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FRANCHISE DISCLOSURE DOCUMERTMAY 17 P1 53

KIDS 'R' KIDS INTERNATIONAL, INC. d/b/a KIDS 'R' KIDS® 1625 Executive Drive South Duluth, Georgia 30096 (770) 279-7777 kidsrkids@kidsrkids.com www.kidsrkids.com



RECEIVED DEPT OF CORPORATIONS SAN ERANCISCO

The Franchisee ("you") will own and operate a child care center that offers child day care services to the general public under the trade name "KIDS 'R' KIDS®."

The total investment necessary to begin operation of a Kids 'R' Kids child care center is \$2,735,500 (low range) to \$4,247,500 (high range). This includes \$240,000 to \$260,000 that must be paid to the franchisor or its 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 payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. Note, however, that no governmental agency has verified the information contained in this document.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or 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 "<u>A Consumer's Guide to Buying a Franchise</u>," 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 visit the FTC's home page at <u>www.ftc.gov</u> 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: March 23, 2012, as updated May 16, 2012



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STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchising administrator listed in Exhibit A-1 for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

THE FRANCHISE AGREEMENT STATES THAT GEORGIA LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTION AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

THE FRANCHISE AGREEMENT PERMITS THE FRANCHISEE TO SUE THE FRANCHISOR ONLY IN GEORGIA. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE THE FRANCHISOR IN GEORGIA THAN IN YOUR HOME STATE.

THE FRANCHISOR DOES NOT OWN THE PRINCIPAL TRADEMARKS, BUT INSTEAD HAS AN EXCLUSIVE LICENSE WITH THE OWNER OF THE TRADEMARKS.

CERTAIN STATE LAWS MAY SUPERSEDE THESE PROVISIONS. PLEASE SEE THE ADDENDUM FOR THE STATE SPECIFIC INFORMATION.

THERE MAY BE OTHER RISK FACTORS CONCERNING THIS FRANCHISE.

Effective Date: See the next page for state effective dates



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STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

California

April 11, 2012 Amendment Pending

March 28, 2012 Amendment Pending

May 5, 2012

April 23, 2012

Illinois

Indiana

New York

Virginia

Washington

May 3, 2012

Amendment Pending

Amendment Pending

April 20, 2012 Amendment Pending

In all other states, the effective date of this Franchise Disclosure Document is the issuance date of March 23, 2012, as updated May 16, 2012.

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