
| Accounts payable and accrued liabilities   | 643               |
| Current portion of contract liability      | 15,000            |
| Current portion of notes payable           | 16,321            |
| Total current liabilities                  | <u>31,964</u>     |
| Noncurrent liabilities:                    |                   |
| Notes payable, net of current portion      | 128,414           |
| Contract liability, net of current portion | 11,250            |
| Deferred revenue                           | 218,548           |
| Total noncurrent liabilities               | <u>358,212</u>    |
| Total liabilities                          | 390,176           |
| Members' equity                            | <u>164,719</u>    |
| Total liabilities and members' equity      | <u>\$ 554,895</u> |

## Tumbles LLC

### Statement of Operations and Changes in Members' Equity For the Year Ended December 31, 2020

---

|  |                   |
|--|-------------------|
| Revenues:  |                   |
| Franchise royalty fees                                       | \$ 17,691         |
| Initial franchise fees                                       | 76,001            |
| Consulting revenue   | 178,082           |
| Other revenue  | 38,628            |
| Total revenues   | <u>310,402</u>    |
| Selling, general and administrative expenses                 | <u>213,339</u>    |
| Income from operations                                       | <u>97,063</u>     |
| Other income and (expense):                                  |                   |
| Interest income  | 719               |
| Interest expense   | <u>(11,516)</u>   |
| Total other income and (expense)                             | <u>(10,797)</u>   |
| Net income   | <u>86,266</u>     |
| Members' equity at December 31, 2019, as originally reported | (33,578)          |
| Prior period adjustments                                     | <u>112,031</u>    |
| Members' equity at December 31, 2019, as corrected           | <u>78,453</u>     |
| Members' equity at December 31, 2020                         | <u>\$ 164,719</u> |

---

See accompanying notes to financial statements.

6 | Page

## Tumbles LLC

### Statement of Cash Flows For the Year Ended December 31, 2020

---

|  |                   |
|--|-------------------|
| Cash provided by operating activities:           |                   |
| Cash received from franchise royalty fees        | \$ 31,963         |
| Cash received from initial franchise fees        | 130,001           |
| Cash received from consulting revenue            | 83,082            |
| Cash received from other revenue sources         | 67,626            |
| Cash received from interest                      | 719               |
| Cash used by operating activities:               |                   |
| Cash paid to members for guaranteed payments     | (104,718)         |
| Cash paid to service providers and vendors       | (288,336)         |
| Cash paid to financial institutions for interest | <u>(11,516)</u>   |
| Net cash used by operating activities            | <u>(91,179)</u>   |
| Cash flows from investing activities:            |                   |
| Capitalization of software development costs     | <u>(24,050)</u>   |
| Net cash used by investing activities            | <u>(24,050)</u>   |
| Cash flows from financing activities:            |                   |
| Proceeds from line of credit                     | 12,262            |
| Repayments on line of credit                     | (12,262)          |
| Proceeds from notes payable                      | 109,091           |
| Repayments on notes payable                      | <u>(103,362)</u>  |
| Net cash provided by financing activities        | <u>5,729</u>      |
| Net decrease in cash                             | (109,500)         |
| Cash, beginning of year                          | <u>297,429</u>    |
| Cash, end of year                                | <u>\$ 187,929</u> |

## Tumbles LLC

### Statement of Cash Flows (Continued) For the Year Ended December 31, 2020

---

Reconciliation of net income to net cash used by operating activities:

|   |    |                 |
|---|----|-----------------|
| Net income  | \$ | 86,266          |
| Noncash recognition of contract liability   |    | (15,000)        |
| Noncash amortization of contract asset  |    | 2,667           |
| Adjustments to reconcile net income to net cash provided by operating activities: |    |                 |
| Accounts receivable   |    | 27,272          |
| Inventory   |    | (144,811)       |
| Prepaid expenses  |    | (17,383)        |
| Due from franchisee   |    | (6,000)         |
| Contract asset  |    | (10,001)        |
| Accounts payable and accrued liabilities  |    | (4,187)         |
| Equipment deposits  |    | (228,550)       |
| Deferred revenue  |    | 218,548         |
| Net cash used by operating activities   | \$ | <u>(91,179)</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

|                        |    |        |
|------------------------|----|--------|
| Cash paid for interest | \$ | 11,516 |
|------------------------|----|--------|



**1. Description of Business**

Tumbles LLC (the Company) was formed on October 15, 2014 under the Delaware Limited Liability Company Act.

The Company is a franchisor that grants franchise agreements to businesses (the franchisees) at locations approved by the Company. Under the terms of the franchise agreements, franchisees operate a children’s’ gym that combines fun and learning into classes, camps, and other programs.

A summary of franchisee activity for 2020 follows:

|   |          |
|---|----------|
| Franchisees at December 31, 2019        | 8        |
| 2020 additions                          | -        |
| 2020 terminations                       | (1)      |
| <b>Franchisees at December 31, 2020</b> | <b>7</b> |

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

**Estimates and Assumptions**

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 and assumptions. Significant estimates underlying the accompanying financial statements include the application of guidance for revenue recognition.

**Use of Estimates in Financial Statements**

The financial statements include some amounts that are based on management’s best estimates and judgments. The more significant estimates relate to costs incurred prior to opening of a franchisee, useful lives of property and equipment; allowance for doubtful accounts; fair value of assets acquired and liabilities assumed, valuation of intangibles,

costs to complete long-term contracts, and application of guidance for revenue recognition. These estimates may be adjusted as more current information becomes available, and any adjustments could be significant.

### **Cash and Cash Equivalents**

The Company may from time to time maintain bank deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits. The Company believes it mitigates any risks by depositing cash with reputable financial institutions. The Company considers all highly liquid investments purchased with an original maturity of ninety days or less to be cash equivalents.

### **Accounts Receivable**

Accounts receivable, which consist of amounts owed to the Company related to initial franchise fees, franchise royalty fees, marketing fund fees, software fees, and monthly contract payments, are recorded at the amounts billed less an estimated allowance for bad debt expense and charge backs. The Company has determined that no allowance for doubtful accounts or charge backs was required as of December 31, 2020.

### **Inventory**

Inventory, consisting of in transit to franchisees and other third parties, is stated at the lower of cost or net realizable value. The Company does not hold inventory on hand for long periods of time; accordingly, the Company does not estimate reserves for excess, slow moving and obsolete inventory because inventory is only purchased once an agreement for a sale has been reached.

### **Contract Asset**

Effective January 1, 2020, the Company adopted ASC Topic 340 – *Other Assets and Deferred Cost* (ASC 340) which requires companies to defer certain incremental cost to obtain customer contracts, and certain costs to fulfill customer contracts.

The adoption of ASC 340 resulted in the Company deferring certain costs to obtain franchise contracts primarily as they relate to commissions paid to third-party sales-team members that are directly related to obtaining new franchise agreements. These incremental costs are deferred and amortized over a 5-year period, which is consistent with the length of the franchise agreement.

### **Acquisitions**

Acquisitions are recorded as of the purchase date and are included in the financial statements from the date of acquisition. In all acquisitions, the purchase price is allocated to the assets acquired and liabilities assumed at their fair values on the date of the acquisition. The fair values of these items are based upon management's best estimates using various valuation approaches, including income approach, market approach, and asset approach based on the circumstances. Certain of the acquired

assets may be intangible in nature, such as marketing-related, customer-related, artistic-related, contract-based and technology-related intangible assets. The excess purchase price over the amounts allocated to the net identifiable assets is recorded as goodwill.

All such valuation methodologies, including the determination of subsequent amortization periods, involve significant judgments and estimates. Different assumptions and subsequent actual events could yield materially different results.

### **Goodwill and Other Intangibles**

Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. The Company performs an annual review in the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine if the carrying value of the recorded goodwill is impaired. The impairment review process compares the fair value of the reporting unit in which goodwill resides to its carrying value. The determination of whether or not goodwill has become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the value of the Company's reporting units. Changes in the Company's strategy and / or market conditions could significantly impact these judgements and require adjustments to recorded amounts of intangible assets.

Amortizable intangible assets, as applicable, are amortized on a basis that approximates economic use. Costs incurred to renew or extend the term of a recognized intangible asset class are capitalized and amortized over the renewed or extended term. The Company does not hold any intangible assets, other than goodwill.

### **In-Process Software**

The application costs incurred during the development stage for internal-use software, both internal expenses and those paid to third parties, are capitalized. Once the software has been developed and placed into service, the capitalized costs are amortized over the estimated useful life of the software, generally three years. Costs to maintain the software and train others to use the software are expensed as incurred.

### **Investment in Franchisee**

The Company holds a minority interest in one franchisee in return for waiving the initial franchise fee and being able to use the franchise location for the training of new franchisees. Management has determined that this equity security should be accounted for at fair value. However, the franchisee does not have a readily determinable fair value; accordingly, management has recorded the investment at cost. Management has not received any earnings from the franchise and has not found it necessary to impair the investment since the franchise has not been open long enough to provide the value that management believes the investment carries.

**Impairment**

Long-lived assets, other than goodwill, are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of these assets and its eventual disposition are less than its carrying amount. Intangible assets are primarily evaluated on an annual basis, generally in conjunction with the Company's evaluation of goodwill balances. Impairment, if any, is assessed by using internally developed discounted cash flows estimates, quoted market prices, when available, and independent appraisals to determine fair value. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions and / or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets.

**Contract Liability**

Amounts received relating to contracts are recorded as a contract liability (deferred revenue) until earned.

**Revenue and Cost Recognition***Recently Adopted Accounting Pronouncements*

Revenue from Contracts with Customers (ASU 2014-09) ("Topic 606") supersedes the existing revenue recognition guidance and provides a new framework for recognizing revenue. The core principle of the standard is that an entity should recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Additionally, the guidance requires improved disclosure to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. Guidance subsequent to ASU 2014-09 has been issued to clarify various provisions in the standard, including principal versus agent considerations, identifying performance obligations, licensing transactions, as well as various technical corrections and improvements. According to the superseding standards 2015-04 and 2020-05, that deferred the effective dates of the preceding, and because the Company is a private company, the standard became effective for the Company on January 1, 2020.

This standard may be adopted using either a retrospective or modified retrospective method. The Company adopted this standard by recognizing the cumulative effect as an adjustment to opening members' equity at January 1, 2020, under the modified retrospective method for contracts not completed as of the day of adoption. Under the modified retrospective method, the Company was not required to restate comparative financial information prior to the adoption of these standards and, therefore, such information presented prior to January 1, 2020 continue to be reported under the



Company's previous accounting policies. The details of the significant changes and quantitative impact of the changes are discussed below.

Note 8 provides a summary of the impacts of adopting the revenue recognition standard on the Company's December 31, 2019 balance sheet.

#### *Initial Franchise fees*

Revenue from initial franchise fees, which includes the franchise fee and an access fee, is generated from a contract between the Company and a franchisee. The Company's initial performance obligation is to provide site selection assistance, design assistance, employee hiring and training, assistance with renovation and construction plans, assistance getting necessary equipment and supplies, access to the brand standards manual, assistance with a marketing plan, and assistance setting up a website and getting setup in the Company's system. Pursuant to ASU 2021-02 *Franchisors-Revenue from Contracts with Customers* (Subtopic 952-606) issued on January 28, 2021, the Company has determined that these pre-opening services are distinct from the franchise license and has elected to recognize pre-opening services as a single performance obligation. The Company's ongoing performance obligation is developing products and services, establishing pricing and administrative procedures, administer the marketing fund and manage advertising platforms, and general consulting. The transaction price is set by the franchise agreement. Prior to the adoption of Topic 606, initial franchise fees were recognized as revenue in the month the franchise owner opened for business. Management determined that it currently provides services equal in value to the franchise fee received, enabling the Company to recognize one hundred percent (100%) of the initial franchise fee in the month the franchise opens for business.

The Company waived the initial franchise fee and access fee for one franchise in exchange for a small percentage of ownership in the franchise, and for the ability to use that franchise for training new franchise owners. This franchise is still responsible for paying monthly fees. The Company also waived the initial franchise fee for an additional franchise in exchange for the ability to use that franchise for training new franchise owners.

The Company and all of the franchises also have the option to renew the franchise at the conclusion of the franchise agreement. The Company and the franchise can renew this agreement up to three times. This renewed agreement will be subject to a renewal fee.

The Company also has one outstanding International Master Franchise Agreement for a franchise that has not yet opened in Qatar. This agreement allows the international franchise to franchise additional locations that will be managed by the Qatar franchise. This will create sub-franchises for the Company, in which the Company will receive reduced initial franchise fees and monthly royalty payments. The Company and franchisee also have the option to renew the franchise once at the conclusion of the International Master Franchise Agreement.

The Company also considers transfer fees to be initial franchise fees. Transfer fees are fees paid to the Company from a new franchisee taking over an existing franchise

location. The Company's initial performance obligation incurred by the transfer fee includes providing assistance with employee hiring and training, access to the brand standards manual, assistance with a marketing plan, and getting set up in the Company's system. The Company's ongoing performance obligation is developing products and services, establishing pricing and administrative procedures, administer the marketing fund and manage advertising platforms, and general consulting. Prior to the adoption of Topic 606, transfer fees were recognized as revenue in the month the new franchise owner opened for business. Management determined that it currently provides services equal in value to the transfer fee received, enabling the Company to recognize one hundred percent (100%) of the transfer fee in the month the franchise opens for business.

#### *Franchise Royalty fees*

The franchise agreement stipulates monthly royalty fees based on a percentage of the gross revenue of a franchisee and obligates the Company to ongoing services, such as developing products and services, establishing pricing and administrative procedures, and general consulting.

The Company recognizes franchise royalty fees by applying the sales-and usage-based royalties exception, estimating the sales of services by franchisees when the service is executed, net of chargebacks.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

The Company has waived the franchise royalty fee for all franchisees beginning on March 1, 2020 due to the COVID-19 pandemic, and plans to require payments from franchisees some time during the 2021 calendar year; however, no date has yet been set.

#### *Marketing fees*

The franchise agreement stipulates monthly marketing fund contributions based on a percentage of the gross revenue of a franchisee and obligates the Company to ongoing marketing services, such as administering the marketing fund, managing advertising platforms, and assisting with maintaining the website. The Company reports all marketing fees as monthly royalty fees.

The Company has determined that it controls how marketing fund contributions are to be spent and that marketing services are performed at the brand level and not on an individual franchisee basis, or to solicit other franchisees; accordingly, the monies collected for marketing are recognized gross as part of revenue in the same manner as franchise royalty fees are recognized and advertising and marketing expenses are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly

payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

The Company has waived the monthly marketing fund fee for all franchisees beginning on March 1, 2020 due to the COVID-19 pandemic, and plans to require payments from franchisees some time during the 2021 calendar year; however, no date has yet been set.

*Software fees*

The franchise agreement stipulates monthly software fee payments which grants the franchisee continued use to the Company's software program. This payment obligates the Company to continue to provide and maintain the program. Franchisees pay varying amounts for this program depending on when the franchisee joined the Company. The Company reports all software fees as monthly royalty fees.

The Company has determined that it controls how software fees are spent and that services performed on the software are performed at the brand level and not on an individual franchisee basis. Accordingly, the monies collected for software are recognized gross as part of revenue in the same manner as franchise royalty and marketing fees are recognized and expenses incurred are recognized as incurred.

The Company has an agreement with one franchisee owner waiving the monthly payments for that franchise since the owner is an executive and member in the Company and provides services to the Company.

The Company has waived the monthly software fee for all franchisees beginning on March 1, 2020 due to the COVID-19 pandemic, and plans to require payments from franchisees some time during the 2021 calendar year; however, no date has yet been set.

*Other revenue*

Other revenue, such as consulting services to franchisees and other third parties, grant revenue, non-compliance fees, reimbursements, late fees, costs of collection fees, records audits, inspection fees, non-compliance cure fees, liquidated damages, indemnity, and prevailing party legal costs, are recognized as revenue in the period earned.

*Disaggregation of Revenue*

The following tables disaggregates revenue by segment and source for 2020:

|  | Franchise Channel | Corporate Channel | Total             |
|--|-------------------|-------------------|-------------------|
| Year ended December 31, 2020                                 |                   |                   |                   |
| Types of revenue stream:                                     |                   |                   |                   |
| • Initial franchise fees, earned at closing                  | \$ 76,001         | \$ -              | \$ 76,001         |
| • Royalty, marketing fund, and software fees, earned monthly | 17,691            | -                 | 17,691            |
| • Consulting revenue, earned at invoice date                 | -                 | 13,082            | 13,082            |
| • Consulting revenue, earned monthly or over time            | -                 | 165,000           | 165,000           |
| • Grant Revenue, earned when received                        | -                 | 12,400            | 12,400            |
| • Contract revenue, earned monthly                           | -                 | 15,000            | 15,000            |
| • Other revenue  | -                 | 11,228            | 11,228            |
| <b>Total revenues</b>  | <b>\$ 93,692</b>  | <b>\$ 216,710</b> | <b>\$ 310,402</b> |
| Timing of revenue recognition                                |                   |                   |                   |
| Recognized at a point in time                                | \$ 76,001         | 36,710            | \$ 112,711        |
| Transferred over time  | 17,691            | 180,000           | 197,691           |
| <b>Total revenues</b>  | <b>\$ 93,692</b>  | <b>\$ 216,710</b> | <b>\$ 310,402</b> |

|                              | Franchise Channel | Corporate Channel | Total       |
|------------------------------|-------------------|-------------------|-------------|
| Year ended December 31, 2020 |                   |                   |             |
| Revenue by geography:        |                   |                   |             |
| • Qatar                      | -                 | 57.4%             | 57.4%       |
| • Texas                      | 21.9%             | 7.6%              | 29.5%       |
| • New Jersey                 | 6.9%              | -                 | 6.9%        |
| • North Carolina             | -                 | 4.8%              | 4.8%        |
| • Georgia                    | 0.9%              | -                 | 0.9%        |
| • Virginia                   | 0.5%              | -                 | 0.5%        |
| <b>Total revenues</b>        | <b>30.2%</b>      | <b>69.8%</b>      | <b>100%</b> |

**Shipping and Handling**

Shipping and handling costs are charged to selling, general and administration expenses as incurred and shipping and handling income is included in other revenue as earned. There were no shipping and handling costs or income during 2020.

**Income Taxes**

As a limited liability company, the Company is not a taxpaying entity for federal income tax purposes. Accordingly, the Company's taxable income or loss is allocated to its members in accordance with their respective percentage ownership. Therefore, no provision or liability for income taxes has been included in the accompanying financial statements.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company believes it is no longer subject to income tax examinations for years prior to 2017.



**Advertising**

The Company expenses advertising and marketing costs as incurred. Advertising and marketing expenses charged to operations and recorded in general and administrative expenses totaled \$22,079 in 2020.

**3. Acquisition**

In October 2014, the Company entered into an agreement to purchase substantially all assets of Kidville JWT, LLC. The purchase price was financed by 100% by the seller (see Note 5). The acquisition was accounted for using the purchase method of accounting, whereby a new basis of reporting for assets and liabilities was established. The acquisition resulted in an excess of fair value over cost of net assets acquired; such amount has been recorded as goodwill in the accompanying balance sheet.

The purchase price was allocated as follows:

|  |  |    |               |
|--|--|----|---------------|
| Assets acquired:                         |  |    |               |
| Goodwill                                 |  | \$ | 51,000        |
| Customer-based intangibles               |  |    | 9,000         |
| Liabilities assumed:                     |  |    |               |
| Accounts payable and accrued liabilities |  |    | -             |
|  |  | \$ | <u>60,000</u> |

No research and development assets were acquired as part of the acquisition.

**4. Goodwill and Other Intangibles**

At December 31, 2020, goodwill consisted of the following:

|  | Gross Amount     | Accumulated<br>Impairment Losses | Net              |
|--|------------------|----------------------------------|------------------|
| Balance, December 31, 2019 (as restated) | \$ 51,000        | \$ -                             | \$ 51,000        |
| Additions                                | -                | -                                | -                |
| Impairment                               | -                | -                                | -                |
| Other                                    | -                | -                                | -                |
| Balance, December 31, 2020               | <u>\$ 51,000</u> | <u>\$ -</u>                      | <u>\$ 51,000</u> |

There were no other changes to goodwill during the year, other than those reported in the schedule above, such as impairment losses, net exchange differences, or other changes in carrying amounts. Further, during the fourth quarter of 2020, Management performed its annual impairment review of goodwill and determined that the carrying

value of goodwill was not impaired.

Acquired customer-based intangible assets with an estimated value of \$9,000 were fully amortized or impaired prior to 2020.

## 5. DEBT

### Line of Credit

The Company has an unsecured \$21,600 revolving line of credit with a financial institution. Outstanding borrowings under this line of credit carry interest at 10.5%. Under this line, the Company is required to make minimum monthly payments. At December 31, 2020, there were no outstanding borrowings and the total amount available under this line of credit was \$21,600.

### Acquisition Note Payable

In October 2014, the Company entered into an agreement with an individual to purchase substantially all assets of Kidville JWT, LLC for \$60,000 (see Note 3). This note is unsecured, noninterest bearing and repayable in monthly payments of \$1,000. The outstanding balance of this note totaled \$29,975 at December 31, 2020.

### Installment Notes Payable

In April 2019, the Company borrowed \$40,000 from a financial institution. Outstanding borrowings on this note carried interest at 12.5% and the Company was required to pay monthly principal and interest payments of \$899. This note had a maturity of April 2024; however, the outstanding balance was repaid during 2020.

In November 2019, the Company borrowed \$50,000 from a financial institution. Outstanding borrowings on this note carried interest at 13.38% and the Company was required to pay monthly principal and interest payments of \$1,684. This note had a maturity of June 2022; however, the outstanding balance was repaid during 2020.

In November 2019, the Company entered into an installment note agreement with a financial institution for \$27,500. This note is secured by the personal guarantee of the majority member, carries interest at 12.969% and is repayable in monthly principal and interest payments of \$565. The outstanding balance of this installment note totaled \$3,348 at December 31, 2020.

**Paycheck Protection Program Loan**

On July 27, 2020, after determining its eligibility, the Company borrowed \$6,991 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. Loan proceeds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven. The loan is uncollateralized and is fully guaranteed by the Federal government. No principal or interest payment have been paid on this loan and no interest, which is deemed insignificant, has not been accrued as of December 31, 2020. The outstanding balance of this loan totaled \$6,991 at December 31, 2020.

The Company has accounted for this loan as a financial liability and the loan, plus any accrued interest, will remain as a liability until either 1.) the loan is, in part or wholly, forgiven and the Company has been legally released or 2.) the Company pays off the loan.

**SBA Section 7(b) Loan**

On May 25, 2020, the Company borrowed \$102,200 under the SBA Section 7(b) Program for working capital. The loan accrues interest at 3.75%. Monthly principal and interest payments of \$498 are required beginning twelve months after the funding of the loan and the balance is due on May 25, 2050. The loan is collateralized by substantially all assets of the Company. No principal or interest payment have been paid on this loan and interest of \$2,321 has been accrued as of December 31, 2020. The outstanding balance of this loan, including accrued interest, totaled \$104,421 at December 31, 2020.

A schedule of future maturities by reporting period follows:

|                          |    |                |
|--------------------------|----|----------------|
| Year ending December 31, |    |                |
| 2021                     | \$ | 16,321         |
| 2022                     |    | 15,486         |
| 2023                     |    | 9,555          |
| 2024                     |    | 3,677          |
| 2025                     |    | 3,777          |
| Thereafter               |    | 95,919         |
|                          | \$ | <u>144,735</u> |

**6. COMMITMENTS**

According to the terms of signed agreements between the Company and its franchisees, the Company is obligated to support the franchisees as outlined in the franchise agreements.

**7. MEMBERS' EQUITY****Operating Agreement**

The terms of formation of the Company were specified by a limited liability company operating agreement. Pursuant to the operating agreement, the Company is managed by a manager. The operating agreement also contains provisions that limit, generally, the liability of members to their respective capital contributions. The Company will terminate at the discretion of the members or by provision of state law.

**Series of Units**

The Company has three series of unites. Series A units consist of 100 authorized and 55 issued units and carry additional voting rights related to operational matters. Series B units consist of 100 authorized and 45 issued units and carry voting rights restricted to entity level decisions. Series C units consist of 5 authorized units and no issued units and carry nonvoting profit interests.

**Conditional Warrants**

The Company has entered into a conditional warrant agreement with a vendor whereby at the discretion of the Company, the vendor may be granted warrants for Series C units. As of December 31, 2020, the Company has not granted any warrants to this vendor.

**8. RESTATEMENT***Correction of Errors*

During 2020, management determined that the balances of certain asset, liability, and equity accounts were not properly recorded as of December 31, 2019; accordingly, beginning members' equity, as previously reported, was increased to correct these errors. If management had properly recorded the asset, liability, and equity accounts as of December 31, 2019, the Company would have reported a 2019 increase in members' equity of instead of a decrease.

*Adoption of New Accounting Pronouncements*

Upon adoption of Topic 606, the Company increased opening members' equity in the amount of \$10,094 related to a decrease in previously recognized expenses in the amount of \$6,344 and increase in revenue not previously recognized of \$3,750. During 2020, the adoption of the revenue recognition standard decreased new expenses in the amount of \$8,084 and increase in revenue not previously recognized of \$15,000 compared to previous revenue recognition standards. As of December 31, 2020 the cumulative net impact to members' equity was an increase of \$32,428 after amortization.

The table below summarizes the changes management made to opening members' equity including changes affected by the new revenue recognition rules per Topic 606:

| <b>Balance Sheet</b>      | <b><u>As Reported</u></b> | <b><u>Error</u></b>      | <b><u>Restated</u></b>    | <b><u>Adjustments due</u></b> | <b><u>Total</u></b>   | <b><u>As</u></b>       |
|---------------------------|---------------------------|--------------------------|---------------------------|-------------------------------|-----------------------|------------------------|
| December 31, 2019         | <b><u>Legacy GAAP</u></b> | <b><u>Correction</u></b> | <b><u>Legacy GAAP</u></b> | <b><u>to Topic 606</u></b>    | <b><u>Changes</u></b> | <b><u>Reported</u></b> |
| <b>Assets:</b>            |                           |                          |                           |                               |                       |                        |
| Accounts receivable       | \$ -                      | \$ 95,316                | \$ 95,316                 | \$ -                          | \$ 95,316             | \$ 95,316              |
| Prepaid expenses          | 1,548                     | (1,548)                  | -                         | -                             | (1,548)               | -                      |
| Goodwill                  | 33,507                    | 17,493                   | 51,000                    | -                             | 17,493                | 51,000                 |
| Investment in franchisee  | 20,386                    | 21,614                   | 42,000                    | -                             | 21,614                | 42,000                 |
| Contract asset            | -                         | -                        | -                         | 6,344                         | 6,344                 | 6,344                  |
| Due from shareholders     | 124,262                   | (124,262)                | -                         | -                             | (124,262)             | -                      |
| Note receivable           | 22,600                    | (22,600)                 | -                         | -                             | (22,600)              | -                      |
| <b>Liabilities:</b>       |                           |                          |                           |                               |                       |                        |
| Accounts payable          | \$ (58,393)               | \$ 53,563                | \$ (4,830)                | \$ -                          | \$ 53,563             | \$ (4,830)             |
| Deposits                  | (327,355)                 | 98,805                   | (228,550)                 | -                             | 98,805                | (228,550)              |
| Notes payable             | (147,562)                 | 8,556                    | (139,006)                 | -                             | 8,556                 | (139,006)              |
| Contract liability        | -                         | -                        | -                         | (41,250)                      | (41,250)              | (41,250)               |
| Members' equity (deficit) | (33,578)                  | \$ 146,937               | 113,359                   | \$ (34,906)                   | \$ 112,031            | 78,453                 |

**9. SUBSEQUENT EVENTS**

The Company discloses material events that occur after the balance sheet date through the date to which the financial statements were available to be issued. In general, these events are recognized in the financial statements if the conditions existed at the date of the balance sheet, but are not recognized if the conditions did not exist at the balance sheet date. The Company discloses non-recognized events if required to keep the financial statements from being misleading.

The following subsequent event was identified by the Company for disclosure:

**COVID-19**

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact operation results. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and related financial impact.

\*\*\*\*\*



**A. ANDREW GIANIODIS**

**CERTIFIED PUBLIC ACCOUNTANT**

TUMBLES LLC  
DECEMBER 31, 2019 AND 2018  
FINANCIAL STATEMENTS

279 Niagara Falls Blvd.

Amherst, New York 14226

716 – 510-6068

# TUMBLES LLC

---

## Table of Contents

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT.....   | 1           |
| BALANCE SHEET.....                  | 2           |
| STATEMENT OF OPERATIONS.....        | 3           |
| STATEMENT OF CHANGES IN EQUITY..... | 4           |
| STATEMENT OF CASH FLOWS.....        | 5           |
| NOTES TO FINANCIAL STATEMENTS.....  | 6 - 8       |





**A. ANDREW GIANIODIS**  
**CERTIFIED PUBLIC ACCOUNTANT**

March 5, 2020

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of  
Tumbles LLC:

### REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Tumbles LLC (a limited liability company) as of December 31, 2019 and 2018 and the related statements of operations, changes in owner's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

-1-

279 Niagara Falls Blvd.

Amherst, New York 14226

716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tumbles LLC (a limited liability company) as of December 31, 2019 and 2018 and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "A. Andrew Gianiodis CPA". The signature is written in a cursive style.

A. Andrew Gianiodis

Certified Public Accountant

Tumbles LLC  
 Balance Sheet  
 December 31, 2019 and 2018

ASSETS

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| CURRENT ASSETS                          |                   |                   |
| Cash                                    | \$ 297,429        | \$ 28,152         |
| Accounts Receivables                    | -                 | 2,682             |
| Prepaid Expenses                        | 1,548             | 2,112             |
| Due from Shareholders                   | 124,262           | 124,262           |
| TOTAL CURRENT ASSETS                    | <u>423,239</u>    | <u>157,208</u>    |
| TOTAL FIXED ASSETS, net of depreciation | <u>-</u>          | <u>76</u>         |
| NOTE RECEIVABLE                         | <u>22,600</u>     | <u>22,600</u>     |
| OTHER ASSETS                            |                   |                   |
| Goodwill, net                           | 33,507            | 36,857            |
| Store Investment                        | 20,386            | -                 |
| TOTAL ASSETS                            | <u>\$ 499,732</u> | <u>\$ 216,741</u> |

LIABILITIES & EQUITY

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| CURRENT LIABILITIES        |                   |                   |
| Accounts Payable           | \$ 58,393         | \$ 19,522         |
| Equipment Deposit          | 233,019           | -                 |
| Franchise Deposit          | 94,336            | 91,925            |
| TOTAL CURRENT LIABILITIES  | <u>385,748</u>    | <u>111,447</u>    |
| NOTES PAYABLE              | <u>147,562</u>    | <u>84,795</u>     |
| TOTAL LIABILITIES          | <u>533,310</u>    | <u>196,242</u>    |
| EQUITY                     |                   |                   |
| Member's Equity            | <u>(33,578)</u>   | <u>20,499</u>     |
| TOTAL LIABILITIES & EQUITY | <u>\$ 499,732</u> | <u>\$ 216,741</u> |

*See accompanying notes*

- 2 -

# Tumbles LLC

## Statement of Operations Years ending December 31, 2019 and 2018

|                                 | 2019               | 2018               |
|---------------------------------|--------------------|--------------------|
| Revenues                        |                    |                    |
| Franchise fee revenue           | \$ -               | \$ 9,075           |
| Transfer fees                   | 32,480             | -                  |
| Royalties                       | 107,087            | 43,065             |
| Other franchise revenue         | 70,512             | 101,031            |
| Total revenue                   | <u>210,079</u>     | <u>153,171</u>     |
| Cost of Sales                   | <u>115,586</u>     | <u>1,034</u>       |
| Gross Margin                    | <u>94,493</u>      | <u>152,137</u>     |
| Expenses                        |                    |                    |
| Advertising and marketing       | 35,404             | 12,709             |
| Auto expense                    | 513                | 420                |
| Bank charges                    | 1,325              | 423                |
| Consulting                      | 33,555             | 34,000             |
| Delivery                        | 470                | 408                |
| Dues and subscriptions          | 6,864              | 3,159              |
| Insurance                       | -                  | 2,051              |
| Miscellaneous                   | 7,841              | 1,239              |
| Office supplies                 | 4,188              | 4,028              |
| Professional fees               | 7,557              | 3,536              |
| Rent                            | 3,694              | -                  |
| Telephone                       | 1,157              | 1,970              |
| Travel, meals and entertainment | 21,543             | 60,236             |
| Website                         | 32,879             | 29,690             |
| Total expenses                  | <u>156,990</u>     | <u>153,869</u>     |
| Operating Loss                  | <u>(62,497)</u>    | <u>(1,732)</u>     |
| Amortization                    | 3,350              | 3,350              |
| Depreciation                    | 76                 | 154                |
| Loss on Investment              | 4,614              | -                  |
| Interest expense                | 3,540              | 8,033              |
| Net Loss                        | <u>\$ (74,077)</u> | <u>\$ (13,269)</u> |

See accompanying notes

- 3 -

# Tumbles LLC

## Statement of Changes in Equity Years ending December 31, 2019 and 2018

|                            | Total Equity |
|----------------------------|--------------|
| Balance, January 1, 2018   | \$ 40,801    |
| Member Draws               | (7,033)      |
| Net Loss                   | (13,269)     |
|                            | <hr/>        |
| Balance, December 31, 2018 | \$ 20,499    |
|                            | <hr/> <hr/>  |
| Balance, January 1, 2019   | \$ 20,499    |
| Capital Infusion           | 30,000       |
| Member Draws               | (10,000)     |
| Net Loss                   | (74,077)     |
|                            | <hr/>        |
| Balance, December 31, 2019 | \$ (33,578)  |
|                            | <hr/> <hr/>  |

Tumbles LLC  
Statement of Cash Flows  
Years ending December 31, 2019 and 2018

|   | 2019              | 2018             |
|---|-------------------|------------------|
| Cash flows from operating activities:   |                   |                  |
| Net Income  | \$ (74,077)       | \$ (13,269)      |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                   |                  |
| Depreciation & amortization   | 3,426             | 3,504            |
| Changes in assets and liabilities   |                   |                  |
| Current assets  | 3,246             | (4,794)          |
| Current liabilities   | 274,301           | 35,995           |
| Net cash provided by operating activities                                       | <u>206,896</u>    | <u>21,436</u>    |
| Cash flows from investing activities:   |                   |                  |
| Payments on Note Payable  | (48,811)          | (5,180)          |
| Proceeds from Notes Payable   | 111,578           | 16,792           |
| Store investment  | (20,386)          | 0                |
| Net cash provided by investing activities                                       | <u>42,381</u>     | <u>11,612</u>    |
| Cash flows from financing activities:   |                   |                  |
| Member Draws  | (10,000)          | (7,033)          |
| Capital Infusion  | 30,000            | -                |
| Net cash provided by financing activities                                       | <u>20,000</u>     | <u>(7,033)</u>   |
| Net change in cash  | 269,277           | 26,015           |
| Cash - beginning of year  | <u>28,152</u>     | <u>2,137</u>     |
| Cash - end of year  | <u>\$ 297,429</u> | <u>\$ 28,152</u> |
| Supplemental Disclosures  |                   |                  |
| Interest Paid   | \$ 3,540          | \$ 8,033         |
| Income Taxes Paid   | \$ -              | \$ -             |

*See accompanying notes*

- 5 -

# TUMBLES LLC

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Tumbles LLC (Formerly JW Tumbles LLC) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

#### **ORGANIZATION AND NATURE OF BUSINESS**

The Company was incorporated under the laws of the State of Delaware in October 2015 for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own JW Tumbles operation.

#### **BASIS OF PRESENTATION**

The financial statements are presented on the accrual basis of accounting.

#### **CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts and all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

#### **REVENUE RECOGNITION**

The Company accounts for revenue using the accounting method prescribed under Accounting Standards Codification 606 ("ASC") Topic Franchisors.

Deferred revenue consists of fees paid to the Company when a franchise agreement is signed. This revenue is deferred until all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. In 2019, \$45k of franchise fees collected for a franchise that was not open and operating in prior to year-end. As such, those fees are in franchise deposits at year end.

The Company similarly defers the related expenses specific to the franchise agreements, primarily sales commissions and legal fees. In 2019, there were no prepaid commissions relating to the deferred revenue.

Royalty fees and other revenues are reported as earned.



# TUMBLES LLC

## NOTES TO FINANCIAL STATEMENTS

### **COMPANY INCOME TAXES**

The Company, with the consent of its ownership, has elected to be treated as an LLC. As such, the Company is not responsible for income taxes on its taxable income; rather, the members will be responsible for their pro rata share of any taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

### **USE OF ESTIMATES**

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

### **NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company estimates that the fair value of all financial instruments at December 31, 2019 and 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

### **NOTE 3 FRANCHISE AGREEMENT**

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.



TUMBLES LLC  
NOTES TO FINANCIAL STATEMENTS

**NOTE 4      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 16, 2020, the date that the financial statements were issued.



---

**A. ANDREW GIANIODIS**

---

**CERTIFIED PUBLIC ACCOUNTANT**

---

**TUMBLES LLC**

(FORMERLY JW TUMBLES, LLC)

**DECEMBER 31, 2018 AND 2017**

**FINANCIAL STATEMENTS**

279 Niagara Falls Blvd.

Amherst, New York 14226

716 – 510-6068

**TUMBLES LLC**  
(FORMERLY JW TUMBLES LLC)

---

Table of Contents

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| INDEPENDENT AUDITOR'S REPORT.....   | 1           |
| BALANCE SHEET.....                  | 2           |
| STATEMENT OF OPERATIONS.....        | 3           |
| STATEMENT OF CHANGES IN EQUITY..... | 4           |
| STATEMENT OF CASH FLOWS.....        | 5           |
| NOTES TO FINANCIAL STATEMENTS.....  | 6 - 8       |



**A. ANDREW GIANIODIS**  
**CERTIFIED PUBLIC ACCOUNTANT**

March 5, 2019

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors and Members of  
Tumbles LLC (Formerly JW Tumbles LLC):

### REPORT ON FINANCIAL STATEMENTS

I have audited the accompanying balance sheet of Tumbles LLC (Formerly JW Tumbles LLC) (a limited liability company) as of December 31, 2018 and 2017 and the related statements of operations, changes in owner's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with generally accepted auditing standards as accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I express no such opinion.

-1-

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### OPINION

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tumbles LLC (Formerly JW Tumbles LLC) (a limited liability company) as of December 31, 2018 and 2017 and the results of operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "A. Andrew Gianiodis CPA". The signature is written in a cursive style.

A. Andrew Gianiodis

Certified Public Accountant

Tumbles LLC (formerly JW Tumbles LLC)

Balance Sheet  
December 31, 2018 and 2017

ASSETS

|                          | 2018              | 2017              |
|--------------------------|-------------------|-------------------|
| CURRENT ASSETS           |                   |                   |
| Cash                     | \$ 28,152         | \$ 2,137          |
| Accounts Receivables     | 2,682             | -                 |
| Prepaid Expenses         | 2,112             | -                 |
| Due from Shareholders    | 124,262           | 124,262           |
| TOTAL CURRENT ASSETS     | <u>157,208</u>    | <u>126,399</u>    |
| FIXED ASSETS             |                   |                   |
| Equipment                | 1,600             | 1,600             |
| Accumulated Depreciation | <u>(1,524)</u>    | <u>(1,370)</u>    |
| TOTAL FIXED ASSETS       | <u>76</u>         | <u>230</u>        |
| NOTE RECEIVABLE          | <u>22,600</u>     | <u>22,600</u>     |
| OTHER ASSETS             |                   |                   |
| Goodwill, net            | <u>36,857</u>     | <u>40,207</u>     |
| TOTAL ASSETS             | <u>\$ 216,741</u> | <u>\$ 189,436</u> |

LIABILITIES & EQUITY

|                            |                   |                   |
|----------------------------|-------------------|-------------------|
| CURRENT LIABILITIES        |                   |                   |
| Accounts Payable           | \$ 19,522         | \$ 23,452         |
| Franchise Deposit          | <u>91,925</u>     | <u>52,000</u>     |
| TOTAL CURRENT LIABILITIES  | <u>111,447</u>    | <u>75,452</u>     |
| NOTES PAYABLE              | <u>84,795</u>     | <u>73,183</u>     |
| TOTAL LIABILITIES          | <u>196,242</u>    | <u>148,635</u>    |
| EQUITY                     |                   |                   |
| Member's Equity            | <u>20,499</u>     | <u>40,801</u>     |
| TOTAL LIABILITIES & EQUITY | <u>\$ 216,741</u> | <u>\$ 189,436</u> |

See accompanying notes

- 2 -

Tumbles LLC (formerly JW Tumbles LLC)

Statement of Operations  
Years ending December 31, 2018 and 2017

|                                 | 2018               | 2017              |
|---------------------------------|--------------------|-------------------|
| Revenues                        |                    |                   |
| Franchise fee revenue           | \$ 9,075           | \$ 42,000         |
| Royalties                       | 43,065             | 67,443            |
| Other franchise revenue         | 101,031            | 844               |
| Total revenue                   | <u>153,171</u>     | <u>110,287</u>    |
| Cost of Sales                   | <u>1,034</u>       | <u>-</u>          |
| Gross Margin                    | <u>152,137</u>     | <u>110,287</u>    |
| Expenses                        |                    |                   |
| Advertising and marketing       | 12,709             | 32,260            |
| Auto expense                    | 420                | 4,233             |
| Bank charges                    | 423                | 467               |
| Consulting                      | 34,000             | -                 |
| Delivery                        | 408                | 260               |
| Dues and subscriptions          | 3,159              | 1,228             |
| Insurance                       | 2,051              | 5,458             |
| Miscellaneous                   | 1,239              | 4,395             |
| Office supplies                 | 4,028              | 2,127             |
| Professional fees               | 3,536              | 9,991             |
| Telephone                       | 1,970              | 1,782             |
| Travel, meals and entertainment | 60,236             | 22,720            |
| Website                         | 29,690             | 27,256            |
| Total expenses                  | <u>153,869</u>     | <u>112,177</u>    |
| Operating Loss                  | <u>(1,732)</u>     | <u>(1,890)</u>    |
| Amortization                    | 3,350              | 3,350             |
| Depreciation                    | 154                | 154               |
| Interest expense                | 8,033              | 1,671             |
| Taxes                           | -                  | 178               |
| Net Loss                        | <u>\$ (13,269)</u> | <u>\$ (7,243)</u> |

See accompanying notes

- 3 -

Tumbles LLC (formerly JW Tumbles LLC)

Statement of Changes in Equity  
Years ending December 31, 2018 and 2017

|                            | Total Equity     |
|----------------------------|------------------|
| Balance, January 1, 2017   | \$ (11,956)      |
| Capital Infusion           | 60,000           |
| Net Loss                   | <u>(7,243)</u>   |
| Balance, December 31, 2017 | <u>\$ 40,801</u> |
| Balance, January 1, 2018   | \$ 40,801        |
| Capital Infusion           | -                |
| Member Draws               | (7,033)          |
| Net Loss                   | <u>(13,269)</u>  |
| Balance, December 31, 2018 | <u>\$ 20,499</u> |



## Tumbles LLC (formerly JW Tumbles LLC)

### Statement of Cash Flows Years ending December 31, 2018 and 2017

|   | 2018        | 2017       |
|---|-------------|------------|
| Cash flows from operating activities:   |             |            |
| Net Income  | \$ (13,269) | \$ (7,243) |
| Adjustments to reconcile net loss to net cash provided by operating activities: |             |            |
| Depreciation & amortization   | 3,504       | 3,504      |
| Changes in assets and liabilities   |             |            |
| Current assets  | (4,794)     | (111,625)  |
| Current liabilities   | 35,995      | 12,587     |
|   | 21,436      | (102,777)  |
| Net cash provided by operating activities                                       | 21,436      | (102,777)  |
| Cash flows from investing activities:   |             |            |
| Payments on Note Payable  | (5,180)     | (12,792)   |
| Proceeds from Notes Payable   | 16,792      | 41,000     |
| Collections on Notes Receivable   | 0           | 11,000     |
|   | 11,612      | 39,208     |
| Net cash provided by investing activities                                       | 11,612      | 39,208     |
| Cash flows from financing activities:   |             |            |
| Member Draws  | (7,033)     | -          |
| Capital Infusion  | -           | 60,000     |
|   | (7,033)     | 60,000     |
| Net cash provided by financing activities                                       | (7,033)     | 60,000     |
| Net change in cash  | 26,015      | (3,569)    |
| Cash - beginning of year  | 2,137       | 5,706      |
| Cash - end of year  | \$ 28,152   | \$ 2,137   |
| Supplemental Disclosures  |             |            |
| Interest Paid   | \$ 8,033    | \$ 1,671   |
| Income Taxes Paid   | \$ -        | \$ 178     |

*See accompanying notes*

- 5 -

**TUMBLES LLC**  
(FORMERLY JW TUMBLES LLC)  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Tumbles LLC (Formerly JW Tumbles LLC) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**ORGANIZATION AND NATURE OF BUSINESS**

The Company was incorporated under the laws of the State of Delaware in October 2015 for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own JW Tumbles operation.

**BASIS OF PRESENTATION**

The financial statements are presented on the accrual basis of accounting.

**CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the Company considers unrestricted currency, demand deposits, money market accounts and all highly liquid debt instruments purchased with original maturities of 90 days or less to be cash equivalents.

**REVENUE RECOGNITION**

Initial franchise fees will be recorded as income when the company provides substantially all the initial services agreed upon in the franchise agreement or when the franchise has commenced operations, whichever comes first. If the fee is received over a period of time and the Company has no reasonable basis for estimating the collectability of the fee, the Company will use the installment method of recognition of the initial fee as revenue. Monthly royalty fees will be recognized when paid by the franchisee.

**COMPANY INCOME TAXES**

The Company, with the consent of its ownership, has elected to be treated as an LLC. As such, the Company is not responsible for income taxes on its taxable income; rather, the members will be responsible for their pro rata share of any taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

**TUMBLES LLC**  
(FORMERLY JW TUMBLES LLC)  
**NOTES TO FINANCIAL STATEMENTS**

**USE OF ESTIMATES**

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

**NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company estimates that the fair value of all financial instruments at December 31, 2018 and 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

**NOTE 3 FRANCHISE AGREEMENT**

The terms of the Company's franchise agreement will be as follows:

- A. The Company will grant the right to use the Company name, trademark and system in the franchisee's franchise development business.
- B. The franchisee is obligated to pay a non-refundable initial franchise fee.
- C. The franchisee is obligated to pay a monthly royalty fee. Certain other fees are also outlined in the agreement.

**NOTE 4 CORRECTION OF PRIOR YEAR**

The Company revised its 2015 financial statements. The changes related to a capital infusion of a new investor and the reclassification and omission of certain revenues and expenses unknown at the time of the original audit.

**NOTE 5 INVESTMENT**

The Company received a note in the amount of \$48,000 in exchange for a 10% stake in the Company. The note is non-interest bearing and requires the make to pay \$800 per month for 60 months.

**TUMBLES LLC**  
(FORMERLY JW TUMBLES LLC)  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 5, 2019, the date that the financial statements were issued.

## 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:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   |                       |
| Indiana      |                       |
| Illinois     |                       |
| Michigan     |                       |
| New York     |                       |
| Rhode Island |                       |
| Virginia     |                       |
| Washington   |                       |

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.

## 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 Tumbles LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Tumbles LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A). The name, principal business address, and telephone number of each franchise seller offering the franchise is:

| Name         | Principal Business Address                           | Telephone Number |
|--------------|--|------------------|
| Manish Vakil | 1302 Waugh Drive, Suite 192, Houston, Texas<br>77019 | (833) GYM-STEM   |
|              |  |                  |

Issuance Date: May 12, 2021.

I received a disclosure document dated May 12, 2021 that included the following Exhibits:

### **EXHIBITS**

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement
  - C. Multi-Unit Development Agreement
  - D. Guaranty and Non-Compete Agreement
  - E. Rider to Lease Agreement
  - F. Software License Agreement
  - G. Form of General Release
  - H. Brand Standards Manual Table of Contents
  - I. State Addenda to Disclosure Document
  - J. State Addenda to Agreements
  - K. Current Franchisees
  - L. Former Franchisees
  - M. Financial Statements
- State Effective Dates  
Receipts

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

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

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

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

**Keep This Copy For Your Records**

## RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Tumbles LLC offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If Tumbles LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A). The name, principal business address, and telephone number of each franchise seller offering the franchise is:

| Name         | Principal Business Address                           | Telephone Number |
|--------------|--|------------------|
| Manish Vakil | 1302 Waugh Drive, Suite 192, Houston, Texas<br>77019 | (833) GYM-STEM   |
|              |  |                  |

Issuance Date: May 12, 2021

I received a disclosure document dated May 12, 2021 that included the following Exhibits:

### EXHIBITS

- A. State Administrators and Agents for Service of Process
  - B. Franchise Agreement
  - C. Multi-Unit Development Agreement
  - D. Guaranty and Non-Compete Agreement
  - E. Rider to Lease Agreement
  - F. Software License Agreement
  - G. Form of General Release
  - H. Brand Standards Manual Table of Contents
  - I. State Addenda to Disclosure Document
  - J. State Addenda to Agreements
  - K. Current Franchisees
  - L. Former Franchisees
  - M. Financial Statements
- State Effective Dates  
Receipts

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

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

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

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

**Return this copy to us.**