

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATES

To simplify the language in this offering circular, "Kids 'R' Kids", "KRK", "We" or "Us" means Kids 'R' Kids International, Inc. "You" means the person who buys the franchise and may include a corporation, partnership or limited liability company. If a corporation, partnership or limited liability company is the franchisee, "you" also includes the franchisee's shareholders, partners or members.

We are a Georgia corporation. Our principal address and registered address for service of process is 1625 Executive Drive South, Duluth, Georgia 30096. Our telephone number is 770/279.7777. Our registered agent is Mary Morrison. A list of Administrators and Agents for Service of Process for each state is attached as Exhibit F to this offering circular. We currently conduct business and intend to conduct business under our corporate name, Kids 'R' Kids International, Inc. We incorporated March 16, 1988, and began issuing franchises immediately thereafter. We have not and do not plan to own any Kids 'R' Kids Centers.

On December 6, 1984, Patrick and Janice Vinson incorporated Kids 'R' Kids, Inc., a Georgia Corporation, which has the same principal address as Kids 'R' Kids International, Inc. From April 30, 1985 to November 1990, Patrick and Janice Vinson owned and operated Kids 'R' Kids, Inc. Kids 'R' Kids, Inc. operated three child care centers located in the metropolitan Atlanta, Georgia area. Kids 'R' Kids, Inc. offered the same type of child day care services and related products under the same marks as currently offered by us. Kids 'R' Kids Inc. never sold any type of franchise business, but sold their day care centers to Kids 'R' Kids International who in turn sold them to franchisees in November, 1990. Kids 'R' Kids, Inc. currently operates one of our Centers. Kids 'R' Kids, Inc. owns the trade names and trade marks licensed under any franchise agreement and the trade name and marks are registered with the United States Patent and Trademark Office. We are authorized to license the trade name and marks to you under an exclusive licensing agreement between Kids 'R' Kids, Inc. and Kids 'R' Kids International, Inc.

Patrick D. Vinson and Janice W. Vinson own Childish Creations, Inc., a Georgia corporation ("Creations"). They formed Creations on October 27, 1992 solely to supply furnishings and equipment to you. The principal business address of Creations is the same as Kids 'R' Kids'.

Patrick D. Vinson Realty, a Georgia business ("Realty"), began in 1986 to sell commercial real property to individuals, including potential franchisees. Patrick D. Vinson owns Realty. The principal business address of Realty is the same as Kids 'R' Kids'. We do not act as a conduit between Realty and our franchisees and you are not required to use any services provided by Realty. Typically, any property leased to our franchisees by Realty has a lease term, which coincides with the term of the franchise. If a franchisee's lease expires or is earlier terminated, then Realty usually enters into a new lease with a new franchisee, reserving all rights to remedies available to Realty under the original lease. If a franchisee's franchise agreement is terminated before the natural expiration or termination of the lease, then Realty will comply with our Collateral Assignment of Tenant's Interest in Lease and Nondisturbance and Attornment Agreements.

Patrick D. Vinson and Janice W. Vinson own Childish Creations International, Inc., a Delaware corporation ("Creations International"). They formed Creations International on December 23, 1996, solely to provide corporate air transportation to us.

Patrick and Janice Vinson have owned or operated child care centers since 1961 and Kids 'R' Kids, Inc. owned child care centers for approximately 5 years.

If you buy a franchise from us, you will have the right to operate a Kids 'R' Kids Child Care Center, which we will call a "Center" in this Offering Circular. This Offering Circular describes a lot of things you might want to know about owning and operating a Center. If and when you decide to buy a franchise for a Center, you will receive a complete business system for owning and operating a Center, which includes a license to use our service marks. This Offering Circular also describes the services and support which we provide to you, such as training, consultation, continuing advice and assistance concerning the operation of the Center.

We offer the right and license to operate a Center at a specific location for a term of 25 years. As long as you abide by the terms of your Franchise Agreement, we cannot take your license away. This Offering Circular and the Franchise Agreement describe what can cause us to take your license away. After your license expires, you have the right to renew your license for additional 10 year periods if you are in compliance with your Franchise Agreement, and if you meet the requirements which are described in this Offering Circular and in your Franchise Agreement.

Your Center will offer day care services to children between the ages of 6 weeks and 12 years. We will specify the location where you operate your Center, which we refer to as the Center Site, in Exhibit "A" to your Franchise Agreement. You must use our system of operation, which we refer to in this Offering Circular as the "System." The System consists of approved distinctive exterior elevations and construction plans with respect to the Center, a distinctive floor plan, layout and design of the Center, as well as certain specified equipment, staffing requirements, interior and exterior decor, interior and exterior signs, food and other nutritional services, an instructional manual, training courses and specially designed procedures for the care, feeding, education and entertainment of the children who come to your Center.

All of our Centers are located in freestanding structures next to well traveled roads and convenient to either residential neighborhoods or office complexes. The typical Center has between 8 and 11 large rooms, each capable of holding between 20 and 40 children. Your Center will also have a reception area, a combination dining and entertainment room, complete kitchen facility, a small amount of storage and office space and a fenced-in playground. Your Center will be able to accommodate about 250 children.

Your Center's success depends upon providing high quality child care at reasonable prices at convenient locations. Centers are generally located in either well populated suburban areas or near large shopping areas, office parks or other professional complexes. Your Center will compete with home child care, child care provided by governmental, charitable or religious organizations as well as at least 7 other commercial child care systems currently in existence.

Each Center provides a uniform program of child day care services. All children at the Center will be supervised by qualified and trained employees of the Center. Generally, the children in your Center will be divided into age groups, and the services provided to each age group range from infant care and feeding to group games, art work, education and supervised physical exercise.

Your Center will serve up to 2 meals and 2 snacks per day and must be able to serve both hot and cold meals. We will provide you with suggested menus of the food items which you may serve; however, you must comply with any and all state guidelines regulating menu standards. We must approve the quality of the food you serve and/or any vendors which are not pre-approved suppliers.

Your Center must have one full-time Center Director and other employees as prescribed in the Confidential Operations Manual (the "Manual") and in accordance with the ratios of teachers and teachers' aides per child required by applicable laws, rules and regulations. We estimate you will have to hire 18 to 20 staff members to open your Center, and will need to hire more employees as enrollment at your Center increases.

The day-to-day operations of your Center will include handling telephone calls, maintaining accurate sales and income records, and ordering supplies from Approved Suppliers and other suppliers. The teachers and teachers' aides will supervise the children inside and outside the Center during alternating periods of rest and activity. A cook will prepare both hot and cold meals for the children. You will need additional staff to keep the Center and its grounds in a neat, presentable manner, and in accordance with your Franchise Agreement and Manual. You also can advertise and promote your Center by selling items approved which we approve.

You may provide transportation services to and from your Center and for Center-related field trips with and for the children. You cannot provide any other transportation services without getting our approval ahead of time. We can decide not to let you provide any other transportation services for any reason. All transportation services must be in strict accordance with Section 10(l) of your Franchise Agreement and with the Manual. If you provide any type of transportation services, you have to sign a Transportation Driver Agreement with each driver you employ. The Transportation Driver Agreement is Exhibit J to the Franchise Agreement. You will be solely responsible for the hiring and supervision of all your drivers.

Under your Franchise Agreement, we grant to you the right to provide child day care services and related products and services at your Center Site using our name and marks. We also will grant you the non-exclusive right to use certain designs, layouts, color schemes, trademarks and service marks which we own and/or developed. We also will grant you the right to use certain trade secrets, operating methods and other confidential and valuable information relating to the Approved Products and Services. We will refer to this information as "Proprietary Information." We give you a current list of Approved Products and Services with this Offering Circular, (Exhibit E), and as an item in the Manual, which we may change occasionally. If we do change the Manual, we will let you know by writing to you.

The services you offer at your Center will be marketed to the general public with an emphasis on targeting families in which both parents are working and single parent families. We will train you in the basic management of your Center, and we describe the training program in Item 11 of this Offering Circular.

You may choose to develop and own or lease the real estate or property where your Center is located, subject to our approval, or we may assist you by developing the real estate where your

Center is located and leasing the same to you, identifying a potential real estate developer for you, or by assigning an existing lease to you. If we assign an existing lease to you, your landlord will expressly waive any responsibility on our part for your lease obligations should you fail to meet the terms of your lease agreement, or should you default in your Franchise Agreement with us. In either case, we will retain the right to enter and retake the premises of your Center.

We do not offer for sale franchises in any other lines of business. The number of current franchise units is shown in Item 20 of this Offering Circular.

In the operation of a Kids 'R' Kids Center, you must comply with state and federal laws, rules, regulations, and ordinances which may apply to the operation of your Center, including those which (a) establish standards, specifications and requirements for the construction, design and maintenance of the interior and/or exterior of the premises; (b) regulate matters concerning the health, safety and welfare of your clients, such as general health and sanitation requirements, employee practices concerning the storage, handling, cooking and preparation of food, restrictions on smoking, and availability of and requirements for public accommodations (such as rest rooms); (c) regulate matters pertaining to employee health and safety (such as teen labor laws); (d) set standards and requirements for fire safety and general emergency preparedness; (e) govern the use of vending machines; (f) regulate the proper use, storage and disposal of waste, insecticides, cleaning supplies and agents and other hazardous materials; (g) staff qualifications and training; (h) staff to children ratios; (i) record keeping; (j) dietary requirements; and (k) daily curriculum.

Additionally, in most states, you, as the Center operator, will have to obtain an annual, renewable day care license before you open for business. In addition, a Center Director must operate your Center. The Center Director, in most cases, must have a degree in education and a certificate in early childhood education issued under state law and appropriate staff and teachers as required by state licensing authorities and our standards. Some states require you to be fingerprinted, undergo a health screening and/or other requirements. If your Center operates a kindergarten program, it may be necessary to obtain accreditation from your state's Board of Education. Construction of child care centers must also comply with local zoning requirements. These zoning rules and regulations vary from jurisdiction to jurisdiction.

Your state may require you, as a potential child care facility owner, to attend a state operated training orientation to introduce you to your state's regulations pertaining to child care. You may also have to meet with licensing representatives during construction for applications and site inspection. Upon request, we will provide you with a copy of a summary of the special regulations for operating a day care center in your state.

You should investigate whether there are regulations or requirements which apply in the geographic area in which you are interested in locating your franchise and should consider both their effect and the cost of compliance.

ITEM 2 BUSINESS EXPERIENCE

The following is a list of our directors and executive officers:

Mr. Patrick D. Vinson: President and Director

Mr. Vinson has been our President and a Director of our company since its incorporation in March 1988. Mr. Vinson is in charge of public relations and sales. Mr. Vinson served as President and a Director of Kids 'R' Kids, Inc. from April 30, 1985 to the present. From December 1961 to May 1985, Mr. Vinson served as President and a Director of P.D.V. Inc. d/b/a Kiddie City, which conducted a child day care center in the metropolitan Atlanta, Georgia area under the name "Kiddie City." From March 10, 1971 until 1986, Mr. Vinson served as an associate real estate broker with PAR Realty, Inc., a real estate brokerage firm located in Conyers, Georgia. From July 1986 to the present Mr. Vinson has served as a real estate broker for the firm, Patrick D. Vinson Real Estate.

Mrs. Janice W. Vinson: Vice President

Mrs. Vinson has been the Vice President of our company since its incorporation in March 1988, assisting in the day to day operations. Mrs. Vinson has been the Secretary, Treasurer and a Director of Kids 'R' Kids, Inc. from April 30, 1985 to the present. From March 1961 to May 1985, Mrs. Vinson was the Secretary and Treasurer and a Director of P.D.V., Inc. d/b/a Kiddie City which conducted a child day care center in metropolitan Atlanta, Georgia under the name "Kiddie City." From September 1974 until 1981, Mrs. Vinson was a real estate agent with PAR Realty, Inc., a real estate brokerage firm located in Conyers, Georgia. Mrs. Vinson has devoted herself full time to the child care business from 1980 until the present.

ITEM 3 LITIGATION

Jay W. Nahm and Hanna B. Nahm, individually and as beneficiaries and legal representatives the estate of Cynthia Nahm, deceased, and as next friend of Lydia Nahm, a minor child vs. Kids 'R' Kids International, Inc., Ramona Stubler, individually, and d/b/a Kids 'R' Kids, Victor Stubler, individually and d/b/a Kids 'R' Kids, Cinco Ranch Venture, a Texas Joint Venture, American Realty Investment Corp., Cinco Residential Property Association, Inc., JARVC Corporation, Inc., d/b/a Kids 'R' Kids, Planned Community Management, Inc., and DS Recreational Services, Inc. (District Court of Harris County, State of Texas, Civil Action File No: 98-29996), filed June 29, 1998. Jay W. And Hanna B. Nahm were parents of a child who attended a Kids 'R' Kids child care center in Texas. Jay W. And Hanna B. Nahm alleged that Cynthia Nahm drowned while attending an outing at a swimming pool in the Houston, Texas area. Jay W. And Hanna B. Nahm claimed negligence on the part of all of the defendants. The parties have entered into a settlement agreement releasing, among other parties, Kids 'R' Kids International, Inc., the Stublers, individually and d/b/a Kids 'R' Kids, and JARVC Corporation, Inc., d/b/a Kids 'R' Kids. There was no admission or finding of any liability on our part. Pursuant to the terms of the settlement agreement. Pursuant to the terms of the settlement agreement, we paid the plaintiffs \$60,000. The parties signed a final release agreement on May 26, 1999, and the plaintiffs dismissed the Complaint.

Nova Capital, LLC, Jorge Bustamante, and Rosa Maria Bustamante vs. Kids 'R' Kids International, Inc. (District Court of Dallas County, State of Texas Civil Action File No: DV 98-09553-J), December 21, 1998. The plaintiff, Nova Capital, LLC was a potential franchisee. Rosa Maria Bustamante is believed to be the sole owner of Nova Capital, LLC. Nova Capital, LLC claimed to have entered into a franchise agreement to operate a Kids 'R' Kids center in a suburb of Dallas, Texas. Plaintiff claimed that we breached this contract by failing to award the Nova Capital, LLC the franchise. Nova Capital, LLC also claimed that we converted the franchise. We settled the case for \$1.75 million, in return for complete releases. The case was dismissed with prejudice on April 13, 2001. The settlement does not materially affect our financial condition.

Discover and Share, Inc. vs Kids 'R' Kids International, Inc. (Superior Court of Gwinnett County, State of Georgia Civil Action File No: 98 A9622-4), December 8, 1998. Discover and Share, Inc. was a franchisee. Discover and Share, Inc. claims that Kids 'R' Kids breached its franchise agreement by allegedly permitting another party to build and operate a new franchise located within the three mile exclusive territory otherwise granted to Discover and Share, Inc. We have entered into a Memorandum of Agreement resolving the matter. The case was dismissed. Pursuant to the settlement agreement, Discover and Share, Inc. agreed to return all of our property, including manuals, etc.; to remove or cover-up all signage displaying our name; and not to use our name, web site, etc. in any manner. We agreed to pay \$15,000 and, for 2 years, not to develop a Kids 'R' Kids Center with approximately 3 miles of the plaintiff's center.

Progressive Child Care Systems, Inc., Karry L. Dunn and Heather Dunn vs. Kids 'R' Kids International, Inc. (District Court of Denton County, State of Texas, Civil Action File No. 2003-30275-211), November 13, 2003. This case arises as a counterclaim to the suit Kids 'R' Kids International, Inc. vs. Progressive Child Care Systems, Inc., Karry L. Dunn and Heather Dunn (District Court of Denton County, State of Texas, Civil Action File No. 2003-30275-211), October 3, 2003. Progressive Child Care Systems, Inc. is a franchisee. Karry L. Dunn and Heather Dunn are guarantors of the franchise agreement. We allege that Progressive Child Care Systems, Inc. is in breach of the franchise agreement for non-payment for certain obligations set forth therein. We filed suit against Progressive Child Care Systems, Inc., Karry L. Dunn and Heather Dunn to recover the payments due under the Franchise Agreement. Progressive Child Care Systems, Inc., Karry L. Dunn and Heather Dunn filed their answer and counterclaim, asserting claims for fraud and fraud related claims based upon allegations that the level of support from us was misrepresented to them in purchasing the franchise. This case is currently pending.

Other than these 4 actions, no litigation is required to be disclosed in this offering circular.

ITEM 4 **BANKRUPTCY**

No person previously identified in Items 1 or 2 of this Offering Circular has been involved as a debtor in proceedings under the US Bankruptcy Code required to be disclosed in this Item.

ITEM 5
INITIAL FRANCHISE FEE

All our franchisees must pay an Initial Franchise Fee in the amount of \$50,000 as follows:

A. \$25,000 in cash at the time you sign your franchise agreement. Except as specified in Paragraph C, once you have paid this amount, it is nonrefundable.

B. The balance of \$25,000 in cash on or before the date you sign a lease for your Center Site, or the date you begin construction or improvements of your Center, whichever is earlier. Except as specified in Paragraph C, once you have paid this amount, it is nonrefundable.

C. Except for as specifically provided in this Paragraph C, each portion of your Initial Franchise Fee is deemed fully earned by us at the time you pay each portion to us. If you do not enter into a lease or a purchase contract for your Center within 90 days after you have signed your Franchise Agreement, we have the right to terminate your Franchise Agreement. You are not entitled to a refund of any portion of your Initial Franchise Fee if you fail to enter into a lease or a purchase contract within this 90 day period or if you fail to obtain a state license to operate a Center within twelve months of signing your Franchise Agreement. This Offering Circular and the sample Franchise Agreement attached to it describe in detail what constitutes a default of your Agreement, and you should read carefully all the sections and provisions relating to default and termination.

Initial Franchise Fees For Additional Centers

We will reduce the Initial Franchise Fee for each additional Center to \$25,000, payable in payments of \$12,500.00 and \$12,500.00, as described above. Except for the Initial Franchise Fee, we will grant you each successive Franchise under the standard form of our Franchise Agreement in effect at the time you enter into each successive franchise.

Before opening your Center, you must purchase from Creations an equipment package which includes almost all of the equipment, supplies, goods and inventory necessary to meet our specifications. The cost for the required equipment package is between \$150,000 and \$200,000.

You must also purchase certain novelty items with our Marks and/or logos for display and sale in your Center. The typical purchases cost approximately \$1,000.

In addition, if any city, county, state or other political jurisdiction levies a tax or charge against us based upon the amounts paid by you, you must pay the tax or charge. You are not required to pay a fee for your initial training, which will take place before the opening of your center, but you must pay for all transportation, lodging, meals and any other costs and expenses related to your training.

**ITEM 6
OTHER FEES**

There are other recurring or isolated fees or payments besides your initial franchise fee which you must pay to us. The following table outlines these fees or payments, the formulae we use to compute them, whether or not these fees are refundable, and, if they are refundable, under what conditions they are refundable. This table does not represent your total financial obligation. The only fees listed below are those which are imposed by and payable to us.

Name of Fee	Amount	Due Date	Remarks
1. Initial Key Personnel Training Fee	Your costs and expenses.	As incurred.	We train you and one additional person you name and we approve as your Center Director and/or Assistant Center Director. You must pay all of your expenses such as travel, accommodations and meals during your training.
2. Other Key Personnel/ Additional Training Fee at our Office	\$750.00, plus costs and expenses.	Before training begins.	If you require additional training for yourself or additional employees, you must pay us the training fee in effect at the time of the training. You must also pay all expenses such as travel, accommodation and meals during your training.
3. Other Key Personnel/ Additional Training Fee Corporate Support Fee at your Center	\$100 per day, plus costs and expenses for travel, lodging, meals and other out of pocket expenses, not to exceed \$5,000 in any calendar quarter.	Before training begins.	If you require additional training for yourself or additional employees at your Center, or if you require corporate support at your Center, you must pay us the training or support fee in effect at the time of the training. You are also responsible for all expenses such as travel, accommodations and meals during your training.
4. Lease Negotiation Fee	\$500.00 per day, including travel time, plus travel, lodging, meal and other out of pocket expenses.	As incurred.	We are not obligated to assist you in negotiating a lease for your Center or purchase of your site. If we do agree to assist you, we charge this fee.
5. Royalty	5% of your total Tuition Sales and Drop-in Sales.	No later than Friday of each week for the previous calendar week's sales.	Tuition Sales and Drop-in Sales are the total revenues you derive from your care of children enrolled on a full-time basis, part-time basis or who may attend your Center on a periodic or drop-in basis. You begin paying royalties the earlier of 90 days after your official opening or once you reach your first enrollment of 125 children.
6. Royalty Interest	18% per annum, or the maximum interest rate allowed by law, whichever is lower.	Upon demand.	We charge you this interest fee if you are late in the reporting and payment of your weekly royalties. Interest accrues from the first date a payment is late.

7. Advertising	1% - 2% of previous calendar week's Gross Sales thereafter. This amount is in addition to and does not include the Grand Opening Expense or Telephone Directory Advertising.	No later than Friday of each week for previous calendar week's sales.	This fee is payable to us in Georgia where we have established the Advertising Fund and in other states only after we establish an Advertising Fund. In states where we have no Advertising Fund, you must spend no less than 1.5% of your previous calendar month's Gross Sales on local advertising. In Georgia and in other states after we establish the Fund, except for the required white pages telephone listings and yellow pages display advertising, you may spend any amount of money you decide on local advertising.
8. Taxes	Our cost.	Upon invoice.	You will pay or reimburse us for all sales, use and/or similar taxes which are collected from us or paid by us on account of goods or services furnished by us to you.
9. Advances	Amount advanced.	Upon demand.	We are not obligated to advance any amounts to you. If we do advance you any amount, for any reason, we expect you to pay us immediately upon our demand.
10. Audit	Our cost, which should be approximately \$3,500 to \$5,000, if we determine that your Gross Sales figures are in error by 2% or more.	Upon demand.	We bear the cost of audits unless our audit determines that you have under-reported sales figures by 2% or more. If you have understated Gross Sales by more than 2%, you also must pay us immediately any deficiency in royalty or advertising payments, plus (i) interest at the lower rate of 18% per annum or the maximum rate allowed by law from the date these payments were due and (ii) a late fee of 10% of the amount of fees understated or the maximum payment allowed by law.
11. Transfer Fees	\$25,000.	The date of the requested transfer.	If you want to transfer your franchise agreement to a new franchisee, you or the transferee must pay this fee, and each of you must meet certain requirements.
12. Franchise Renewal Fee	10% of the Initial Franchise Fee we charge to new franchisees in effect at the time of the renewal.	On the date of renewal.	So long as you are not in default under any of your obligations to us, and so long as you continue to meet our requirements for approving franchisees, your franchise agreement is renewable for additional 10 year periods.
13. Interest	18% or the maximum allowed by law, whichever is less.	Upon demand.	Interest, of 18% or the maximum rate allowed by law, whichever is lower, is due and payable for any amounts you owe to us which you do not pay when due. Interest accrues from the date payment is due.
14. Operating Assistance	\$5,000 per calendar quarter.	Upon demand.	If you request or if we determine that you require operating assistance. we may charge you a fee, not to exceed \$5,000 per calendar quarter.
15. Computer Upgrades	Approximately \$25 per year	Upon demand	You must pay any costs associated with annual computer upgrades and updates.
16. Refurbishing & Repairs to Center	No more than 3% of Gross Sales.	Upon demand	Within 3 months of receiving notice from us, you must refurbish or repair your Center. We compute Gross Sales from the date of opening to the date of notice; or from the date of the last repair to the most recent notice.

17. Supplier Review Fees	Our costs, approximately \$100 to \$150.	Upon demand	If you want to purchase supplies or products from an unapproved supplier, then you must pay any costs of inspection and testing we incur in our review.
18. Inspections	Our cost, plus expenses for travel, lodging, meals and other out of pocket expenses.	At time of inspection.	You must pay for our expenses related to one personal inspection visit by us per calendar quarter. Depending upon the location of your Center, our expenses range from \$100 to \$1,100 per day.
19. Transfer Assistance	\$30,000	At acceptance of services	If you want our assistance in identifying a potential purchaser and in transferring your franchise and your Center, you may sign an Agreement with us to provide you with specific services in exchange for a flat fee.

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ITEM 7
INITIAL INVESTMENT

Expenditures	Estimated amount or estimated low-high range (Purchase or Lease)	When payable	Method of payment	Whether refundable	To whom paid
1. Initial Franchise Fee	\$50,000 for the first, and \$25,000 for the second and each additional Franchise thereafter.	One half when you sign your Franchise Agreement and the balance before you sign your lease or begin construction.	Cash.	No.	Us
2. Land Acquisition Cost	\$400,000-\$600,000	Over the life of either the mortgage or the lease.	Cash.	No.	3rd party or landlord (which could be us)
3. Construction and Fixturization	\$1,200,000-\$1,400,000	Before you open your Center.	Lump Sum.	No.	3rd party contractor and 3rd party fixture suppliers
4. Lease deposit and first month's rent	\$15,000 -\$20,000	When you sign your lease.	Cash.	Varies according to landlord policy.	Landlord (which could be us).
5. Approved Products and Equipment	\$180,000 - \$200,000	Before you open your Center.	Lump Sum/as incurred.	No.	Approved Suppliers
6. Novelty items	\$1,000	Before you open your Center.	Lump Sum.	No.	Us or 3rd party suppliers
7. Signs	Included in construction and fixturation	Before you open your Center.	Lump Sum.	No.	3rd party suppliers
8. Approved School Bus for transporting children.	\$80,000-\$100,000	Before you open your Center and begin transportation services.	Determined between you and the provider	No.	3rd party suppliers
9. Transportation and Other Insurance	\$1,000 - \$1,200 per month	Before you begin offering transportation services.	As incurred	No.	3rd party insurance carrier
10. Grand Opening Advertising and Promotion	\$5,000	Before you open your Center or within 4 calendar months of opening your Center.	As incurred	No.	3rd party.
11. Licenses	\$1,600 - \$2,000	Before you open your Center.	As incurred	No.	Government agencies and licensing authorities.

12. Taxes	\$15,000 - \$30,000	Before you open your Center.	As incurred	No.	Government agencies
13. Miscellaneous business equipment and office supplies	\$100 - \$200 per month	Before you open your Center.	As incurred	No.	3rd party suppliers
14. Utilities	\$1,600 - \$1,800	Before you open your Center.	As incurred	No.	3rd party utilities
15. Travel and Living Expenses While Training	\$750 - \$1,500	Before you open your Center.	As incurred	No.	You are responsible for your expenses, including five nights lodging, transportation and meals.
16. Parental Internet Viewing Service	\$10,000-\$15,000	Before you open your Center	As incurred	No.	You must obtain the hardware and software necessary or maintain a subscription from a 3rd. party provider
17. Additional Working Capital	\$100,000	Before you open your Center.	As incurred	No.	Various 3rd parties
18. Total	\$2,095,700.00 to \$2,750,000..00				

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NOTES

(Note numbers correspond to category of expenditure from above)

1. Once you pay each portion of the Initial Franchise Fee, we have earned that portion and it is non-refundable.

2. Your cost will vary depending on whether you lease or purchase, where your Center is located, the condition of an existing building (if any), and the size of the Center you build. The typical size of a lot is 1.5 to 2.0 acres. If you lease, you may lease from a 3rd party landlord, or we may own a site which we may choose to lease to you.

3. These costs are estimates of the costs that you would incur if you purchase an existing site or purchase land to construct a new Center. Because of the variances described in this Note, there can be no assurances that you could actually purchase or construct your Center for an amount equal to or less than the estimate. Fixturization may include items such as soil improvement, sewer, pylons, and state impact fees.

If you lease your Center Site from us or from a 3rd party landlord, you will not incur the capital expense you would otherwise incur if you purchased the land outright. The typical Center is 10,000 to 15,000 square feet. If necessary, you may incur costs to improve and configure your leased premises in accordance with our specifications and those of your local regulatory authorities. This amount may vary depending on the condition and size of the leased space as well as the amount of your landlord's construction allowance or contribution, if any.

4. A lease deposit typically is for an amount equal to one month's rent, although this can vary. Usually, the deposit is refundable at the expiration of the lease unless it is applied toward post-occupancy expenses by the landlord per your agreement. Your first month's rent often is due at the time you sign your lease and is applied at the time your rental period begins.

5. A list of Approved Products is attached to this Offering Circular as "E-2". Lists of Approved Equipment and Fixtures are attached to this Offering Circular as Exhibits "E-3" and "E-4." Approved Equipment and Fixtures includes these items as office equipment, refrigerator, 6-burner oven, security system and telephone system.

Included in the price of the Inventory and Equipment Package is the Kressa SchoolLeader Software Program. You must obtain, install, maintain and utilize this Software Program, or any other similar program which we may require, including executing any necessary Software Program Agreement. As part of this Software Program, you must obtain periodic upgrades and maintain the monthly service. (See Section 6).

8. You are not required to offer transportation services, and once obtaining our express, prior, written approval, you may offer transportation to and from the Center and for Center-related field trips for and with the children. If you do offer transportation services, we require that you purchase a School Bus specifically for transporting children from an authorized distributor.

9. Insurance premiums vary by state and provider and on whether you provide transportation services. The amounts provided are only estimates and you should contact your insurance provider to determine the exact amount which you would incur for the coverages which we require.

10. At least 30 days before you open your Center for business, you must submit to us an opening advertising plan and budget, which we must approve.

11. Many states and municipalities, but not all, impose license or permit fees on local businesses including child day care facility license fees. You should ask your local authorities about these fees in your state or municipality.

12. You may be in a city, county, or state that imposes taxes on transfers of land or other property or that charges sales taxes services. You should ask your local authorities about these taxes in your state or municipality.

14. These amounts are for initial deposits that 3rd parties will require for telephone installation and other utility connections. The deposits may be refundable under the conditions specified in the agreement with the applicable supplier.

15. You are responsible for the costs you incur on behalf of yourself and your Center Director or other trainee to attend our mandatory training program. The estimate given is for transportation, meals and lodging for 2 people for 5 days in Atlanta, Georgia where the initial training program is held. Transportation costs will vary with distance from where you live and with the mode of transportation you select. There are numerous lodging facilities in the vicinity of our training location. We are approximately 20 miles from the Hartsfield International Airport, Midfield Terminal which is well served by airlines and rental car companies.

16. You must obtain from 3rd parties and maintain a parental viewing Internet system at your Center. You may purchase any approved system, so long as you maintain the type of service required by us.

17. This estimates your start up expenses for the first 3 months of the operation of your Center. These expenses include payroll costs as well as your rent or mortgage payment, utility payments and costs for replacement of supplies. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how closely you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for child day care services; the prevailing wage rate; competition; and the sales level reached during the initial period.

18. We relied on our franchising experience to compile these estimates. You should review these figures carefully with a business advisor, which may include an attorney and a certified public accountant, before you make any decision to purchase a franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate your Center according to our "system standards." System standards may regulate, among other things, the types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies which you must use in operating your Center, required or authorized products and product categories and designated or approved suppliers of these items. We reserve the right to modify the standards and specifications periodically to achieve our quality and uniformity goals. We may revoke or deny our approval of a supplier if that supplier fails to adhere to or meet our quality standard or other requirements. Upon receipt of written notice

of any such revocation or denial, you must immediately cease to sell any disapproved product and cease to purchase from any such disapproved supplier.

Currently, you must purchase certain inventory items and other products, supplies, equipment and fixtures. We must approve almost everything you purchase before you purchase it or the item must be from our Approved Products list (Exhibit "E-2"), Approved Equipment list (Exhibit "E-3"), or Approved Fixturization List (Exhibit "E-4"). After receiving a request from you, we will approve or disapprove a potential supplier no later than 90 days after you submit your request in writing to us. The required equipment package includes almost all of the equipment, supplies, goods and inventory which you must purchase in accordance with specifications and represent approximately 10% to 14% of your total purchases in connection with the establishment of your Center.

In order for us to protect and maintain our reputation and the goodwill of our System and our Marks, you must purchase all Approved Products, Novelty Items and Equipment from any supplier approved by us as meeting our quality standards, which we have the right to change periodically. We call these suppliers "Approved Suppliers." (Exhibit "E-1" and Operations Manual.) You may purchase other miscellaneous supplies which you will need in the operation of your Center from any local supplier. These include items such as: infant care supplies, uniform smocks, paper supplies, pens and pencils, art supplies, recreational supplies, towels, food products, beverages, paper products and other related items.

We base our specifications for equipping, furnishing and operating your Center on our standards as well as those prevailing in the child day care center industry. The child day care center industry is regulated heavily by state, local and federal agencies. We have designed our specifications and requirements to meet or exceed all governmental child care licensing requirements imposed by any regulatory authority. The specifications and requirements you must follow to equip, furnish and supply your Center are contained in our Manual which is loaned to you during the term of your franchise. These specifications and requirements include considerations regarding safety, design, compliance with regulations, educational merit, performance, quality and other criteria.

You must purchase your initial equipment package from Creations. Creations manufactures and distributes certain pieces of equipment and furnishings to our franchisees, and is an approved supplier for products, equipment and fixtures. Creations receives its equipment package orders directly from you and either delivers the equipment directly to your Center or to us. We install all of the equipment provided in the required equipment package. You may not purchase the items required under the equipment package from any other supplier, but you may purchase any additional items from an approved supplier.

Included in the Creations equipment package is the Kressa SchoolLeader Software Program. You must use and maintain this software, or any other similar software program as we may require periodically, for reporting and paying your fees and other amounts due to us. You must also obtain and use all upgrades, as they become available, but no more than one time each calendar year.

Creations was formed and began operations in 1992. In the fiscal year ending December 2003, Creation's gross revenues from the sale of these products to our franchisees was \$1,258,122.3, and it has, and expects to continue to derive 100% of its total revenue from the sale of these products to our franchisees.

You must pay for the required equipment package in advance and in full. All other equipment and/or any other supply or inventory items which you purchase directly from us or from Creations must be paid in full and in a timely manner. If you are late in your payment, you may be subject to the default and termination provisions of your Franchise Agreement.

You must also use and maintain any parental Internet viewing program that we may require, for the viewing of children at your Center. You must also obtain and use all upgrades, as they become available, but no more than one time each calendar year.

Any product, equipment or packaging which has our name or any of our trademarks on it must meet certain specifications, and we must approve it. If you wish to purchase any supplies, equipment or fixtures which are not on one of the Approved lists or any item that does not comply with our System standards, you must first submit sufficient information, specifications and samples for our determination whether the item complies with System standards or the supplier meets approved supplier criteria. We have the right to charge you a reasonable fee to cover the costs we incur in making this determination and will, within a reasonable time, notify you of our decision. We will, periodically, establish procedures for submitting requests for approval of items and suppliers, which we will be supply to franchisees upon request, and may impose limits on the number of approved items and suppliers. After you request approval of an item or supplier, we will notify you within 90 days of our approval or disapproval. Approval of a supplier may be conditioned upon requirements relating to product quality and standards of service and may be temporary, pending our further evaluation of the supplier.

We do not currently participate in or otherwise support any purchasing or distribution cooperatives.

You must obtain and maintain, at your own expense, insurance coverage that is needed periodically. Our system standards and/or other agreements may regulate the types, amounts, terms and conditions of insurance coverage needed for your Center and standards for underwriters of policies providing necessary insurance coverage; our protection and rights under these policies as an additional names insured; necessary or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that you must be furnish to us; our right to obtain insurance coverage at your expense if you fail to obtain necessary coverage; our right to defend claims; and similar matters relating to insured and uninsured claims. You currently must maintain, in the amounts we prescribe periodically, general and products liability coverage; property damage coverage; building coverage; children's accident coverage; and transportation coverage, if applicable. The cost of this coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us as an additional insured party. Your obligations relating to insurance currently include the following: General Liability Insurance, not less than \$1,000,000 each occurrence with a \$2,000,000 annual aggregate; Transportation Coverage, not less than \$1,000,000 each occurrence; and Workers' Compensation Coverage, as necessary by statutory law. Also including not less than a \$1,000,000 Umbrella Policy. (Franchise Agreement, Section 5)

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 OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	9	1, 5 & 11
(b) Pre-opening purchases/leases	5	7
(c) Site development and other pre-opening requirements	5, 9 & 10	1, 5 & 11
(d) Initial and ongoing training	6	6, 7 & 11
(e) Opening	5	7
(f) Fees	3, 4 & 8	5 & 6
(g) Compliance with standards and policies/Franchise Manuals	1, 3, 5, 7, 8 & 14	8, 14 & 15
(h) Trademarks and proprietary information	2, 5 & 11	13 & 14
(i) Restrictions on products/services offered	5	8 & 16
(j) Warranty and customer service requirements	5	8, 15 & 16
(k) Territorial development	2	12
(l) On-going product/service purchases	5	8 & 16
(m) Maintenance, appearance and remodeling requirements	4, 5 & 10	17
(n) Insurance	5	6 & 7
(o) Advertising	5	6 & 7
(p) Indemnification	11	13
(q) Owner's participation/ management/ staffing	5	15
(r) Records/reports	12	9 & 15
(s) Inspections/audits	12	6, 8 & 11
(t) Transfer	13	17
(u) Renewal	4	17
(v) Post-termination obligations	14	17
(w) Non-competition covenants	5 & 11	17
(x) Dispute resolution	17	17
(y) Payment of taxes	5 & 14	6 & 7
(z) Compliance with laws	5 & 14	1 & 7
(aa) Confidentiality	11	17
(bb) Obtain permits	5 & 14	1 & 7
(cc) Required days and hours of operation	5	1

ITEM 10
FINANCING

We do not offer direct or indirect financing, nor do we guaranty your note, lease or any other obligation. No person affiliated with us offers any direct or indirect financing. Further, we receive no payment from any person offering financing or arranging for the placement of financing.

ITEM 11
FRANCHISOR'S OBLIGATIONS

Except as listed below, we need not provide any assistance to you.

- I. **Obligations Before Opening:** Before you open your Center, we will:
1. **Exclusive Territory:** Designate your minimum area of exclusivity. (Franchise Agreement Item 2)
 2. **Site Selection:** Assist you, at our option, in selecting a site for your initial Center. We do not charge you for this assistance. Whether or not we assist you in finding a site, we require that we inspect and approve your site before you open your Center. If we assist in the negotiation of your lease or the purchase of your Center Site, you must pay us \$500 per day, plus all of our actual, reasonable expenses. If you purchase your Center Site, you must enter into a purchase contract no later than 90 days after you sign your Franchise Agreement. If you purchase your site, we must review and give you our written approval of the purchase contract before you sign it. We will provide you with our approval or disapproval no later than 60 days after we receive it. (Franchise Agreement Item 6) We require that you enter into a lease or purchase contract for your Center Site within 90 days from the date you sign your Franchise Agreement. (Franchise Agreement Item 9). If a suitable Center Site is not agreed upon within 90 days from the signing date of the Franchise Agreement, we may, at our discretion, terminate the Franchise Agreement.
 3. **Lease Negotiation:** If you lease your site, you must enter into a lease within 90 days after you sign your Franchise Agreement. We must approve your lease before you and the landlord sign it. If you need us to help you in negotiating your lease, we will do so but we charge a negotiation fee of \$500 per day plus all our reasonable expenses for travel, lodging, meals and other out-of-pocket expenses while we negotiate your lease. If your lease does not include a purchase option, then it must be for an initial minimum term of 5 years, with options to renew for at least an additional 20 years. If your lease does include a purchase option, then it must be for an initial minimum term of two years, with options to renew for at least an additional 20 years. We must have the right to cure any of your defaults under the lease and you must sign an agreement agreeing to indemnify us for any amounts which we pay on your behalf. When you begin negotiating your lease, we will provide you with our form of "Collateral Assignment of Tenant's Interest in Lease" (Exhibit "C" to the Sample Franchise Agreement) and, if there is a lender with a mortgage on the Center Site, our form of "Nondisturbance and Attornment Agreement" (Exhibit "D" to the Sample Franchise Agreement). These agreements give us certain rights to your Center site through the lease if you fail to make all your obligations under the lease. (Franchise Agreement Item 9)
 4. **Center Construction:** We will provide you with a Center design package which includes a sample layout for the interior and exterior of your Center. You must hire your own architects, designers, engineers, contractors and others who may be necessary for you to construct and furnish your Center. You must select one of our pre-approved plans for the layout of your Center, and we must approve any changes in writing. You must also provide us with a complete set of plans and the name of your general contractor before you begin construction, and we must approve them in

writing before you begin construction. You must furnish, fixture and equip your Center with approved equipment specified in your Manual. (Franchise Agreement Item 10)

5. Franchise Confidential Operating Manuals: After you sign your Franchise Agreement, pay your Initial Franchise Fee, and complete initial training at our center, we will loan you one copy of our Manual which describes our prescribed methods of operation, and lists things such as approved equipment and suppliers. This Manual remains our property, and you must give it back to us when and if you no longer operate your Center. (Offering Circular Exhibit D, and Franchise Agreement Items 5, 14)

6. Financing: We do not provide financing of any type.

II. Obligations During Operations: During your operation of your Center, we will:

1. Provide to you, at our expense, one operational supervisor for a period of up to 10 working days to assist you in all phases of the opening of your first Center. (Franchise Agreement Item 6)

2. Provide to you, at your cost, additional training at your request or as we deem necessary to ensure that you and your Center Director or Assistant Director are prepared to operate your Center according to our rules and regulations. We may conduct training at your Center or require you, your Center Director, and/or your Assistant Director to undergo training in the greater Atlanta Metropolitan Area. Any of our corporate instructors or quality control personnel may conduct Training. Training includes those topics you request or those topics in which we deem necessary to ensure that your Center Site meets quality control standards. Training at our corporate location is \$750 per trainee plus all of your related expenses and travel costs. If we conduct additional training at your Center Site, your cost is \$100 per day plus our actual expenses we incur during training. Training for any one individual and training at your Center Site should not occur more than once per year and for no longer than 10 consecutive days at any time. (Franchise Agreement Item 6)

3. Conduct periodically, as we deem necessary, inspections of your Center Site and interview your employees at any reasonable time to ensure that you are operating your Center in accordance with the terms and conditions of your Franchise Agreement, the Manual and other rules and regulations which we may adopt or impose. Our inspections are also designed to make sure you are operating in compliance with federal, state and local laws, regulations and ordinances. You are responsible for paying our expenses, including lodging, travel and meals, for one inspection visit per calendar quarter. (Franchise Agreement Item 6, 12)

4. Provide to you, periodically, as we deem appropriate, advisory assistance and materials pertaining to the operation and/or operational problems of your Center. These include periodic updates of the Operations Manual (as the need arises) and advise in operating your Center Site productively (as information becomes available to us and only as we so deem appropriate). We provide assistance free of charge. (Franchise Agreement Item 8)

5. Use our efforts to maintain high standards of quality, appearance, professionalism and service of your Center. (Franchise Agreement Items 6, 7, 8, 14)

6. Use our best efforts to make sure that our approved suppliers make available to you for purchase all Approved Equipment and other products we require or have approved. (Franchise Agreement Items 6, 10)

7. At your request, examine information or samples about products or services that you provide and which are not approved by us but which you would like to offer at your Center. We will decide, based on the information you supply and which we might obtain somewhere else, whether or not to approve the product or service you have presented to us. We will provide you with our approval or disapproval within 90 days of receiving your written request. You must pay all of our expenses in connection with any examination, testing or inspection. (Franchise Agreement Item 5)

8. At our discretion, after your request and after you sign a separate agreement, provide you with assistance in identifying a qualified purchaser to purchase your franchise and your Center and in transferring your franchise and Center. You must pay us a flat fee of \$30,000.

III. Computer Systems: We require you to use and train on the Kressa SchoolLeader Software Program. The Software Program automatically computes the amount of Royalty and Advertising Fees which you owe to us and prepares and submits to us our required weekly reports. This or other software electronically submit amounts owed by you to us. We may require you to use other, similar software programs and/or impose additional requirements with regard to the usage of this type of software in the future. We may access any and all information and data provided by any software that we require without any limitation whatsoever. You do have a contractual obligation to upgrade or update the software program during the term of the franchise, but no more than one time per calendar year. This software is, but the upgrades are not, provided by Creations (Franchise Agreement Item 5).

You must use an IBM compatible computer system with your choice of printer. (Franchise Agreement Item 5).

IV. Advertising Program: We set minimum standards for your advertising program which you must follow to remain in compliance with our rules and regulations. (Offering Circular Item 6 and Franchise Agreement Item 8). You may distribute your advertising locally in any local media. You may also use your own advertising material provided it has been previously approved by us. We prepare the advertising we submit to you.

We currently operate an advertising fund only in Georgia. The requirements for contribution to this fund are in Item 6 of this Offering Circular and in the Franchise Agreement. We do not operate a regional advertising cooperative or an advertising fund in any other State. We may form, change, dissolve or merge an advertising cooperative or an advertising fund. An advertising council, composed of franchisees advises the Franchisor, solely in an advisory capacity, and for advertising policies. The Franchisees select the members of the advertising council by ballots. The Franchisor has the power to change or dissolve the advertising council.

For the fiscal year ending 2001, the Georgia advertising fund spent 25% on production and 75% on media placement. No portion of the Georgia advertising fund was spent on administrative or any other expenses. Only Franchisees contribute to the advertising fund. We administer and audit the fund. Financial Statements for prior year's audits are available for review upon reasonable notice.

We may use the Advertising Fees to provide local, regional and/or national advertising and promotion for the Centers, and we may or may not apply a proportionate amount or any of the Advertising Fees which you pay to the area in which you are located. We have complete discretion over all of the decisions regarding advertising. If all advertising fees are not spent in the fiscal year

in which they accrue, we may roll the remaining amounts over into the following fiscal year to be spent on advertising. We use none of the advertising funds for soliciting the sale of franchises. (Franchise Agreement Item 8)

For further details on a franchisee's obligations, see Items 6, 8 and 9 in this Offering Circular.

V. Factors in Determining Whether a Site is Suitable

1. Residential population in proximity to Site.
2. Daytime (residential and other) population in proximity to Site.
3. Average family income of residents in proximity to Site.
4. Number of two-income families.
5. Number of single-parent families.
6. Accessibility to interstate or commuter routes.
7. Proximity to office, industrial, institutional or retail space.
8. Availability of adequate land space for play area and parking.

VI. Typical Length of Time Between Signing Your Franchise Agreement and Opening Your Center

Once you enter into a lease or a purchase contract for your Center Site, we estimate that your Center will be open for business within 5 to 12 months. We require that you enter into a lease or purchase contract for your Center Site within 90 days from the date you sign your Franchise Agreement. (Franchise Agreement Item 9)

VII. Training Program:

We will provide you and one additional person you name and approved by us as your Center Director and/or Assistant Center Director with approximately 6 days of instruction in the day-to-day management and operation of a Kids 'R' Kids Center. We conduct this training in the greater Atlanta, Georgia metropolitan area. Before you open your Center, your initial Center Director must complete this Training Program to our satisfaction. Any new Director or other employee you hire may, at your option, attend the Training Program during any calendar year. Information regarding additional training is in Item II.2. The charges for additional training and re-training are in Item 6 of this Offering Circular.

You must attend a Training Program that is conducted approximately 30 to 90 days before the opening of your Center. Training Programs are offered on an on-going basis. You will be responsible for all of the wages, costs of travel, food and lodging incurred by you and your Director during the week of training.

Corporate Personnel direct and conduct the Training Programs. (Franchise Agreement Item 6)

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Training Schedule

Subject	Day ¹	In/Out of Classroom Training	Reading Material in Instruction Manuals	Instructor
Orientation	1	In	Franchise Manual I	Corporate Personnel
Licensure	1	In	Franchise Manual I	Corporate Personnel
Learning Philosophy	1	In	Franchise Manual I	Corporate Personnel
Program Goals	1	In	Franchise Manual I	Corporate Personnel
Reference Periodicals and Curriculum Resources	1	In	Franchise Manual I	Corporate Personnel
Classroom Organization	1, 3, 4	In	Franchise Manuals I & II, Resource Manuals	Corporate Personnel
Owner's Reference Guide	1	In	Franchise Manual I	Corporate Personnel
Pre-opening Marketing	1	In	Franchise Manual I	Corporate Personnel
State Child Care Rules and Regulations	1, 3	In	Franchise Manual I & II	Corporate Personnel
Merchandising	1, 2	In, Out -KRK centers	Franchise Manual I	Corporate Personnel
Purchasing	1, 2, 4, 6	In, Out -KRK centers	Resource Manuals	Corporate Personnel
Accounting	4, 6	In, Out -KRK centers	Resource Manuals	Corporate Personnel
Advertising and Marketing	1	In	Franchise Manual I	Corporate Personnel
Food Service	4	In	Resource Manuals	Corporate Personnel
Inventory	6	In	Resource Manuals	Corporate Personnel
Staffing	3, 4	In	Franchise Manual II, Resource Manuals	Corporate Personnel
Staffing/Licensure	3, 4	In	Franchise Manual II, Resource Manuals	Corporate Personnel
Parental Relations	4	In	Resource Manuals	Corporate Personnel
Curriculum	4	In	Resource Manuals	Corporate Personnel
Child Development	4	In	Resource Manuals	Corporate Personnel
Health/ Sanitation Standards	3, 4	In	Franchise Manual II, Resource Manuals	Corporate Personnel
Maintenance of Equipment and Facility	3	In	Franchise Manual II	Corporate Personnel
Operations	3, 4, 6	In, Out -KRK centers	Franchise Manual II, Resource Manuals	Corporate Personnel

Notes:

1. The exact duration of time spent on each training topic varies depending upon the particular individuals in the Training Program and on the questions asked.

ITEM 12 **TERRITORY**

We have no minimum exclusive territory, meaning that you only have an exclusive right to operate on your Center Site. We may elect to grant you a limited area of exclusivity of no less than ½ mile, in which we promise we will not open another franchised or company-owned Center. The typical limited area of exclusivity is approximately a 2 mile radius from your Center. And we usually do not negotiate the radius. If we do grant a larger limited area of exclusivity, it may vary depending upon the location of the Center in relation to its proximity to other pre-existing facilities and to artificial and naturally occurring geographic boundaries. We may also measure your limited area of exclusivity by a radius from your Center (such as a ½ mile radius), by absolute distance (such as feet, yards, or miles) in each “compass” direction (North, South, East, West and all combinations thereof), or by artificial or naturally occurring landmark (such as city boundaries, rivers and public buildings). The license we grant you is for one Center only, and we must approve the location of your Center. Your customers are not limited to the area of your location, nor should you expect that customers in your area are limited in patronizing only your Center. We may establish other franchised or company-owned Centers that may compete with your Center, but are outside of your limited area of exclusivity.

If we grant you a limited area of exclusivity, you do not necessarily have the right to open additional Centers within your territory. If we decide to reduce your territory based on population, demographics or some other reason, we typically will offer you the right to open and operate a Center within the new territory created. You must exercise this right within 30 days of the offer by signing a new franchise agreement for the new Center. If you do not exercise this right within the 30 day period, we have the right to open the Center ourselves or offer the new territory to another franchisee. Continuation of your territory is not dependent upon your achieving a certain sales volume, market penetration or other contingency.

You may operate your Center only at the location we have approved. Relocation of your Center requires our approval. If the lease for your Center expires or terminates through no fault of your own, or if the site is destroyed, condemned or otherwise rendered unusable, or if there is a change in the character of the location of your Center to warrant its relocation, we will allow you, at your cost, to relocate your Center to a new location we approve.

We do not offer any territory development agreements, but may offer a right of first refusal or other similar right to acquire additional franchises. These rights of first refusal are individually negotiated, for a specified number of centers within a specified period of time, and are included in an addendum to the Franchise Agreement. In the event that you do not fulfill the terms of the Addendum, you will lose any rights granted. We grant no exclusive territory under the Addendum. If you negotiate an Addendum, you must open at least 1 center in the specified number of months following the signing date of your first Franchise Agreement. You must also open the prescribed number of centers within the specified time. If you do not open the prescribed number of centers, then subject to written notice and opportunity to cure the default, we may eliminate your future first rights of refusal.

ITEM 13
TRADEMARKS

Upon signing of the Franchise Agreement, we will grant you the right to use the Kids 'R' Kids trademarks for your Center, and to use other of our current or future trademarks, or ones for which we own a license, as we may designate. By trademark, we mean trade names, trademarks,, service marks and logos we use to identify our System and your Center. Kids 'R' Kids, Inc. registered the following trademarks on the Principal Register with the United States Patent and Trademark Office:(“USPTO”)

<u>Trademark</u>	<u>Registration Date</u>	<u>Registration Number</u>
Kids 'R' Kids	August 4, 1992	1,705,661

There are no effective determinations of the USPTO or Trademark Administrator of this state or any court, and there are no interference, opposition or cancellation proceedings or material litigation involving these trademarks. The Trademarks have been registered in the following states:

<u>Effective Date</u>	<u>State</u>	<u>Registration Number</u>
May 31, 1988	Georgia	S-8367
April 7, 1989	Florida	T-10780
June 5, 1990	South Carolina	90-008516

There are no agreements currently in effect which significantly limit our right to use or license the use of the trademarks in any manner material to you. Patrick D. Vinson and Janice Vinson own Kids 'R' Kids, Inc., a Georgia corporation, which owns the Marks. Under a license agreement between Kids 'R' Kids, Inc. and us entered into in May, 1988, we have the right to license the marks to you. Our license cannot be revoked if we abide by the terms of the license agreement. Our license is for 40 years, and we may renew it every 5 years after the initial term expires if we sell or service franchises, or if any of our franchisees operates a Center.

We do not know of any infringing uses that could materially affect your use of the Trademarks.

You must follow our rules when you use these marks. You cannot use a name or mark as part of a corporate or business name or with any modifying words, designs, or symbols except for those which we license to you. You may not use our registered trademarks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us.

You must notify us promptly when you learn about an infringement of or challenge to your use of our trademark. We have the absolute right to take the action we think appropriate. You must not, under any circumstances, start any legal action relating to our trademark without first obtaining our written consent to do so. We will protect your rights to use our Trademarks and will defend you against all claims arising from this type of use.

You must modify or discontinue the use of a trademark if we modify or discontinue it. If this happens, you will be responsible for making any necessary changes. You must not directly or indirectly contest our right to our trademarks, trade secrets or business techniques that are part of our business.

We will use our best efforts to protect all our names, marks and logos, including taking any action which we, in our discretion, deem appropriate in the event of any claimed or apparent infringements of these names, marks and logos. We will indemnify you against any claim of infringement resulting from your authorized use of any of our names, marks or logos. You must promptly notify us of any infringement claim. We have the sole right to conduct the defense of and settle any claim and to retain control of any negotiations related to any claim. You must cooperate in all actions taken by us with respect to any claim and must assist us, at our expense, in the defense of any claim. If you take any unauthorized action with respect to the settlement of any claim, including the conduct of any settlement negotiations relative to claims, you waive and release us from our indemnification in all respects.

You agree never to contest, directly or indirectly, our ownership, title, right or interest in the aforementioned names, marks or logos or take any action whatsoever in derogation of claimed interests, including any attempt by you to adopt, use or register any name, mark or logo similar to those we license to you.

We have the right at any time, upon notice to you, to modify any of the licensed names, marks or logos to the extent which we in good faith determine to be consistent with the overall best interests of the franchised operations.

Upon expiration or termination of the Franchise Agreement, all of your rights to use our trademarks will terminate.

ITEM 14 **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

You do not receive the right to use an item covered by a patent or copyright, but you can use the proprietary information in our Manual, (Offering Circular Item 11.) Although we have not filed an application for a copyright registration for the Manual or for this Offering Circular, we claim a copyright and the information is proprietary. Item 11 describes limitations on the use of the Manual by you and your employees. In addition to the Manual and this Offering Circular, we will provide you with other information which we consider competitively sensitive and strictly confidential. This "confidential information" includes our day care center design package, construction plans and specifications and equipment and decor specifications, marketing strategies, operations techniques, financial information, training programs and prospective franchisee lists. You and your employees are prohibited from using or disclosing all of the information we consider proprietary for 2 years after your license expires, including renewals. To the extent that we disclose any trade secrets to you or any of your principals, you also are prohibited from duplicating or disclosing these trade secrets while the information remains secret. Also, you and your principals must sign non-compete agreements with us which prohibit you from competing against us, or working in any way with someone else who does, for two years after you are no longer operating or owning your

franchised Center. You must also promptly tell us when you learn about unauthorized use of any proprietary information including the Marks which we license you to use. We are not obligated to take any action based on the information you provide us, but we will respond to this information as we think appropriate.

ITEM 15
**OBLIGATION TO PARTICIPATE IN THE ACTUAL
OPERATION OF THE FRANCHISED BUSINESS**

We require that you personally supervise the franchised business, that you spend at least 30 hours each week working on behalf of and at the Center, and that you are personally involved in the operation of your Center on a full-time basis. Also, you or a principal (if you are a partnership or corporation) must personally maintain all accounting records, submit all weekly reports and monthly balance sheets and income statements necessary under your Franchise Agreement, and submit to us copies of your annual federal, state and city income tax returns if they relate to the operation of your Center.

You may designate a Center Director who will be responsible for the day-to-day management of the Center; however, you must spend the necessary time at the Center managing and supervising the operations. If you operate more than one Center, at least one of the principals must spend the necessary time at each Center. In addition, you have to designate a sufficient number of assistant center directors to ensure that someone responsible and with authority is on the premises and actually supervising the operations during all open and operating hours. You must be aware that a substantial amount of time and attention is necessary to operate a Center properly. Your failure to devote sufficient time and effort in performing your duties is a breach of your Franchise Agreement.

You may divulge information we designate as confidential only to those personnel who must have access to it to operate your Center. You must require your Center Director and all other personnel having access to confidential information to sign an agreement that they will maintain the confidentiality of information they receive in connection with their employment at your Center. You, your partners, shareholders or members (if you are a partnership, corporation or limited liability company) and your Center Director (if you have one) must agree to and sign covenants not to compete (Offering Circular Item 17) and Franchise Agreement.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may sell all and only the goods which we specify in the Manual. You may not offer any goods or services which we have not specifically approved, and you must cease offering any goods or services which become unapproved or unauthorized. If you violate this policy we can terminate you. We have to ensure uniform quality and identity of our Centers, so only child day care services which follow our approved rules and regulations are allowed.

You may not install or operate vending or other coin operated machines at your Center, including pay telephones, without our prior written approval. You may only provide approved food items at your Center. All services at your Center must be in strict compliance with our requirements.

You may not offer or sell any products or services in connection with your Center which do not meet our standards and specifications. You may not use the premises for any purpose other than the operation of your Center without prior, written approval. You are not limited in the customers to whom you may sell authorized services.

We may change the types of authorized goods which you may purchase and sell periodically at our sole discretion and will provide you with reasonable notice of any changes. We may add types of services which you must offer periodically and our sole discretion and will provide you with reasonable notice of any changes. You are not required to sell or offer for sale any of our promotional items, but you must provide all of the services authorized by us, except for transportation services.

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ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

Provision *	Section in Franchise Agreement	Summary
a. Term of the Franchise	4	25 year initial term.
b. Renewal or Extension of the Term	4	You may renew your franchise for additional 10 year renewal terms if you meet certain requirements.
c. Requirements for You to Renew or Extend	4	Notification at least 180 days before expiration, and you must not be in default for any reason.
d. Termination by You	13	You may terminate for good cause if we materially breach the Agreement and fail to cure as provided, if you are not in default.
e. Termination by Us Without Cause	13	We do not expressly reserve the right to terminate you without cause.
f. Termination by Us With Cause	14	In some cases, we may terminate the Franchise Agreement immediately upon delivery in person or dispatch by certified or registered mail of written notice to you specifying the reason(s) for termination and, in some cases, after notice and opportunity to cure.
g. "Cause" Defined - Defaults Which Can be Cured	14	In some cases, you may have an opportunity to cure your default. Defaults which either have a "built in" grace period or which require us to provide you with an opportunity to cure include payment of any fees or royalties, failure to operate according to your Franchise Agreement, abandonment of your Center site, insolvency or bankruptcy, foreclosure, impairment of the Marks or goodwill of the System, and violations of laws or ordinances with respect to the operation of your center. If we give you the right to cure, you must do so immediately. Even though you may have an opportunity to cure these defaults, we do not necessarily have to notify you of certain defaults before we terminate you, such as in the case of late royalty payments.
h. "Cause" Defined - Defaults Which Cannot be Cured	14	In some cases, you do not have an opportunity to cure your default. These include the failure to abide by your lease or financing agreement; your material misrepresentations; unauthorized sale or transfer of your Center; felony or other criminal misconduct charges, convictions or nolo contendere pleas; defaulting 2 times for the same reason within 180 day period; and immediate danger as a result of the operation of your Center.

i. Your Obligations on Termination/Nonrenewal	14	Cease operations immediately, pay outstanding amounts, return of confidential information, cease use of marks, assign lease rights, if any, to us and comply with covenants not to compete and confidentiality agreements.
j. Assignment of Contract by Us	13	No restriction on our right to assign; however, no assignment will be made except to an assignee who in the good faith judgment of the franchisor is willing and able to assume franchisor's obligations.
k. "Transfer" by You - Definition	13	Includes transfer of contract or assets or any ownership change.
l. Our Approval of Transfer by You	13	We have the right to approve all transfers, our consent not to be reasonably withheld.
m. Conditions for Our Approval of Transfer	13	Transferee qualifies, all amounts due are paid in full, transferee completes training, transfer fee paid, then current contract signed.
n. Our Right of First Refusal to Acquire Your Business	13	We can match any offer.
o. Our Option to Purchase Your Business	13 & 14	If you notify us of your desire to sell to a third party, we have the option to meet the asking price and purchase your Center. Upon termination, we have the right to purchase your business assets.
p. Your Death or Disability	13	Transfer to heirs or surviving spouse upon death of Franchisee owning more than 49% of Center shall not be subject to our right of first refusal.
q. Non-competition Covenants During the Term of the Franchise	11	You may not participate directly or indirectly in the ownership or operation of any competing business during the term of your franchise.
r. Non-competition Covenants After the Franchise is Terminated or Expires	11	You may not participate directly or indirectly in the ownership or operation of any competing business for 1 year within a 10 mile radius of any other center.
s. Modification of the Agreement		No modifications generally, but Confidential Operations Manual subject to change.
t. Integration/Merger Clause	17	Only terms of Franchise Agreement are binding (subject to state law).
u. Dispute Resolution by Arbitration or Mediation	17	Except for certain claims, the forum for all disputes must be in either Superior Court of Gwinnett County, Georgia or the United States District Court for the Northern District of Georgia in Atlanta, Georgia.
v. Choice of Forum	17	Litigation in Georgia (subject to state law).
w. Choice of Law	17	Georgia law applies (subject to state law).

These states have statutes which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56: 10-11], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the franchise agreement in your relationship with the franchisor, including the areas of termination and renewal of your franchise.

* See Exhibit G for state specific variations to this Offering Circular.

ITEM 18 **PUBLIC FIGURES**

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

ITEM 19 **EARNINGS CLAIMS**

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of any Center. Actual results may vary from unit to unit, and we cannot estimate the results of any particular franchise. We have specifically instructed sales personnel, agents, employees and officers not make claims or statements as to earnings, sales or profits or prospects or chances of success, nor to represent or estimate dollar figures as to any particular Center. You should not rely on unauthorized representations as to earnings, sales, profits or prospects or chances of success.

In the case of resells of Centers, we require the purchaser to acknowledge that any representations made by the seller are not attributable to us. We require the purchaser to represent that the purchaser has examined the seller's books and records and has made an independent evaluation of the business. We further require the purchaser to waive any claims against us for statements made by the seller or anyone else, or pertaining to money paid to the seller for purchase of a Center, including goodwill.

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**ITEM 20
LIST OF OUTLETS**

**FRANCHISED CENTER
STATUS SUMMARY FOR
YEARS 2003/2004/2005
CURRENT AS OF July 1, 2005**

State	Transfer	Cancel or Terminate	Not Renewed	Reacquired by Franchisor	Left the System (Other)	Total From Left Columns (1)	Franchises Operating at Year/Period End
FL	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	8/8/8
GA	5/0/1	0/0/0	0/0/0	0/0/0	0/0/0	7/5/0	48/48/49
KS	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
KY	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
MO	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
MS	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
NC	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	5/5/9
NV	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	5/5/5
OH	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	3/3/3
SC	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
TN	0/1/0	0/0/0	0/0/0	0/0/0	0/0/0	0/1/0	2/2/2
TX	2/1/1	0/0/0	0/0/0	0/0/0	0/0/0	2/1/1	31/34/41
Puerto Rico	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1
Total	7/9/6	0/0/0	0/0/0	0/0/0	0/0/0	7/11/6	109/112/124

(1) The numbers in the "Total" column may exceed the number of centers affected because several events may have affected the same center (for example, each time we have reacquired a center from a franchisee, we entered into a mutual termination agreement with the franchisee).

(2) The names, addresses and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during 2005 Listed below. There were no franchisees who have not communicated with Franchisor within ten weeks of July 1, 2005.

**STATUS OF COMPANY OWNED
CENTERS FOR YEARS 2001/2002/2003
CURRENT AS OF July 1, 2005**

STATE	CENTERS CLOSED DURING YEAR	CENTERS OPENED DURING YEAR	TOTAL CENTER OPERATING AT YEAR END
Total	0/0/0	0/0/0	0/0/0

Note: We do not operate company owned centers.

**PROJECTED OPENINGS
AS OF July 1, 2005**

STATE	FRANCHISE AGREEMENTS SIGNED BUT CENTER NOT OPENED	PROJECTED FRANCHISED NEW CENTERS IN THE NEXT FISCAL YEAR	PROJECTED COMPANY OWNED OPENINGS IN NEXT FISCAL YEAR
California	0	0	0
Florida	4	4	0
Georgia	4	4	0
Kansas	0	0	0
Kentucky	0	0	0
Mississippi	0	0	0
Missouri	1	1	0
Nevada	1	2	0
North Carolina	4	4	0
Ohio	0	0	0
South Carolina	1	1	0
Tennessee	1	1	0
Texas	11	11	0
Puerto Rico	0	0	0
Total	27	28	0

A list of the names of all franchisees and the addresses and telephone numbers of their outlets and a list of all former franchisees and their most recent address are listed as Exhibit C to this Offering Circular.

ITEM 21
FINANCIAL STATEMENTS

Consolidated Financial Statements are attached to this Offering Circular as Exhibit "B." Included are the audited consolidated financial statements of Kids 'R' Kids International, Inc. and its affiliates for the years ended September 30, 2004, September 30, 2003, September 30, 2002, and the unaudited financial statements for August 2005, September, 2005 & October, 2005.

ITEM 22
CONTRACTS

A copy of the following agreements used in connection with the offering of a Kids 'R' Kids franchise are attached as Exhibits:

- Sample Franchise Agreement
- Collateral Assignment of Tenant's Interest in Lease
- Nondisturbance and Attornment Agreement
- Subordination Agreement
- Supply Agreement
- Transportation Driver Agreement
- Personal Guaranty
- Indemnity Agreement
- Franchise Site Transfer Assistance Agreement

ITEM 23
RECEIPTS

The last page of the offering circular contains a detachable document acknowledging receipt of the offering circular by you.

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

Franchisor represents that this prospectus does not knowingly omit any material fact or contain any untrue statement of a material fact.

ITEM 23
RECEIPT

THIS OFFERING CIRCULAR SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS OFFERING CIRCULAR AND ALL AGREEMENTS CAREFULLY.

IF KIDS 'R' KIDS INTERNATIONAL, INC. OFFERS YOU A FRANCHISE, KIDS 'R' KIDS INTERNATIONAL, INC. MUST PROVIDE THIS OFFERING CIRCULAR TO YOU BY THE EARLIEST OF:

- a) THE FIRST PERSONAL MEETING TO DISCUSS OUR FRANCHISE; OR
- b) TEN BUSINESS DAYS BEFORE SIGNING OF ANY BINDING AGREEMENT; OR
- c) TEN BUSINESS DAYS BEFORE ANY PAYMENT TO KIDS 'R' KIDS INTERNATIONAL, INC.

YOU MUST ALSO RECEIVE A FRANCHISE AGREEMENT CONTAINING ALL MATERIAL TERMS AT LEAST FIVE BUSINESS DAYS BEFORE YOU SIGN ANY FRANCHISE AGREEMENT.

IF KIDS 'R' KIDS INTERNATIONAL, INC. DOES NOT DELIVER THIS OFFERING CIRCULAR ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE ATTORNEY GENERAL OF THIS STATE.

The name and address of Kids 'R' Kids International, Inc.'s Agent in this state to receive service of legal process and the List of State Administrators are shown in Exhibit "F."

I have received a Uniform Franchise Offering Circular dated is _____. This offering circular included the following Exhibits:

- Exhibit A Sample Franchise Agreement including Exhibits A through M
- Exhibit B Consolidated Financial Statements
- Exhibit C Directory of Franchisees
- Exhibit D Operations Manual Table of Contents and Page Itemization
- Exhibit E Approved Suppliers, Products & Equipment
 - Exhibit E-1 Approved Suppliers List
 - Exhibit E-2 Approved Products
 - Exhibit E-3 Approved Equipment
 - Exhibit E-4 Approved Fixturization
- Exhibit F State Administrators & Agent for Service of Process List
- Exhibit G State Specific Variations
- Exhibit H Trademark Registration Certificates
- Exhibit I Acknowledgment of Receipts

Date

Prospective Franchisee

Date

Prospective Franchisee