

## FRANCHISE DISCLOSURE DOCUMENT



Tutu School Franchises, LLC  
An Illinois limited liability company  
3717 North Ravenswood Avenue, #237  
Chicago, IL 60613  
(415) 734-8840  
[info@tutuschool.com](mailto:info@tutuschool.com)  
[www.tutuschool.com](http://www.tutuschool.com)

Tutu School Franchises, LLC franchises the Tutu School system of dance and movement programs for children. The total investment necessary to begin operations of a Tutu School franchise is \$97,150 - \$178,300. This includes \$38,750 to \$47,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operations of a Tutu School franchise as an area developer is \$78,900 to \$188,300 (based on the purchase of two units). This includes \$20,500 to \$57,000 that must be paid to the franchisor or affiliate (based on the purchase of two units).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. You must receive this disclosure documents at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or affiliate in connection with the proposed franchise sale. **Note, however, that no government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact Genevieve C. Weeks at 3717 North Ravenswood Avenue, #237, Chicago, IL 60613 and (415) 734-8840.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available for 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, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 30, 2024

## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

## **Some States Require Registration**

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

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

## **Special Risks to Consider About *This Franchise***

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

**Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Illinois. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Illinois than in your own state.

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

**Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

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

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**ITEM 1**  
**THE FRANCHISOR, PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language, this disclosure document uses "we" or "us" to mean Tutu School Franchises LLC, the franchisor. "You" means the individual, corporation, or other entity that buys a Tutu School franchise. If the franchisee is a corporation, partnership or other entity, "you" includes the franchisee's owners unless otherwise indicated.

**Franchisor, Affiliates and Prior Experience**

We conduct our business under the name Tutu School. Our principal business address 3717 North Ravenswood Avenue, #237, Chicago, IL 60613. We are an Illinois limited liability company originally formed on August 1, 2011 in California and converted to an Illinois entity in 2018. We have had no change in ownership. We began offering Tutu School franchises for the first time in 2012. We do not conduct business under any other name, and we do not operate a business of the type described in this FDD or offer franchises in any other line of business.

We do not have any corporate parent. We have two affiliates. One is Tutu School LLC, which owns and operates four Tutu School locations similar to the type described in this FDD. It began operating the first Tutu School in San Francisco in February 2008. Our affiliate's principal business address is 519 Bay Street, San Francisco, CA 94133.

The other affiliate is Andrew Weeks Photography LLC ("Andrew Weeks Photography"), a professional photography business operated as a sole proprietorship by Andrew Weeks, one of the owners of Tutu School Franchises, LLC. Andrew Weeks Photography's principal business address is 4212 N. Damen Avenue, Chicago, IL 60618. Andrew Weeks Photography does not operate or offer any businesses similar to the one described in this FDD.

Neither of our affiliates conducts business under any other name, and neither has offered franchises in any other line of business.

**Agent for Service of Process**

Our agents for service of process are listed in Exhibit D.

**The Business We Offer**

We offer franchises for Tutu School® businesses ("Schools"). Your School will offer dance and movement instruction to children, with an emphasis on ballet. Unless we approve otherwise, you will also sell a limited selection of clothing and related merchandise, which may include our proprietary retail line of ballet-related items. A School is operated out of a commercial space, typically in a strip mall or urban street front commercial space. The majority of the students in a School are between 18 months and eight years old. The focus of Tutu School classes is on early ballet and movement concepts and encouraging children to have fun while engaging their creativity and imagination. Schools do not offer formal ballet training for older children, teens or adults.

Your Tutu School programs must be taught by an experienced dancer. If you are not an experienced dancer, you may own a School, but you will have to hire a dancer to teach the classes. You will be subject to a criminal background check before we sell you a franchise, and you are required to conduct criminal background checks on all dance instructors before you hire them.

The market for toddlers' and children's extracurricular activities is highly developed, although there are relatively few businesses that teach dance exclusively to very young children. Your competitors will include other ballet schools and dance studios as well as children's gyms, children's camps, sports programs, and children's after school and extracurricular programs in general. The business is somewhat seasonal in that it is common for parents to think about enrollment for school-aged children at the beginning of school semesters and over the summer, but children enroll throughout the year.

If you and we agree that you will open more than one School, you will sign an Area Development Agreement with us. Under an Area Development Agreement, you will agree to open a specific number of Schools within a specified period of time in a particular geographic area. You and we will both agree on the number of locations, the time period, and the geographic area before you sign the Area Development Agreement. You will sign the franchise agreement included in this Franchise Disclosure Document for your first School to be developed under the Area Development Agreement. At the time you begin developing each additional School, you will sign the then-current franchise agreement for that location. That franchise agreement may differ from the franchise agreement included in this Franchise Disclosure Document (except that we will not increase the initial franchisee fee for locations you timely develop under the Area Development Agreement).

### **Applicable Regulations**

You must comply with federal, state and local requirements regarding children's programs and, in some jurisdictions, a School may constitute a "school" that is subject to certain zoning and facilities requirements including space, bathrooms, outdoor area, emergency exits, and ratios of teachers to children. You should investigate your local area's definition of a "school" further.

Under California's Child Abuse and Neglect Reporting Act, certain businesses qualify as "youth service organizations" because they directly contact and supervise children as part of educational services they provide to those children. Your Tutu School may qualify as a youth service organization under this definition, which would make your employees who directly supervise children mandated reporters of child abuse or neglect. Those employees will be subject to specific state-mandated background checks (starting in 2024) and to training in identifying and reporting child abuse and neglect. California also requires businesses that provide services to minors to provide a written notice to parents or guardians about the business's policies regarding criminal background checks for employees. That notice must disclose whether the background checks include state and federal criminal history information and the types of offenses that the business searches for in those background checks.

Outside of California, you should investigate whether applicable local laws will make employees of your Tutu School mandated reporters or will impose any specific background checking or training obligations which may exceed our minimum requirements, or any local restrictions on facilities that teach children, such as any required licenses, permits or other conditions for your

operation.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **President: President: Genevieve Custer Weeks**

Ms. Weeks is the founder of the Tutu School system, and through our affiliate, Tutu School LLC, she has owned and operated Schools in Northern California and Illinois since February 2008. From August 2011 to the present, she has been our President.

### **Vice President: Andrew Weeks**

Mr. Weeks has been our Vice President since August 2011. From August 2003 to the present, he has also worked as a professional wedding, family and lifestyle photographer through Andrew Weeks Photography in San Francisco, California and Chicago, Illinois.

### **Director of Brand Studios / Director of Franchise Training and Support: Taylor Chwae Weldon**

Ms. Chwae Weldon has been our Director of Brand Studios and Director of Franchise Training and Support since February 2023. Prior to that, her title was Franchise Coordinator and Director of Corporate Locations since June 2021, and she was the Creative and Administrative Coordinator of Tutu School Franchises, LLC from June 2019 to June 2021. She previously served as Tutu School Support Specialist starting in May 2018, and before that she worked for Tutu School LLC as a Tutu School teacher and Site Manager at Tutu School Chicago from 2017 until May 2018.

### **Chief of Staff: Margaret Smith**

Ms. Smith has been our Chief of Staff since December 2023. Ms. Smith was a Freelance Fractional Chief of Staff in Chicago, Illinois from July 2023 to December 2023, the Chief of Staff at Performance Paradigm in Chicago, Illinois from November 2020 to June 2023, and Director of Operations at Flamingo in Chicago, Illinois from October 2018 to November 2020.

### **Curriculum Coordinator: Shaylyn Gulickson**

Ms. Gulickson has been our Curriculum Coordinator since September 2023. Prior to that, Ms. Gulickson served as teacher and Studio Manager at Tutu School Alameda in Alameda, California from February 2019 to April 2023.

### **Principal Teacher: Marissa Hockfield**

Ms. Hockfield has been our Principal Teacher since August of 2021 and has been on faculty at Schools operated by our affiliate, Tutu School LLC, since September 2015, and has also served as a Teacher, School Coordinator, and Senior Manager at the Schools operated by our affiliate and franchised Schools since October of 2015.

**ITEM 3**  
**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

**ITEM 5**  
**INITIAL FEES**

You must pay an initial franchise fee in the lump sum of \$45,000 when you sign a franchise agreement. The initial franchise fee is nonrefundable.

We currently offer a discounted Initial Franchise Fee of \$40,000 (a discount of \$5,000) for eligible long-time employees of Tutu School locations.

If you wish to develop and operate more than one School and we agree to license you to open multiple locations, you will sign an area development agreement (“Area Development Agreement”). Your development fee is equal to the Initial Franchise Fee for the first location plus \$10,000 for each additional School you commit to open under that agreement. For example, if you are a new franchisee and agree to open two Schools, you will pay us a development fee of \$55,000 (\$45,000 Initial Franchise Fee for the first location plus \$10,000 for the additional location). If you are an existing franchisee committing to two additional locations, you will pay a development fee of \$20,000 (\$10,000 for each additional location). The initial franchise fee for the additional locations you timely develop under the Area Development Fee is \$38,250 (a 15% discount) and is due at the time you sign the Franchise Agreement for each additional School. Each deposit will be credited toward the initial franchise fee you pay when you sign the Franchise Agreement for that unit. The initial fee that you pay us upon signing an Area Development Agreement is not refundable.

If you are an existing owner in our system, our current practice is to charge you the Initial Franchise Fee in the amount you paid for your first location and if you sign an Area Development Agreement for development of multiple additional units, that initial franchise fee is reduced by 15%.

The Initial Franchise Fees we collected in 2023 ranged from \$25,000 to \$42,000.

You also may, but are not required, to purchase retail items from us for sale at the School. We estimate that the cost to purchase an initial inventory of retail items from us will range from \$500 to \$2,000.

**ITEM 6**  
**OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty – Programming	5% of gross programming sales per month	Payable monthly, no later than the 15 <sup>th</sup> of the month (Note 1)	Gross programming sales include all revenue generated by your location for programming (Note 2)
Royalty – Retail	4% of gross retail sales per month	Payable monthly, no later than 15 <sup>th</sup> of the month (Note 1)	Gross retail sales include all revenue generated by your location for retail (Note 2)
National Advertising & Technology Fund (Note 3)	1% of gross programming sales per month (we may increase this fee up to 3% of gross programming sales in the future)	Payable monthly, no later than the 15 <sup>th</sup> of the month (Note 1)	Gross programming sales include all revenue generated by your location for programming (Note 2)
Local Marketing Spend	5% of gross programming sales	Monthly	Minimum amount must be spent on approved marketing and promotional activities in your local geographic area.
Local Marketing Cooperative	Currently not collected	Established by us	We may require you to participate in local or regional marketing cooperatives in the future. Your contributions to any regional or local advertising cooperatives will be credit toward your local marketing obligations and will not exceed your local marketing spend.
Additional Training (Note 4)	\$200 per person per day	Prior to the start of training	Initial training is free for you and one instructor
Software License Fees	We may in the future charge you and initial or recurring license fee related to your use of any designated software	When incurred	As of the date of this disclosure document, we do not charge any software licensing fees.

Type of Fee	Amount	Due Date	Remarks
Grand Opening Marketing	You must spend a minimum of \$5,000 on Grand Opening Marketing	Minimum amount must be spent during the period beginning 30 days before and ending 60 days after the location opens	If you fail to spend this amount, we may collect the difference between what you should have spent and what you actually spent for deposit into the National Advertising and Technology Fund.  We reserve the right to collect this amount and spend it on your behalf.
Summit or Conference Fees	Our then-current conference fee	As incurred	We may charge a fee for conventions and meetings that we require. You are also responsible for all other costs of attendance (including travel, room and board, and your employees' wages, benefits and other expenses).
Transfer	50% of the then-current initial franchise fee if the transferee is new to the Tutu School system; 25% of the then-current initial franchise fee if the buyer is an existing Tutu School owner; \$2,500 for a transfer that does not individually or in the aggregate create a change in control.	Prior to transfer	This fee is only charged if you transfer your interest to a new owner. (Note 5)
Renewal	25% of the then-current initial franchise fee	Prior to renewal	You must be in good standing in order to qualify for renewal.
Remodeling Expenses	Will vary under the circumstances	When incurred	See Note 6
Audit	Cost of audit, plus maximum legal interest on late payments	At conclusion of audit	This fee is only charged if our audit reveals that you have underreported and underpaid your monthly obligations to us by 2% or more.

Type of Fee	Amount	Due Date	Remarks
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Supplier Review Fee	\$2,000 or our reasonable and actual costs incurred, if higher	As incurred	Payable when you request our approval of a proposed supplier or product
Securities Offering Fee	\$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate is engaged in a securities offering. You also must indemnify us (see below).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is involved. You will defend suits at your own costs and hold us harmless against suits involving damages resulting from your operation of the franchise, including related to securities offerings.
Costs and Attorneys' Fees	Will vary under the circumstances	As incurred	Due only if we prevail in a legal proceeding.

All of these fees, if applicable, are imposed and collected by us, and are paid to us directly. These fees are non-refundable once collected. As of the date of this FDD, these fees are uniformly imposed.

Note 1: If you do not pay periodic fees when due, we charge interest on the unpaid amount at a rate of 18% interest (or the highest rate permitted by law, if that is lower). We also impose a late fee of \$50 every 30 days the late payment is not made.

Note 2: Our core business is dance and educational classes for children. Revenue from these classes is programming revenue and bears a 5% royalty rate. You will also sell some retail items, such as children's tutus and tights, at your Tutu School. Revenue from the sale of these items is retail revenue and bears a 4% royalty rate and no National Advertising & Technology Fund contribution.

Note 3: The National Advertising & Technology Fund is used by us, in our discretion, on franchise-wide meetings, website maintenance, branding consultants, designing advertising materials we make available to you, on national or regional promotional campaigns, music licenses on your behalf, and on other marketing and advertising expenses including reasonable administration costs. We currently collect 1% of gross programming sales for the National Advertising & Technology Fund, but we may increase this amount up to 3% of gross programming sales.

Note 4: Additional training is only for individuals who are not trained during the initial training. It is provided for new instructors you bring on, or if you request refresher training from us. If you send a new instructor for training, you are responsible for paying their travel and lodging expenses and their wages, in addition to paying our training fee.

Note 5: In addition to paying the transfer fee, any transfer of your interest during the term of this agreement requires our prior agreement and approval of the proposed transferee.

Note 6: You must make reasonable capital expenditures to remodel, modernize and redecorate the School premises and to replace and modernize the supplies, fixtures, signs and equipment used in your School so that your School reflects the then-current physical appearance of new School. We may require you to take such action as a condition to transfer, as a condition to renewal, or otherwise during the term of the Franchise Agreement as further described in the operations manual. We cannot estimate the current costs for a remodeling project because remodeling requirements will vary. You may make these payments in whole or in part to various third parties.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee	\$38,250 to \$45,000 (Note 1)	Lump sum	At signing of franchise agreement	Tutu School Franchises
Premises Investments & Improvements	\$15,000 to \$45,000 (Note 2)	As incurred	Prior to opening	Landlord and/or third party vendors
1 <sup>st</sup> month's rent & security deposits	\$2,800 to \$12,000	As incurred	Prior to opening	Landlord
Signs	\$1,800 to \$4,000	Lump sum	Prior to opening	Third party vendors
Furniture, Fixtures & Equipment	\$5,500 (Note 3)	As incurred	Prior to opening	Third party vendors
Décor package	\$8,000 (Note 4)	Lump sum	Prior to opening	Third party vendors
Business Licenses, Permits, Utility Deposits & other prepaid expenses	\$300 to \$800	As incurred	Prior to opening	Third party vendors

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Insurance	\$2,000 (Note 5)	Lump sum or as incurred (see Note 4)	Prior to opening	Third party vendor
Opening supply inventory	\$2,500 to \$4,000 (Note 6)	As incurred	Prior to opening	Third party vendors
Costs to attend training	\$2,000 to \$3,000 (Note 7)	As incurred	Prior to opening	Third party vendors
Opening local advertising	\$5,000 to \$10,000 (Note 8)	Lump sum	Prior to opening	Third party vendors
Wages	\$3,000 to \$11,000 (Note 9)	As incurred	As incurred	Employees
Professional Expenses	\$3,000 to \$8,000 (Note 10)	As incurred	As incurred	Third party vendors
Additional funds (first 3 months)	\$8,000 to \$20,000 (Note 11)	As incurred	As incurred	Third party vendors
<b>TOTAL</b>	<b>\$97,150 - \$178,300 (Note 12)</b>			

Note 1: You will pay us the Initial Franchise Fee as more fully described in Item 5.

Note 2: Our estimate of cost is based on you leasing finished commercial retail space approximately 700 to 1000 square feet in size, and installing only wood laminate floors, carpet, a sound system, our required décor and paint. If you acquire property that requires a more extensive build out, such as installation or removal of walls or extensive built-in fixtures, or you elect to lease a much larger sized property, your expenses will be higher. In certain markets, landlords may assist with some of the tenant improvements.

Note 3: Our estimate includes all of the required furniture, computer equipment and reusable classroom props we require. Currently, you purchase all these items from third party vendors.

Note 4: Our estimate includes all of the wall art, window dressings and other décor we require as part of our Tutu School brand image. We anticipate that certain items in the décor package may be purchased directly from us in the near future.

Note 5: Our estimate is for the cost of liability insurance for one year, excluding your costs for worker's compensation insurance. If you choose to take out a larger policy than we require, your cost may be higher. If you choose to pay your insurance premiums monthly or quarterly, your expenses in the first three months will probably be lower than our estimate.

Note 6: Our estimate for opening supply inventory is for items that will be used up in the course of operating your business, including items your students will keep, an initial investment of retail items, office supplies, bathroom supplies, birthday party décor, and instructor dancewear, plus required music.

Note 7: Your initial franchise fee covers the cost of our providing initial training to you and one other person. However, unless you live in the Chicago, Illinois area, you will incur costs to travel to our training and stay in the area. If you bring an instructor who is your employee, you may incur costs to pay wages while he or she attends training.

Note 8: You must spend at least \$5,000 on a grand opening marketing campaign to promote the opening of your School and to generate sales. Your pre-sale marketing campaign will generally be conducted in the 60-day period before grand opening and continue after your School opens for two to three months.

Note 9: We estimate that a typical franchisee will have only a single, part-time employee instructor when they first open for business. If you are not an experienced dancer, you will need to hire at least one instructor as your employee to teach all classes you offer, and your expenses will be at the higher end of this range.

Note 10: Our estimate for professional expenses is for hiring an attorney, accountant or other professionals. For example, you may retain an attorney to help you set up a legal entity to own your business, and you may hire a bookkeeper or accountant to help you with financial aspects of running your business.

Note 11: This is an estimate of your start-up expenses. This range is an estimate and we cannot guarantee that you will not have additional expenses starting the business.

Note 12: All of the amounts summarized in this table are non-refundable. The only exception could be payments you make to a third party who agrees to refund some or all of your payment under certain circumstances. However, in our experience, these amounts are non-refundable.

**YOUR ESTIMATED INITIAL INVESTMENT FOR AN AREA DEVELOPMENT  
AGREEMENT (assuming two units to be developed)**

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise/development fee (Note 1)	\$20,000 to \$55,000 (Note 1)	Lump sum	At signing of franchise agreement	Tutu School Franchises
All other expenses as listed in the prior table, except the initial franchise fee	\$58,900 to \$178,300	As specified in the prior table	As specified in the prior table	As specified in the prior table

<b>TOTAL (Note 2)</b>	\$78,900 to \$188,300			
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Note 1: As explained in Item 5, your development fee is equal to the Initial Franchise Fee for the first location plus \$10,000 for each additional School you commit to open under that agreement. If you are an existing franchisee signing an Area Development Agreement for additional Schools, you are not required to sign the franchise agreement at the same time as the Area Development Agreement so you may pay only the \$10,000 per location portion of the development fee. When you sign each franchise agreement you will pay the balance of the initial fee that you owe to us.

Note 2: This estimate shows your estimated initial cost for entering into an Area Development Agreement with us for two units and opening the first of those two units. It does not include your costs to open the second unit. You should be aware that your initial investment for your second and subsequent Schools may be higher than the above estimates for your first School due to inflation, increased labor costs, increase materials and other economic factors that may vary over time.

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

### **Required Purchases**

In order to ensure a uniform image and uniform quality of products and services throughout the Tutu School system, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us or our affiliates, we must accept the location of your School (see Item 11). You must construct and equip your School in accordance with our then current approved design, specifications and standards. In addition, it is your responsibility to ensure that your building plans comply with the Americans with Disabilities Act and all other federal, state and local laws. You also must use equipment (which includes hardware and software for a computerized record-keeping system), signage, fixtures, furnishings, products, supplies and marketing and sales promotion materials that meet our specifications and standards. We reserve the right to designate a primary or single source of supply for certain products and supplies, and we or an affiliate may be that single source.

We require you to use certain classical music in your curriculum for our classes. We provide the ASCAP, BMI and SESAC licenses (described more in Item 11, below) required for you to use this music in connection with your Tutu School location. We require you to purchase specific tutus and certain props used by the children in the classes. We also require you to purchase and carry retail items (unless otherwise approved) for sale at your School. We rolled out a proprietary retail component in 2023, our capsule collection. We are the only approved supplier of these items. While you must offer approved retail items, these currently include both approved third party items and our proprietary retail items. You are not currently required to purchase and sell the proprietary retail items, but we reserve the right to require you to carry a limited supply of this merchandise in the future. At present, if you would like to carry other retail items at your School, you may do so as long as we have approved both the items and the vendors.

Other than any required products where we designate one or more designated suppliers, you have no obligation to purchase or lease products, goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the School from us, our affiliates or designated third parties.

### **Required and Approved Suppliers**

We require you to purchase certain products, including tutus, props, furniture and decor, from our approved suppliers, which are listed in our operations manual. You may only sell retail items we approve from vendors we approve.

### **Approval of Alternate Suppliers**

From time to time, we may approve other suppliers whose products meet our standards and requirements. If you would like to purchase from an alternate supplier, you must make a written request that we review that supplier's products and determine whether or not to approve them as a vendor. We may require you to purchase, at your own expense, an example of the proposed vendor's product for us to review. Our approval of other suppliers depends on many factors, including the proposed supplier's business reputation, delivery performance, product quality, production capability, financial status and credit rating, and our ability to retain bulk discounts, if any, for particular items. We reserve the right to charge a supplier review fee of \$2,000 or our reasonable and actual costs incurred, if higher. We will give you notice of approval or disapproval within 90 days of receipt of your written request. Approval may be revoked in our sole discretion by providing written notice to the supplier.

### **Revenue from Franchisee Purchases**

In 2023, we began selling retail merchandise to franchisees. In the previous fiscal year ending December 31, 2023, we collected \$67,395 from the sale of retail merchandise to franchisees, which was 5% of our total revenue of \$1,263,844 in 2023 based on our audited financials.

We do require you to display photographs taken by our affiliate, Andrew Weeks Photography, in your business, but neither we nor Andrew Weeks Photography receives any revenue from this. Our officers do not have an ownership interest in any Tutu School supplier.

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Negotiated Prices**

We may negotiate prices for numerous products for the benefit of the Tutu School system but not on behalf of individual franchisees. Currently, there is no purchasing or distribution cooperative but we reserve the right to create a cooperative and require you to participate. We may receive volume discounts for the Tutu School system from some third party approved suppliers, which we may pass through to our franchisees. Beyond these discounts, we do not provide material benefits to you because of your use of approved suppliers.

## **Required Purchases in Relation to All Purchases**

Our detailed specifications and standards for purchasing are in our Operation Manual, as modified periodically, and are available for your review.

This includes specifications, recommendations, requirements, and limitations on the type of space you rent, the amount of insurance you obtain, the advertising you place, the background checks you perform on employees, as well as, the décor, fixtures, and props you buy. These purchases will comprise 90 to 95% of your expenditures to establish the business other than what you spend on payroll, rent, utilities and miscellaneous professional services. On an ongoing basis, you should estimate that up to 90% of your purchases will be subject to some requirement in our Operations Manual.

These estimates are based on the experience of the four existing company-owned School operations. The proportion of your purchases we recommended in establishing and operating your School may vary widely from the given estimates.

## **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 in this disclosure document.**

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN AREA DEVELOPMENT AGREEMENT</b>	<b>Disclosure Document Item</b>
a.	Site selection & acquisition/lease	5.1 - 5.3	1.6	Item 11
b.	Pre-opening purchases/leases	5.3, 6.1, 6.3	Not Applicable	Items 7 & 8
c.	Site development & other pre-opening requirements	5.1, 5.5	1.6	Items 7 & 11
d.	Initial & ongoing training	4.1 - 4.3	Not Applicable	Item 11
e.	Opening	6.1	Not Applicable	Item 11
f.	Fees	8.1 - 8.3	1.2	Items 5 & 6
g.	Compliance with standards & policies/operating manual	2.2, 4.5, 6.6	Not applicable	Items 8 & 11
h.	Trademark & proprietary information	3.1 - 3.5	Not Applicable	Items 13 & 14
i.	Restrictions on products/services offered	2.2, 6.5 - 6.6	Not Applicable	Items 8 & 16
j.	Warranty & customer service requirements	6.8	Not Applicable	Not Applicable

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN AREA DEVELOPMENT AGREEMENT</b>	<b>Disclosure Document Item</b>
k.	Territorial development & sales quotas	6.11(c)	1.1	Items 11 & 12
l.	Ongoing product/service purchases	6.5	Not Applicable	Item 8
m.	Maintenance, appearance & remodeling requirements	5.5 - 5.7, 12.2	Not Applicable	Item 11
n.	Insurance	14.3	Not Applicable	Items 7 & 8
o.	Advertising	9.1 - 9.3	Not Applicable	Items 6 & 11
p.	Indemnification	14.1 - 14.2	Not Applicable	Not Applicable
q.	Owner's participation management/staffing	6.11	Not Applicable	Item 15
r.	Records/reports	8.2 - 8.4	Not Applicable	Not Applicable
s.	Inspections/audits	8.4	Not Applicable	Item 6
t.	Transfer	11.3 - 11.6	3.1, 3.2	Item 17
u.	Renewal	12.2	Not Applicable	Item 17
v.	Post termination obligations	13.1 - 13.2	2.3	Item 17
w.	Noncompetition covenant	10.4	Not Applicable	Items 12 & 17
x.	Dispute resolution	15.8	4	Item 17

## **ITEM 10 FINANCING**

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

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

**Except as listed below, Tutu School is not required to provide you with any assistance.**

### **Pre-Opening Assistance**

Before you open the business, we will:

1. Identify your designated area. (Franchise Agreement - Sections 2.2, 2.3). If you have signed an Area Development Agreement, we will work with you prior to the execution of each individual franchise agreement to establish designated area for the specific School you are opening, based on the determination we made prior to signing the Area Development Agreement about the general areas within the development territory where you could establish a business.

2. Review your proposed business site for the School, which must be within your designated area. We approve sites based on a variety of factors including density of population,

population characteristics, traffic patterns, access factors, cost and size and availability of space, cost of construction of leasehold improvements, availability, parking, and other factors. We will not provide a nonstructural floor plan for the planning, designing and construction of improvements to the School premises.

A typical location for a School is in a strip mall shopping center, or in a store front in an urban or suburban area with heavy foot traffic, near an area where there is a high density of families with young children. We do not generally own or lease to you the premises where you will operate your School. You will lease the premises directly from a third-party landlord. You must obtain our approval before entering into a lease for a site. We will provide you with our approval or refusal of a proposed site within 14 days of your written request. (Franchise Agreement - Section 5.2)

We require franchisees to identify a proposed business site within six months of signing a franchise agreement and open for business within 12 months of signing a franchise agreement. In most areas, you should be able to identify a location, install the required décor, complete training and open for business three to twelve months after signing a franchise agreement. However, the length of time to identify a site and negotiate a lease, the amount of construction required to complete the build-out, and local ordinances governing building permits and business licenses can all affect the length of time it will take you to open for business. We may establish different timetables for opening the School where circumstances warrant an adjustment, but this is in our sole discretion. If you do not identify a suitable site and open by the time required under your Franchise Agreement, we can terminate the Franchise Agreement. (Franchise Agreement - Sections 5.2(b), 6.1)

3. Provide you with the Tutu School design packet for the build-out of your School. You may choose to hire your own designer and to have a custom design to fit your space, but the custom design will need to reflect our trade dress and must be approved in writing by us before you start renovations based on the plans. (Franchise Agreement - Section 5.6) We do not modify the designs we provide to you for local building codes or requirements and you will be responsible for obtaining all building permits, hiring and managing the construction, remodeling and decorating processes and obtaining our approval for any material changes to the design packet that you are proposing for your location.

4. Provide you with information on how to obtain a criminal background check on each of your employees, which is a requirement within the Tutu School system. You are solely responsible for hiring your employees. We do not assist with hiring. (Franchise Agreement - Section 6.7)

5. Provide training for you and employees you hire in how to operate a School, our class curriculum, and how to follow the Tutu School System of operations. While we provide general information to you about how to maintain your books and accounts and generate reports in the format we require, we do not train on inventory control procedures for your retail merchandise sales, and we encourage you to engage the help of a bookkeeper and/or accountant for additional business accounting assistance. (Franchise Agreement - Section 4.1)

6. Assist you in ordering signs, fixtures, and opening inventory materials. We will provide you a written summary of the equipment, signage and décor you must purchase. We will approve the drawings provided by the sign company, provide you with design assistance for your local advertising flyers, business cards and other advertising materials, and make recommendations for how to handle your grand opening. We do not purchase, deliver or install any of your signs, fixtures or other décor on your behalf. (Franchise Agreement - Section 5.7)

### **Post-Opening Assistance**

During the operation of the business within the term of the Agreement, we will:

1. Periodically develop advertising materials and provide those to you for use in the local advertising of your School, and provide suggestions and advice regarding the best advertising practices. (Franchise Agreement - Section 9.1)

2. Provide guidance and assistance in the operation of your School. This guidance may be provided in the form of periodic in-person meetings, webinars or video calls and telephone or written communications and will cover topics such as products or services to be offered to customers; improvements and developments in your School. (Franchise Agreement - Section 4.4)

3. Maintain the company website which will include a link to a site-specific page for your School, including the classes you offer, their times, instructor information, your business address and other information we approve. (Franchise Agreement - Section 6.10)

4. Maintain licenses that permit you to use specified classical music compositions in your Tutu School classes. Our licenses have limitations, and do not cover all music, and you will be required to comply with these limits. (Franchise Agreement - Section 4.8)

5. We have held an annual franchisee conference the last several years and intend to continue doing so in the future. We may charge a conference fee and you will be responsible for all of your travel and living expenses during the conference. You must attend the annual conference unless otherwise approved.

While we may provide information about pricing, including how various units within the system have set their pricing and changes to your pricing structure that you could consider implementing, we are not obligated to do so, and we do not dictate your pricing.

### **Advertising and Marketing**

#### *National Advertising and Technology Fund*

We provide certain advertising materials and advertising support to you through our National Advertising & Technology Fund. We may use the National Advertising & Technology Fund for activities to support the marketing and promotion of Tutu School brand, the Tutu School trademarks, and the School locations, including: providing creative development services (including graphic design for marketing collateral); updating and hosting a website; development and maintenance of software used by franchisees (including class registration and billing software), social media support; subscription fees and set-up expenses for design and learning

platforms; the cost of music licensing; the expenses of franchise system-wide meetings; providing market intelligence through analytics to the franchise system; conducting member interviews, focus groups and surveys; conducting promotions; engaging advertising and marketing agencies and public relations firms; and any other expenses for developing and promoting the brand or Tutu School system. We may be reimbursed for reasonable administrative costs, salaries and overhead incurred in administering or providing services to the National Advertising and Technology Fund.

We need not spend all amounts we collect for this advertising in the same year collected. If the amount collected exceeds what is needed to pay for currently-planned advertising, marketing and technology, we may accrue the excess amounts for use in future years. We will provide you with an unaudited accounting of how we used payments in the last fiscal year upon your request. We do not use your advertising payments in any advertising that is principally to solicit prospective franchisees, provided our general marketing materials may reference franchise sales available. You will not receive a refund of any advertising fees paid on termination, nonrenewal or expiration of your franchise. We are not required to segregate these payments from other funds we hold or to audit what we collect and spend.

You may only use advertising that we supply or that meets our standards and specifications. You must submit advertising not supplied by us to us for approval before use. We have the absolute right to approve or disapprove any advertising you want to use and, on notice from us, you must stop using any such materials we consider inappropriate for any reason. We reserve the exclusive right to establish and maintain a Website on the Internet identified by or using the Marks in a domain name or otherwise.

We collect the National Advertising & Technology Fund contributions at the same rate from all franchised Schools and the Schools owned and operated by our affiliate, Tutu School, LLC, and identified as corporate-owned locations in this FDD.

In the future, we may increase your required contribution to the National Advertising & Technology Fund, in our sole discretion, up to a total of 3%.

In 2023, the amount collected by the National Advertising & Technology Fund was spent as:

14%	Music licensing fees
8%	Subscription Fees
15%	Listings Management
10%	National Advertising Campaign
10%	Website Development and Maintenance
27%	Conference Expenses
8%	Social Media and Marketing Content Development
8%	Registration and Class Management Software

Any balance was rolled forward to be spent in 2024. The above are not the only amounts that were spent on the above items, but this is how we allocated the money in this fund.

#### *Local Marketing*

You must spend a minimum of 5% of Gross Revenues per month on approved local marketing

activities in accordance with the Manual. Within 30 days of our request, you shall provide us with verification of the local marketing you conduct, including reports and receipts evidencing the placement of ads or verification copies of advertising.

We will provide you with pre-approved marketing templates that you can have personalized for your School. You must use only such marketing materials (including any print, radio, television, electronic, or other media forms that may become available in the future) as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the School or on its premises are subject to our approval. You must submit all advertising and promotional materials to us prior to your use. If we do not respond within 14 days after you submit the proposed advertising materials to us, the advertising materials will be deemed not approved. We will not unreasonably withhold approval of any sales promotion materials or media and activities; provided that they are current, in good condition, in good taste and accurately depict the Marks. Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials. At our request, you must include certain language in your local marketing materials, including “Franchises Available” and our website address and other contact information we may specify.

#### *Grand Opening Marketing*

You must spend no less than \$5,000 to conduct a grand opening celebration during the 60-day period prior to opening and during the first 30 days after your School opens. We may require you to follow our prescribed activities to conduct your grand opening activities.

#### *Cooperative Marketing/Local Marketing Groups*

We have the right to designate local or regional marketing groups and if designated, you must participate in and contribute to the advertising and marketing programs in your designated local/regional marketing group. If established, you must contribute to the group the amount we designate. We have the right to form, change, dissolve or merge local/regional marketing groups. Any amount you spend on approved local/regional marketing group activities will count towards your local marketing requirements. The payments you make to a Cooperative or Group may be applied by you toward satisfaction of your local marketing requirement. If the amount you contribute is less than your local advertising requirement, you must still spend the difference locally. All contributions will be maintained and administered in accordance with the documents governing the Cooperative or Group, if any. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. Currently there are no Cooperatives or Groups in the Tutu School system and we have no immediate plans to implement any Cooperative or Group. The Cooperative or Group is not required to prepare an annual financial statement.

#### *Franchise Advisory Council*

In 2023, we established a Franchise Advisory Council (the “FAC”) and appointed the initial five franchisees to terms of one or two years. Future terms will be two years each. The FAC serves in

an advisory capacity to provide advice on advertising, marketing and general business initiatives. We have the right to form, change or dissolve the FAC.

### **Technology System and Computer Requirements**

We require you to have a printer and a computer that can access the internet and run word processing and a bookkeeping program of your choice. We also require you to have some kind of stereo system. We recommend an Apple iPad and connecting speakers, but you may also use any other type of stereo system you prefer.

The cost of purchasing a desktop computer, an Apple iPad, speakers and a printer is about \$2,200, and is included in our Item 7 estimate of your initial expenses. Provided that you use these components properly, there should be no maintenance costs associated with them, except for periodic replacement of your printer cartridges.

In 2023, we introduced a new software called Classbug, customized for our system. It does not require you to add any hardware and the National Advertising & Technology Fund currently covers your subscription fees. If you choose to purchase any optional hardware that works with Classbug, you will bear those costs.

We may in the future create other custom applications or software for use by the Schools, and in that case you may need to upgrade or modify the information technology products and services you use for compatibility at your sole expense. Otherwise, we do not currently issue any specifications or standards for your computer or cash register system, but reserve the right to do so in the future. We reserve the right to develop proprietary computer software or systems or point of sale systems and may require you to use them and enter into appropriate licensing agreements to protect our rights in them. We do not have any contractual obligation during the term of the franchise to update or upgrade any website or computer program we might develop. We cannot at this time estimate the cost to comply with any future requirements it may impose, but we will not impose any requirements on you that are unreasonable for a business like the Franchised Business.

We have independent, on-line access to data stored in your computer system, including sales, purchasing and customer data. We have full access on-line to all data and records of the Franchised Business available through your use of our website, to any communications you make through or receive at the website and to information that you may post at the website. We are not required to give you notice of our access to that data.

### **Operations Manual and Program Guide**

We will loan you a copy of the operations manual and program guide that contain mandatory and suggested specifications, our Tutu School curriculum, and other information about the Tutu School system. The operations manual and program guide is 93 pages long. These documents are confidential and remain our property. You will be required to restrict access to them and ensure that your employees do not copy these or disclose their contents, except as authorized. We will modify them from time to time, but the modifications will not alter your status and rights under the Franchise Agreement. The Table of Contents for the operations manual is attached as Exhibit H. Our program guide includes outlines of class programs.

## TRAINING PROGRAM

Day	Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
1	- Online Tutu Teacher Training (Twirl platform) - Email marketing and graphic design software training - Finance Course	6	0	Remote
2	- Brand Intro - Pre-opening Requirements - Training & Support - Principal Teacher Training - Class Observations	3	2	Chicago, IL
3	- Setting Up Your Tutu School - Daily/Weekly/Monthly Operating Procedures - In-Class Assisting	3	2	Chicago, IL
4	- Website, Email, and Software - Marketing, Advertising, and Public Relations - Co-teaching	4	3	Chicago, IL
5	- Special Programs & Events - Grand Opening - Frequently Asked Questions - Co-teaching	4	3	Chicago, IL
6	- Ballet Birthday Parties: <i>Set-up &amp; Event Execution</i> - Tutu Camp: <i>Program Outline &amp; Operation</i>	2	0	Remote
Total Hours		22	10	

We offer initial training for each franchisee and up to one additional instructor at no cost, and you may bring additional instructors you have hired for a daily fee. We require that your principal instructor attend the training. The trainings are conducted as needed. You must pay for you and your employees' travel and living expenses, in addition to any wages for your employees who attend. Our training program covers the subjects listed in the table above.

Currently, our training staff includes Genevieve Weeks, Taylor Chwae Weldon, and Shaylyn Gulickson, although our roster of instructors is subject to change. Your training staff will be dictated by franchise location and available trainers. Ms. Weeks has over fifteen years experience

of operating the company-owned Tutu Schools and is the founder of Tutu School. She has owned and operated Tutu School first as a sole proprietorship and then as a limited liability company since February 2008. For over fifteen years (1998 - 2013), Ms. Weeks was also a freelance ballet dancer. Taylor Chwae Weldon has a degree in dance, taught as a Teaching Artist for dance programs for two years, and has worked with us since 2017. Shaylyn Gulickson is Tutu School's Curriculum Coordinator and has an academic background in clinical psychology. She has created and refined many of Tutu School's training tools.

In addition to our initial training, outlined above, we reserve the right to require you and your instructors to take an annual refresher course.

## **ITEM 12 TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

When the franchise agreement is signed, you will receive a Preliminary Designated Area which is the general area where you intend to secure a site for the School. We will not grant anyone else the right to develop or operate a School in the Preliminary Designated Area for 180 days from the Effective Date of the Franchise Agreement. Once you identify a site for your School and we have approved that as your Authorized Location, we will designate the final Designated Area and the Designated Area will be substantially same as the Preliminary Designated Area in terms of size, shape and/or demographics. If the Authorized Location is not within the Designated Area, the Designated Area will be defined by us based on our current criteria for size, demographics and topographical features. Once defined, your Designated Area will remain constant throughout the initial term of the Franchise Agreement (unless you relocate the School and upon renewal or transfer).

A minimum Preliminary Designated Area and Designated Area will consist of one city block and, in suburban and rural areas, may include several miles from the anticipated location representing as much as a 15 minute drive time. The actual size and boundaries of your Designated Area will depend on a variety of factors, including the population base; density of population; growth trends of population; the density of residential and business entities; and major topographical features which clearly define contiguous areas, like rivers, mountains, major freeways, and underdeveloped land areas.

We will not grant permission for any other School to be established within your designated area. You must have our approval before selecting a site for your franchise, and you must obtain our permission to relocate. Any request to relocate must be in writing, must specify the requested area for relocation with as much specificity as possible, and must state the reason for the request to relocate. We have discretion over whether or not to grant you permission to relocate, and we will respond within 14 days to any request to relocate, although our response may include a request for additional information.

If we approve you to sign an Area Development Agreement and you do so, we will work with you to determine the total number of Schools you will open and the corresponding territory, based on the factors we consider for each individual Tutu School location. We will assign the unit-specific designated area for each of the units you commit to develop at the time you sign a franchise agreement for that unit.

Customers who reside in your designated area may do business with a School located in another area. Other Schools may sell to purchasers in your designated area. You are permitted to use pre-approved social media channels to promote your School. The Franchise Agreement provides that franchisees must focus their marketing efforts primarily within their own designated areas and must abide by our written policies for advertising and marketing outside of the designated area. We determine what action to take, if any, in response to franchisee violations of these prohibitions and policies. We will not approve direct marketing, telemarketing, catalog sales or other mechanisms for targeting areas outside of your designated area. There are no provisions in the Franchise Agreement for compensating you in case we, or an affiliate, or any of their franchisees or licensees, sell any goods or services to customers in your designated area.

We or other related businesses, including Tutu School, LLC and Andrew Weeks Photography as described below have the right to sell Tutu School related products or services, including our new line of retail merchandise, within your Designated Area through alternate channels of trade, including but not limited to sales by us in clothing or department stores, gift stores, over the internet, or through catalogs.

We also reserve to ourselves and any affiliates all marketing and development rights that are not expressly contrary to the designated area rights granted to you, including the rights, at any location: (i) to own and operate or franchise any Schools or other Competitive Businesses at any locations outside of the designated area regardless of proximity to the Designated Area; (ii) to own and operate businesses that are not Competitive Businesses within and outside the designated area; (iii) to participate in trade shows, franchise trade shows, and other marketing events to promote or increase awareness of the Tutu School system; (iv) to offer to sell, sell and distribute, any products or services associated with the Tutu School system (now or in the future) or identified by the Marks, or any other trademarks, services marks or trade names, through any distribution channels or methods (including without limitation retail stores, wholesale and the internet); and (v) to merge with, acquire, be acquired, or become associated with any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from the Schools, and which may be located anywhere inside or outside the Designated Area. A "Competitive Business" is one that offers or sells any products/services the same as or similar to the Approved Products/Services at retail or wholesale.

You do not receive the right to establish additional franchises within your designated area unless you sign a new franchise agreement. You do not have a right of first refusal, right of first offer, or any similar right or interest in any other territories other than the single School which we grant you permission to develop, unless you sign an Area Development Agreement. If you sign an Area Development Agreement, you have an obligation to develop the specified number of Schools within the specified territory described in that agreement, but you do not have a right of first refusal, right of first offer, or any similar right or interest in any other territories or any right to

develop more locations than are described in the agreement. Neither we nor our affiliates currently plan to operate a business under a different trademark that will similar goods or services to those offered by Schools.

### **ITEM 13** **TRADEMARKS**

We grant you the right to operate a franchise under the name "Tutu School" using our trademark. You may also use our other current or future trademarks to operate your franchise, provided that we include them in our operations manual as marks approved for your use.

The trademarks TUTU SCHOOL and our Tutu Logo are registered on the Principal Register of the United States Patent and Trademark Office ("PTO"). These are the principal marks used by Schools. All required affidavits and renewals have or will be filed for these marks.

<b>Trademark</b>	<b>Registration/Application Date</b>	<b>Registration Number / Serial Number</b>
TUTU SCHOOL	June 19, 2012 (Registered)	4,160,212
	July 3, 2018 (Registered)	5,508,179

At this time, there are no pending infringement, opposition or cancellation proceedings or material litigation involving any of the principal marks which are relevant to their use in any state.

There are no currently effective determinations of the United States Patent and Trademark Office, the trademark administrator or any court, pending interference, opposition or cancellation proceeding, or material litigation involving the above registered Marks.

There is no currently effective agreement that significantly limits our rights to use or license the Marks.

You must notify us if you become aware of any unauthorized use of the Marks or an imitation of the Marks, or if litigation involving the Marks is instituted or threatened against you, and to cooperate fully with the Franchisor in this regard. We have the right to control any litigation concerning the Marks.

We intend to take all steps reasonably necessary to preserve and protect the ownership and validity of the trademarks. We will defend and indemnify you in the event of a claim against you for your use of our trademarks, provided that you complied with our guidelines about trademark use. We have the right to control any litigation concerning the trademarks.

We may at any time, in our sole discretion, modify, substitute or discontinue use of any Mark, and in that case you must comply with these changes at your expense within a reasonable period of time.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks.

We permit you to use our Marks in social media for promoting your franchise and our brand. However, your use of our Marks must be positive and enhance the goodwill of our system and the Marks and must comply with all applicable laws and relevant terms of use. We may require you to delete disparaging, negative, or unlawful content connected to our Marks.

In the event of any trademark or unfair competition lawsuits brought against you arising from use of the licensed marks, provided that your use of the marks is consistent with our guidelines and restrictions, we may, but are not required to, defend and indemnify you. Alternatively, we may direct you to change your use of the mark in question to one or more marks of our choosing.

We may from time to time modify the trademarks, develop new trademarks, or discontinue certain trademarks. You at your own expense must comply with any changes in the trademarks which we implement.

You must not directly or indirectly contest our right to our trademarks, trade secrets, or business techniques that are part of our business. You are not permitted to use our trademarks in social media or on the internet, including registering a domain name including our trademarks, without our prior permission.

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

You do not receive the right to use any item covered by a patent, but you can use the proprietary information in the Operations Manual and program guide, together with our training materials which include videos and advertising materials. Our Operations Manual is not registered with the Copyright Office. As of the date of this Franchise Disclosure Document, our training videos are not yet registered with the Copyright Office. We do not own the copyrights for the music you will use to teach your classes, however we have secured ASCAP, BMI and SESAC licenses that allow you to play music identified by us during your classes as part of the curriculum. We renew these licenses annually. Not all music is covered by these licenses. In addition to notifying us and obtaining our approval to teach classes using different music, you may be required to obtain an additional license, at your cost, to play specific music during your classes or recitals if it is outside of the list of music we provide to you.

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

You are required to participate personally in the direct operation of the franchise by personally managing staff, hiring and operational decisions. You are responsible for ensuring that qualified and trained instructors are present at all times and leading all classes. If the franchisee is a company

or business entity, at least one of its shareholders or members must attend and pass training and serve as the manager of the Franchised School.

Our franchise agreement contains a non-competition clause, which restricts your right to own or operate a competing franchise during the term of the franchise agreement and for up to three years after the end of the franchise agreement. If the franchisee is anything other than a natural person, all individuals with an equity interest in the franchise must agree to this noncompetition term. They must also each execute a personal guaranty (Exhibit D to the Franchise Agreement), providing for joint and several liability for each and every obligation created under the Franchise Agreement.

In addition, if you are married, your spouse will be required to sign the Spousal Consent and Waiver (Exhibit J), providing that he or she understands and agrees to waive any community property rights in the franchise.

## **ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

We have strict limitations on the services you may offer. A School is designed to be a movement and ballet school for toddlers and young children, and we do not have a curriculum for children over the age of 8, or those ready for more advanced ballet studies. We require that you offer a minimum of 16 classes per week, and that those classes include programs for children at each of the different levels of instruction that we offer, unless you obtain our approval to eliminate required classes. We also prohibit you from offering classes that are outside our curriculum, unless we have given you prior approval.

We have the right to introduce new classes and programs from time to time and to require you to offer the new classes in your School. We also have the right to change a class curriculum or remove a class entirely if we determine, in our discretion, that the curriculum is unsafe or harmful to the Tutu School brand.

Schools also sell a limited amount of approved retail products, unless approved to operate without a retail component. You may only offer approved retail items purchased from approved retail vendors. We also launched a proprietary retail line in 2023 and Schools have the option to carry these retail lines. We reserve the right in the future to require you to include these items in your retail offering.

We require that you offer only approved products and services and that, with the exception of the recital, you provide services only from your School. If you want to offer offsite services, such as an offsite Tutu School party or series of classes, you must obtain our prior written approval. In considering your request, we will evaluate all of the following:

1. Whether you can provide offsite services under the Tutu School brand to our standards for operation outside of your School location;
2. Whether you can operate your regular classes at your School to our standards for operation while engaging in the offsite services; and

3. Whether the offsite services infringe on another franchisee's protected territory, or otherwise negatively impact our brand or the rights of another franchisee.

**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 Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
a.	Term of Franchise	12.1	2.1	<p><u>FA</u>: The initial term of the franchise is 10 years from the date of signing.</p> <p><u>ADA</u>: The term depends on the number of locations to be developed under the ADA as specifically set forth in the Development Schedule.</p>
b.	Renewal or extension of term	12.2	Not applicable	<p><u>FA</u>: Renewal for unlimited additional 10 year terms.</p> <p><u>ADA</u>: No right to renewal</p>
c.	Requirements for you to renew or extend	12.2	Not applicable	<p><u>FA</u>: You must: (i) give written notice of election to renew 6-12 months before term expires; (ii) not be in default of any material provision of the Franchise Agreement or any amendments; (iii) pay a renewal fee of 25% of the then-current initial franchise fee (iv) sign a general release which releases us from all claims that are known or reasonably have been known (the release will not include claims by third parties that are subject to indemnification); (v) furnish us with a copy of lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; and (vi) make any improvements and alterations to the franchise which we reasonably require to meet current specifications; (vii) execute our then-current form of franchise agreement which may contain materially different terms (including different fees and</p>

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<p>designated area); and (viii) certify to us that you continue to meet our franchisee qualification criteria.</p> <p><u>ADA:</u> No rights to renewal</p>
d.	Termination by you	12.6	Not applicable	<p><u>FA:</u> For our breach of the Agreement and failure to cure such breach within 60 days.</p> <p><u>ADA:</u> If we fail to perform our duties under the Agreement and do not cure that failure.</p>
e.	Termination by Franchisor without cause	Not applicable	Not applicable	Upon dissolution of the Franchisor.
f.	Termination by Franchisor with cause	12.3 - 12.5	2.2	<p><u>FA:</u> We can terminate if you default or if events described in sections (g) or (h) occur.</p> <p><u>ADA:</u> We can terminate if you default</p>
g.	“Cause” defined – curable defaults	12.4	Not applicable	<p><u>FA:</u> You will receive 30 days' notice to cure any breach of the Franchise Agreement other than those described in section (h), below.</p> <p><u>ADA:</u> Not applicable</p>
h.	“Cause” defined – non-curable defaults	12.3, 12.5	Not applicable	<p><u>FA:</u> Non-curable defaults include failure to open the School, failure to complete training, abandon the School, lose your lease, hire any employee who has not cleared a background check, allow any person known to have a history of violence or harm toward children visit the School, cover up any misconduct toward any child, bankruptcy, assets seized, conviction of felony or any misconduct related to the operation of the School or engages in any conduct that reflects poorly on the School or the Network, unapproved transfer, material misrepresentation, failure to comply with laws, fail to pay amounts due within 10 days after receiving notice, violate the non-compete covenants or multiple customer complaints within a 6 month period.</p>

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
i.	Your obligations on termination or nonrenewal	13	2.3	<p><u>FA</u>: Obligations include complete de-identification, including ceasing to use telephone numbers used while operating as a Tutu School, return of the operations manual, and payment of amounts due. We have the right to enter your franchise and to complete the de-identification obligations ourselves.</p> <p><u>ADA</u>: Area developer will have no further right to construction, equip, open, or operate additional schools</p>
j.	Assignment of contract by Franchisor	11.1	3.1	<p><u>FA</u>: We may transfer the Franchise Agreement to any other party.</p> <p><u>ADA</u>: We may transfer the Area Development Agreement to any other party</p>
k.	“Transfer” by you - definition	11.2-11.5	3.2	<p><u>FA</u>: You may transfer by selling your franchise to an approved person or entity, and must pay required Transfer Fees and all amounts owed under your Franchise Agreement up to the date of transfer.</p> <p><u>ADA</u>: You may transfer the Area Development Agreement with the prior written consent of the Tutu School and provided you transfer all your rights in the Area Development Agreement and all Franchise Agreements for Schools in the Development Area</p>
l.	Franchisor’s approval of transfer by franchisee	11.5	3.2	<p><u>FA</u>: We have the right to approve your transfer of the franchise, or to exercise our right of first refusal.</p> <p><u>ADA</u>: We have the right to approve your transfer of the Area Development Agreement, or to exercise our right of first refusal</p>
m.	Conditions for Franchisor approval of transfer	11.3-11.5, 11.6 - 11.7	3.2	<u>FA</u> : Our prior written approval is required for any transfer. If we decline our right of first refusal you must comply with conditions for transfer including paying a transfer fee. In addition, we must approve the person to

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<p>whom you are transferring and they must successfully pass training. Any transferee must meet the same criteria required of any franchisee, including passing our required background check.</p> <p><u>ADA:</u> Our prior written approval is required for any transfer and we have the right to impose additional conditions on the transfer.</p>
n.	Franchisor's right of first refusal to acquire your business	11.6	Not applicable	<p><u>FA:</u> We have an option to purchase your business on the same terms and conditions of any offer accepted by you, except if the transfer is to a member of the immediate family, an estate trust, or to an existing equity holder of the franchisee if certain conditions are met.</p> <p><u>ADA:</u> Not applicable</p>
o.	Franchisor's option to purchase your business	11.6	Not applicable	<p><u>FA:</u> On expiration or termination of the franchise, we have a 30-day time period in which to purchase your equipment, furnishings, fixtures, signs, inventory, leasehold or building and real estate, and improvement and other real or personal property or any portion thereof for a sum equal to fair market value of such property. We will not pay for intangible assets including, but not limited to, good will.</p> <p><u>ADA:</u> Not applicable</p>
p.	Your death or disability	11.4	Not applicable	<p><u>FA:</u> For up to 180 days after your death, your surviving spouse, heirs, or representatives may participate in the ownership and operation of the franchise according to the terms of the franchise agreement. After 180 days, they must either pass our initial training program and satisfy all of our then-current qualifications and requirements of new franchisees, or sell the franchise to an entity or individual approved by us.</p>

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<u>ADA</u> : The Area Development Agreement shall not be transferred upon your death or disability without the prior written consent of Tutu School
q.	Non-competition covenants during term of franchise	10.4	Not applicable	<u>FA</u> : You may not teach in any other children's dance school or offer children's dancewear for sale during term of the Franchise Agreement without our prior written consent (subject to state law). <u>ADA</u> : The non-compete covenants of your franchise agreement apply
r.	Noncompetition covenants after franchise is terminated or expires	10.4	Not applicable	<u>FA</u> : You may not operate a dance school within your territory or within 15 miles of another Tutu School for a period of two years. <u>ADA</u> : Not applicable
s.	Modification of Agreement	15.10	5.8	<u>FA</u> : No modification is permitted except in writing. <u>ADA</u> : No modification is permitted except in writing.
t.	Integration, merger clauses	15.10	5.8	<u>FA</u> : Subject to state law, only the terms of Franchise Agreement are binding. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. <u>ADA</u> : The terms of the Area Development Agreement are binding and supersede all prior or conflicting agreements
u.	Dispute resolution by arbitration or mediation	15.8	4.1	<u>FA</u> : Non-binding mediation initially required. If the dispute is not resolved with non-binding mediation, or if a party refuses to mediate, then the parties may proceed to arbitration. Immediate injunctive relief is available where either party may be irreparably harmed. State law may give you additional rights.

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<u>ADA</u> : Not applicable
v.	Choice of forum	15.8	4.4	<u>FA</u> : The courts with jurisdiction over our then-current corporate headquarters (currently, Chicago, IL) <u>ADA</u> : The courts with jurisdiction over our then-current corporate headquarters (currently, Chicago, IL)
w.	Choice of law	15.8	5.5	<u>FA</u> : The laws of the state of Illinois will govern any dispute (subject to state law) <u>ADA</u> : The laws of the state of Illinois will govern any dispute (subject to state law)

## **ITEM 18 PUBLIC FIGURES**

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

## **ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We disclose information about our gross revenue for 2023. Gross revenue includes revenue for both services and merchandise. Not all Tutu Schools have elected to sell merchandise.

The first table below shows franchisee gross revenue across all units that were open an entire year in 2023. The second shows the ten highest revenues and the ten lowest revenues among franchisee-owned units. We omitted from both tables one School that was in the process of relocating in 2023 and were not open for the entire year.

2023 Gross Revenue of Franchisee-Owned Tutu Schools – 54 Units Total

Average Revenue	# Units Meeting or Exceeding Average	Median Revenue	High Revenue	Low Revenue
\$264,993	25 (46%)	\$253,684	\$650,813	\$59,648

2023 Highest & Lowest Franchisee Revenue

Ten Highest Revenues	
#1	\$650,813
#2	\$627,300
#3	\$537,613
#4	\$531,116
#5	\$476,069
#6	\$468,583
#7	\$442,439
#8	\$401,248
#9	\$400,741
#10	\$388,000
Ten Lowest Revenues	
#10	\$113,096
#9	\$109,960
#8	\$109,754
#7	\$106,011
#6	\$103,324
#5	\$91,733
#4	\$78,722
#3	\$67,222
#2	\$62,038
#1	\$59,648

We also operated three corporate-owned Tutu Schools for the entire calendar year ending December 31, 2024. The table below shows the revenue in those units.

2022 Gross Revenue of Corporate-Owned Tutu Schools – 3 Units Total

Average Revenue	# Units Meeting or Exceeding Average	Median Revenue	High Revenue	Low Revenue
\$328,493	2 (66%)	\$366,144	\$379,962	\$239,372

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

Written substantiation of these amounts is available upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Genevieve C. Weeks, at 3717 North Ravenswood Avenue, #237, Chicago, IL 60613 and (415) 734-8840, and the Federal Trade Commission, and the appropriate state regulatory agencies.

## **ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet\*\* Summary  
For Fiscal years 2021 - 2023**

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net change
Franchised	2021	32	44	+12
	2022	44	54	+10
	2023	54	68	+14
Company owned*	2021	3	3	0
	2022	3	3	0
	2023	3	4	+1
Total Outlets	2021	35	47	+12
	2022	47	57	+10
	2023	57	72	+15

\* Outlets owned and operated by Tutu School LLC are counted as company-owned units for the purposes of this FDD.

\*\* These tables include the units within the United States.

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners**  
**For Fiscal years 2020 - 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
CA	2021	3
	2022	0
	2023	1
NC	2021	1
	2022	0
	2023	0
WA	2021	1
	2022	0
	2023	0
WI	2021	0
	2022	0
	2023	1
Totals	2021	5
	2022	0
	2023	2

**Table No. 3**  
**Status of Franchised Outlets**  
**For Fiscal years 2020 - 2022**

<b>State</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets Opened</b>	<b>Terminations</b>	<b>Non-Renewals</b>	<b>Reacquired by Franchisor</b>	<b>Ceased Operations-Other Reasons</b>	<b>Outlets at End of Year</b>
AL	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
AZ	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
CA	2021	22	3	0	0	0	0	25
	2022	25	5	0	0	0	0	30
	2023	30	3	0	0	0	0	33
CO	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	3	0	0	0	0	3
GA	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
IN	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NV	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NY	2021	1	1	0	0	0	0	2
	2022	2	2	0	0	0	0	4
	2023	4	3	0	0	0	0	7
NC	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	1	0	0	0	0	4
OH	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
OR	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TN	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
TX	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	1	0	0	0	0	3
UT	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
WA	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	2	0	0	0	0	5
WI	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Totals	2021	32	12	0	0	0	0	44
	2022	44	10	0	0	0	0	54
	2023	54	14	0	0	0	0	68

**Table No. 4**  
**Status of Company Owned\* Outlets**  
**For Fiscal years 2020 - 2022**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
IL	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	1	0	0	0	2
Totals	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	1	0	0	0	4

\* Outlets owned and operated by Tutu School LLC are counted as company-owned units for the purposes of this FDD.

**Table No. 5**  
**Projected Openings<sup>(2)</sup>**  
**As of December 31, 2023**

State	Franchise Agreements Signed but Outlet not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
AZ	1	1	0
CA	9	9	0
CO	2	2	0
FL	3	3	0
GA	1	1	0
ID	1	1	0
NY	2	2	0
NC	2	2	0
NV	0	1	0
OR	0	1	0
TX	1	4	0
WA	1	1	0
Totals	24	28	0

<sup>(2)</sup> These tables do not include our international sales or openings. One unit opened in Vancouver, Canada in 2022. We have two additional units projected to open in Vancouver, Canada, and one unit projected to open in Salisbury, United Kingdom in 2023.

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

In the last three fiscal years, no franchisees have signed confidentiality clauses that would restrict their ability to speak openly about their experience with the franchise system.

### **Franchisee Groups**

There are no franchisee groups or associations at present.

### **ITEM 21 FINANCIAL STATEMENTS**

The audited financial statement of Tutu School Franchises, LLC for the period ended December 31, 2023, December 31, 2022, and December 31, 2021 are attached as Exhibit A.

The fiscal year end of Tutu Schools Franchises, LLC is December 31.

### **ITEM 22 CONTRACTS**

The following agreements are attached as exhibits to this Franchise Disclosure Document:

Exhibit B	Franchise Agreement
Exhibit B-1	Franchise Application
Exhibit C	Area Development Agreement
Exhibit I	Sample Renewal Addendum
Exhibit J	Sample General Release
Exhibit K	Electronic Debit Authorization

### **ITEM 23 RECEIPTS**

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit M. Please sign and date one copy and return it to us. Retain the other copy for your records.

**EXHIBIT A TO THE  
TUTU SCHOOL FRANCHISES LLC  
DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**TUTU SCHOOL FRANCHISES, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**TUTU SCHOOL FRANCHISES, LLC**  
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# MUHAMMAD ZUBAIRY, CPA PC

Certified Public Accountant

646.327.7013

## INDEPENDENT AUDITOR'S REPORT

To the Members  
Tutu School Franchises, LLC

### Opinion

We have audited the financial statements of Tutu School Franchises, LLC, which comprises the balance sheet as of December 31, 2023, & 2022, and the related statement of operations, and changes in members' (deficit), and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Tutu School Franchises, LLC as of December 31, 2023, & 2022, and the results of its operations and its cash flows for the for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tutu School Franchises, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tutu School Franchises, LLC's ability to continue as a going concern within one year after the date that the financial statements available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

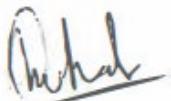
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tutu School Franchises, LLC's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tutu School Franchises, LLC's ability to continue as a going concern for a reasonable period of time.

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



Muhammad Zubairy, CPA PC  
Westbury, NY  
March 12, 2024

**TUTU SCHOOL FRANCHISES, LLC**  
**BALANCE SHEETS**

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	<u>ASSETS</u>		YEARS ENDED DECEMBER 31	
			2023	2022
	Description	Amount	Amount	Amount
<b>Current assets</b>				
Cash	\$ 93,383	\$ 105,659		
Accounts receivable	69,561	61,339		
Line of Credit to Franchisees	58,999	-		
Inventory	50,902	-		
<b>Total Current Assets</b>	<b>272,845</b>		<b>166,998</b>	
 Fixed assets, net	31,454	4,468		
Security deposits	26,645	15,530		
 <b>Total Assets</b>	<b>\$ 330,944</b>		<b>\$ 186,996</b>	
 <u>LIABILITIES AND MEMBERS' (DEFICIT)</u>				
 <b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 55,926	\$ 25,801		
Customer deposits	861,799	468,200		
Ad Fund liability	21,434	-		
SBA Loan payable	8,772	2,940		
Contract liability	187,115	147,296		
<b>Total Current Liabilities</b>	<b>1,135,046</b>		<b>644,237</b>	
 Contract Liability, net of current	1,084,306	847,276		
SBA Loan payable, net of current	152,894	155,027		
 <b>Members' (Deficit)</b>	<b>(2,041,302)</b>		<b>(1,459,544)</b>	
 <b>Total Liabilities and Members' (Deficit)</b>	<b>\$ 330,944</b>		<b>\$ 186,996</b>	

See Notes to financial statements

**TUTU SCHOOL FRANCHISES, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' (DEFICIT)**

	<b>YEARS ENDED DECEMBER 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Royalties	\$ 743,046	\$ 576,190
Franchise fees	313,873	221,277
Brand development fees	132,375	120,303
Other revenue	<u>74,550</u>	-
	<u>1,263,844</u>	<u>917,770</u>
<b>Operating, Selling and Administrative Expenses</b>	<u>1,845,602</u>	<u>1,286,162</u>
<b>Net (Loss)</b>	<b>(581,758)</b>	<b>(368,392)</b>
<b>Members' (Deficit) - Beginning</b>	<b>(1,459,544)</b>	<b>(1,087,187)</b>
<b>Members' (Distributions)</b>	<b>_____</b>	<b>(3,965)</b>
<b>Members' (Deficit) - Ending</b>	<b><u>(2,041,302)</u></b>	<b><u>(1,459,544)</u></b>

**TUTU SCHOOL FRANCHISES, LLC**  
**STATEMENTS OF CASH FLOWS**

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	<b>YEARS ENDED DECEMBER 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flow from Operating Activities</b>		
Net (Loss)	\$ (581,758)	\$ (368,392)
Depreciation and amortization	2,390	1,411
<b>Adjustments to reconcile net (loss) to net cash provided by operating activities:</b>		
Changes in assets and liabilities:		
Accounts receivable	(8,222)	(22,665)
Inventory	(50,902)	-
Security deposits	(11,115)	(14,200)
Accounts payable and accrued expenses	30,125	1,795
Customer deposits	393,599	116,500
Brand development fund	21,434	-
Contract liability	<u>276,849</u>	<u>144,623</u>
	<u>72,400</u>	<u>(140,928)</u>
<b>Cash Flow from Financing Activities</b>		
Line of Credit to Franchisees, net	(58,999)	-
Decrease in loan payable SBA	<u>3,699</u>	<u>5,625</u>
	<u>(55,300)</u>	<u>5,625</u>
<b>Cash Flow from Investing Activities</b>		
Investment in fixed assets	(29,376)	-
Members' (Distributions)	<u>-</u>	<u>(4,165)</u>
	<u>(29,376)</u>	<u>(4,165)</u>
<b>Net Increase (Decrease) In Cash</b>	<b>(12,276)</b>	<b>(139,468)</b>
<b>Cash - Beginning of Year</b>	<b><u>105,659</u></b>	<b><u>245,127</u></b>
<b>Cash - End of Year</b>	<b><u>\$ 93,383</u></b>	<b><u>\$ 105,659</u></b>

See Notes to financial statements

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

---

**1. THE COMPANY**

Tutu School Franchises, LLC (the Company) was organized in August 2011 as a limited liability company in California. In 2018 the Company moved to Illinois. The Company was set up to create and develop dance schools' franchises. Schools provide ballet-based creative movement instruction for children aged 18 months to 3 years old, as well as day camp programs. The Company owns the overall rights and trademarks of the franchise and allows its franchisees to use these rights to do business.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

***Franchise Arrangements***-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Tutu School Franchises for a specified number of years.

***Concentration of Credit Risk***-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2023, did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

***Use of Estimates***-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

***Taxes on Income***-The Company files as an S corporation for federal and state income tax purposes, and income and expenses of the Company pass through directly to the shareholders and are reported on their individual income tax returns.

**3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

**4. LINE OF CREDIT TO FRANCHISE**

The Company has an open line of credit available for its franchise, at an interest rate of 5.00%, the balance was \$58,999 as of December 31, 2023 and earned interest of \$656 for the year then ended.

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**5. CONTRACT LIABILITY**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2022, and 2023 were \$994,572 and \$1,271,421, respectively.

**6. CUSTOMER DEPOSITS**

Area Development Deal deposit fees are paid to hold a territory. At the time of signing a Franchise Agreement, Area Development Deal deposits are applied to the franchise fee, and the franchisor’s obligations and responsibilities begin. Area Development Deal deposit fees are non-refundable. Until a Franchise Agreement is signed, or a territory reservation is officially released, Area Development Deal deposit fees are not recognized as revenue. At the time of signing a Franchise Agreement, the fees are included in the franchise fee for a Tutu School location and follow the revenue recognition guidelines outlined above. Customer deposits at December 31, 2022, and 2023 were \$468,200 and \$861,799, respectively.

**7. BRAND DEVELOPMENT FEES AND AD FUND LIABILITIES**

The Company’s franchise agreement allows for collection of brand development fees, whose proceeds are restricted to brand name and franchise advertising. Any unused funds are carried forward to subsequent periods. Brand development fees collected (on a cash basis) for the year ending December 31, 2022, and 2023 were \$120,303 and \$153,809, respectively. Advertising expenditures (on a cash basis) for the year ending December 31, 2022, and 2023, were \$133,533 and \$119,236, respectively. There are unused funds of \$21,434 as of December 31, 2023 and is presented on the balance sheet as Ad fund liability.

**8. LOAN PAYABLE SBA**

During June 2020 the company obtained a note payable of \$150,000 from the US Small Business Administration. (SBA) This note is collateralized by assets of the Company, bearing interest at 3.75% with a term of 30 years. Monthly payments of \$731 are scheduled begin in February 2023. Interest on this loan accrued though December 31, 2022, and 2023, were \$5,625 and \$6,114. The loan payable balance as of December 31, 2022, and 2023, was \$157,967 and \$161,666 respectively.

Future principal obligations for both loans are as follows:

Due in 2024	\$	8,772
Due in 2025	\$	8,772
Due in 2026	\$	8,772
Due in 2027	\$	6,419
Due in 2028	\$	3,240
Due after		
2028	\$	125,691
	\$	<u>161,666</u>

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**9. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through March 12, 2024, the time at which the financial statements were available to be issued.

**TUTU SCHOOL FRANCHISES, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**TUTU SCHOOL FRANCHISES, LLC**  
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**AKIVA MANNE**  
**CERTIFIED PUBLIC ACCOUNTANT**  
905 HARRISON ST ALLENTOWN, PA 18103

**INDEPENDENT AUDITOR'S REPORT**

**To the Members**  
**Tutu School Franchises, LLC**

**Opinion**

We have audited the financial statements of Tutu School Franchises, LLC, which comprises the balance sheet as of December 31, 2021, and the related statement of operations, and changes in members' (deficit), and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Tutu School Franchises, LLC as of December 31, 2021, and the results of its operations and its cash flows for the for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tutu School Franchises, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of a Matter**

As discussed in note 8 to the financial statements, the December 31, 2020, opening stockholder's deficit and 2020 financial statements have been restated to correct certain misstatements discovered subsequent to the issuance of the Company's financial statements for the year ended December 31, 2020. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tutu School Franchises, LLC's ability to continue as a going concern within one year after the date that the financial statements available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Tutu School Franchises, LLC's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tutu School Franchises, LLC's ability to continue as a going concern for a reasonable period of time.

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



Akiva Manne CPA  
Allentown PA  
April 27, 2022

**TUTU SCHOOL FRANCHISES, LLC**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31, 2021**

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<b><u>ASSETS</u></b>		
<b>Current assets</b>		
<b>Cash</b>	\$ 245,127	
<b>Accounts receivable</b>	<u>38,674</u>	
<b>Total Current Assets</b>	<u>283,801</u>	
 <b>Fixed assets, net</b>	 5,879	
<b>Security deposits</b>	<u>1,130</u>	
 <b>Total Assets</b>	 <u>\$ 290,810</u>	
 <b><u>LIABILITIES AND MEMBERS' (DEFICIT)</u></b>		
<b>Current Liabilities</b>		
<b>Accounts payable and accrued expenses</b>	\$ 18,381	
<b>Customer deposits</b>	<u>351,700</u>	
<b>Deferred franchise fees</b>	<u>119,506</u>	
<b>Total Current Liabilities</b>	<u>489,587</u>	
 <b>Deferred franchise fees, net of current</b>	 730,443	
<b>SBA Loan payable</b>	<u>157,967</u>	
 <b>Members' (Deficit)</b>	 <u>(1,087,187)</u>	
 <b>Total Liabilities and Members' (Deficit)</b>	 <u>\$ 290,810</u>	

See Notes to financial statements

**TUTU SCHOOL FRANCHISES, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' (DEFICIT)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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<b>Revenues</b>	
Royalties	\$ 317,528
Franchise fees	234,465
Brand development fees	61,027
Other revenue	<u>12,000</u>
	<u>625,020</u>
 <b>Operating Expenses</b>	
	<u>813,215</u>
 <b>(Loss) from Operations</b>	
	<b>(188,195)</b>
 Grant revenue - PPP	<u>26,248</u>
 <b>Net (Loss)</b>	<b>(161,947)</b>
 <b>Members' (Deficit) - Beginning</b>	<b>(910,892)</b>
 <b>Members' Distributions</b>	<u><b>(14,348)</b></u>
 <b>Members' (Deficit) - Ending</b>	<u><b>(1,087,187)</b></u>

**TUTU SCHOOL FRANCHISES, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

---

**Cash Flow from Operating Activities**

Net (Loss)	\$ (161,947)
Depreciation and amortization	1,176
<b>Adjustments to reconcile net (loss) to net cash provided by operating activities:</b>	
<b>Changes in assets and liabilities:</b>	
Accounts receivable	(25,082)
Security deposits	(1,130)
Accounts payable and accrued expenses	5,942
Customer deposits	(5,200)
Deferred franchise fees	<u>329,735</u>
	<u>143,494</u>

**Cash Flow from Financing Activities**

Reduction of PPP loan	(5,415)
Increase in loan payable SBA	<u>7,967</u>
	<u>2,552</u>

**Cash Flow from Investing Activities**

Investment in fixed assets	(7,055)
Members' (Distributions)	<u>(14,348)</u>
	<u>(21,403)</u>

Net Increase In Cash 124,643

Cash - Beginning of Year 120,484

Cash - End of Year \$ 245,127

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

---

**1. THE COMPANY**

Tutu School Franchises, LLC (the Company) was organized in August 2011 as a limited liability company in California. In 2018 the Company moved to Illinois. The Company was set up to create and develop dance schools' franchises. Schools provide ballet-based creative movement instruction for children aged 18 months to 3 years old, as well as day camp programs. The Company owns the overall rights and trademarks of the franchise and allows its franchisees to use these rights to do business.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

**Franchise Arrangements**-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Tutu School Franchises for a specified number of years.

**Concentration of Credit Risk**-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2021, did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Taxes on Income**-The Company files as an S corporation for federal and state income tax purposes, and income and expenses of the Company pass through directly to the shareholders and are reported on their individual income tax returns.

**3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**4. DEFERRED FRANCHISE FEES**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, were \$849,949.

**5. CUSTOMER DEPOSITS**

Area Development Deal deposit fees are paid to hold a territory. At the time of signing a Franchise Agreement, Area Development Deal deposits are applied to the franchise fee, and the franchisor’s obligations and responsibilities begin. Area Development Deal deposit fees are non-refundable. Until a Franchise Agreement is signed, or a territory reservation is officially released, Area Development Deal deposit fees are not recognized as revenue. At the time of signing a Franchise Agreement, the fees are included in the franchise fee for a Tutu School location and follow the revenue recognition guidelines outlined above. Customer deposits at December 31, 2021 were \$351,700.

**6. BRAND DEVELOPMENT FEES**

The Company’s franchise agreement allows for collection of brand development fees, whose proceeds are restricted to brand name and franchise advertising. Any unused funds are carried forward to subsequent periods. Brand development fees collected (on a cash basis) for the year ending December 31, 2021, were \$56,991. Advertising expenditures (on a cash basis) for the year ending December 31, 2021, were \$56,900.

**7. LOAN PAYABLE SBA**

During June 2020 the company obtained a note payable of \$150,000 from the US Small Business Administration. (SBA) This note is collateralized by assets of the Company, bearing interest at 3.75% with a term of 30 years. Monthly payments of \$731 are scheduled begin in February 2023. Interest on this loan accrued though December 31, 2021, was \$7,967. The loan payable balance as of December 31, 2021, was \$157,967.

Future principal obligations for both loans are as follows:

Due in 2022	\$ —
Due in 2023	2,940
Due in 2024	3,299
Due in 2025	3,440
Due in 2026	3,572
Due after 2026	<u>144,716</u>
Total Loan Payable SBA	<u>157,967</u>

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**8. PRIOR YEAR ADJUSTMENT**

A restatement to the December 31, 2020, financial statements was made to correct an error in computing revenue recognition, which caused an understatement of deferred franchise fees by \$173,274, resulting in an adjustment to increase the opening members' deficit by (\$173,274).

**9. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM**

During 2021 and 2020 the Company received unsecured loans in the amount of \$26,248 under the Paycheck Protection Program (the "PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"). Under the CARES Act loan forgiveness is available for the sum of documented payroll costs, covered rent payments and covered utilities during the measurement period beginning on the date of first disbursement of the PPP Loans. The Company determined it most appropriate to account for the PPP loan proceeds as an in-substance government grant because it has received forgiveness of the debt prior to the audit date. The Company has elected to recognize government grant income separately within other income to present a clear distinction in its financial statements between its operating income and the amount of net income resulting from the PPP loan forgiveness.

**10. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through April 27, 2022, the time at which the financial statements were available to be issued.

**TUTU SCHOOL FRANCHISES, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

---

**1. THE COMPANY**

Tutu School Franchises, LLC (the Company) was organized in August 2011 as a limited liability company in California. In 2018 the Company moved to Illinois. The Company was set up to create and develop dance schools' franchises. Schools provide ballet-based creative movement instruction for children aged 18 months to 3 years old, as well as day camp programs. The Company owns the overall rights and trademarks of the franchise and allows its franchisees to use these rights to do business.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**-The accompanying financial statements have been prepared on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to disbursement of cash.

**Franchise Arrangements**-The Company's franchise arrangements generally include a license which provides for payments of initial fees as well as continuing royalties to the Company based upon a percentage of sales. Under this arrangement, franchisees are granted the right to operate a Tutu School Franchises for a specified number of years.

**Concentration of Credit Risk**-Financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts as of December 31, 2021, did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

**Use of Estimates**-The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

**Taxes on Income**-The Company files as an S corporation for federal and state income tax purposes, and income and expenses of the Company pass through directly to the shareholders and are reported on their individual income tax returns.

**3. REVENUE RECOGNITION**

The Company records revenue in accordance Accounting Standards Board ("FASB") and Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The transaction price attributable to performance obligations are recognized as the performance obligations are satisfied. The portion of the franchise fee, if any, that is not attributable to a distinct performance obligation are amortized over the life of the related franchise agreements. The company adopted ASC-606 and ASU 2021-02 using the modified retrospective method starting with January 1, 2020.

**EXHIBIT B TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

**TUTU SCHOOL®**  
**FRANCHISE AGREEMENT SUMMARY PAGE**

Your Information:

Complete Business Name: \_\_\_\_\_

Owner(s):	%
Full Name	Percentage Interest
Full Name	%
Full Name	Percentage Interest
Full Name	%
Full Name	Percentage Interest

Operating Principal (must be an owner): \_\_\_\_\_

Address for Notices (not a P.O. Box): \_\_\_\_\_

Telephone No: \_\_\_\_\_

Mobile Phone: \_\_\_\_\_

Email Address: \_\_\_\_\_

Preliminary Designated Area: \_\_\_\_\_

Initial Franchise Fee: \$45,000

Royalty Fee:

Programming: 5% Gross Programming Revenue

Retail: 4% Gross Retail Revenue

National Marketing Fund: Up to 3% Gross Revenue (currently 1%)

\*See Section 8 for additional fee information.

**To be completed by us:**

Effective Date:

Authorized Location:

Expiration Date:

Franchise Number:

Franchise Name:

Opening Date:

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## TUTU SCHOOL FRANCHISE AGREEMENT

This Franchise Agreement (this “**Agreement**”) is made by and between Tutu School Franchises, LLC, an Illinois limited liability company with principal offices at 3717 North Ravenswood Avenue, #237, Chicago, IL 60613 (“**Franchisor**”, “**we**”, “**our**” or “**us**”), and the franchisee identified on the Summary Page (“**Franchisee**”, “**you**” or “**your**”) to be effective from the Effective Date to the Expiration Date identified on the Summary Page, subject to the terms and conditions set out in this Agreement.

### RECITALS

- A. We offer franchises for the establishment and operation of ballet, dance and movement schools for children under the Marks and System as defined below (“**School**”);
- B. You wish to acquire a franchise for the operation of a School or Schools that will use the Marks and the System subject to the terms and conditions of this Agreement; and
- C. We desire to grant you a franchise and license to use the System and the Marks for the establishment and operation of a School or Schools subject to the terms and conditions of this Agreement.

### AGREEMENT

For and in consideration of the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

#### 1. DEFINITIONS{ TC }

##### 1.1 **Defined Terms{tc "Defined Terms"}{ TC }**.

The following terms capitalized in this Agreement will have the meanings provided below:

“**Agreement**” means this Agreement, including the Summary Page and all exhibits.

“**Approved Services**” means the classes, camps, programs, and retail products and merchandise approved by us for offer and sale by the Franchised School, which may vary by market area and according to other circumstances and which can be changed by us from time to time.

“**Approved Suppliers**” means the vendors, photographers and other suppliers of Approved Services that are expressly approved by us, which may vary by market area and according to other circumstances and which can be changed by us from time to time.

“**Company School**” means any School owned or operated by us or any affiliate of us under the Marks and the System.

**“Competitive Business”** means any business that offers or sells any products/services the same as or similar to the Approved Services, including but not limited to any School or Program.

**“Confidential Information”** is certain information owned by us as defined in Section 10.1 below.

**“Controlling Interest”** means either a fifty-one percent (51%) or greater ownership interest in you or the Franchised School, or if there is no one ownership interest of at least fifty-one percent (51%) then it means the largest undivided ownership interest in you or the Franchised School, and refers separately to each of the highest percentage ownership interests where there is not one which is largest.

**“Designated Area”** means the geographic area or areas described in Exhibit B attached hereto in which you must locate and operate the Franchised School and focus marketing efforts for the Franchised School, and in which you will have the rights set forth in Section 2.2 below, subject to our reserved rights as set forth in Section 2.3.

**“Effective Date”** means the date on which we sign this Agreement.

**“Equipment”** means any office or business equipment (including a computer system), furniture, furnishings, office supplies, stationery, and business forms used in the Franchised School.

**“Franchised School”** means the business operated by you under this Agreement.

**“Gross Programming Revenue”** means any and all revenue earned by the Franchised School, including from classes, day camps, birthday parties, private events, or any other nature whatsoever, except Gross Retail Revenue, whether from the sale or provision of Approved Services or the use of the Marks or System or otherwise, during the term of this Agreement and any renewals hereof. Gross Programming Revenue includes any monies earned by the Franchised School and the cash equivalent of any other consideration received by the Franchised School including the full amount of all sales and charges made at the Franchised School other than those which generate Gross Retail Revenue, including but not limited to those for complimentary services/goods, and the fair market value of any complimentary or other non-cash property and services received by you in lieu of cash payments, or other income derived from the business conducted upon the Premises. The term “Gross Programming Revenue” excludes sales taxes collected from customers and remitted to the appropriate taxing authorities and for customer refunds but only in accordance with our policies or requirements and subject to any conditions for deducting customer refunds from Gross Programming Revenue as may be included in such policies or requirements.

**“Gross Retail Revenue”** means any and all revenue earned by the Franchised School from the sale or provision of retail goods separate from those included as part of a program, class, day camp, birthday party, private event or other service, including any monies earned by the Franchised School and the cash equivalent of any other consideration received by the Franchised School including the full amount of all sales and charges made at the Franchised School including but not limited to those for complimentary goods, and the fair market value of any complimentary or other non-cash property and services received by you in lieu of cash payments, the gross amount

received by you for merchandise (if any) sold pursuant to orders received in or from the Franchised School. The term “Gross Retail Revenues” excludes sales taxes collected from customers and remitted to the appropriate taxing authorities and for customer refunds but only in accordance with our policies or requirements and subject to any conditions for deducting customer refunds from Gross Retail Revenue as may be included in such policies or requirements. For avoidance of doubt, if a retail item is included as part of a program (such as cupcakes included as part of a birthday party or a camp including a tutu per student), the value of such retail item is not deductible from the cost of the program and 100% of the cost of the program constitutes Gross Programming Revenue, but the separate sale of any retail item constitutes Gross Retail Revenue. Any revenue generated in any way by you at, through, or in association with the Franchised School constitutes Gross Programming Revenue if it is not Gross Retail Revenue or excluded tax.

“**Gross Revenue**” means all Gross Programming Revenue and all Gross Retail Revenue.

“**Improvements**” include any enhancements, adaptations, derivative works, modifications, techniques, processes, forms, systems or methods, including but not limited to new programs, techniques, décor enhancements or other innovations based on or developed in whole or in part upon or from any part of the Tutu School System, trade secrets or any intellectual property owned by us or any of our affiliates.

“**Marks**” means the trademarks and service marks listed on Exhibit A and all other trademarks, service marks, logos, commercial symbols, trade dress and other marks now or hereafter licensed to or owned or used by us in connection with the System as may be modified by us from time to time.

“**National Marketing and Technology Fees**” means the fees payable to us under Section 9.1 of this Agreement for national marketing and technology provided by us.

“**Network**” means the aggregate of Tutu School Schools operating under the Marks and System, including those operating under franchise or license from us and all Company Schools.

“**Operating Principal**” means an equity owner who will manage the Franchised School and who is authorized to act for you and communicate with us in relation to the Franchised School.

“**Operations Manual**” means the manual or manuals provided by us to you in such paper or electronic format or formats as we determine in our sole discretion and containing mandatory and suggested information, standards, specifications, requirements, policies, guidelines and instructions about some or all of the following subjects, among others, as determined and modified by us from time to time: operations and procedures; use of the Marks; Approved Services and Approved Suppliers; Equipment; programs and techniques; appearance and maintenance of the Premises; sales goals and business plans; financial and operational reports; accounting and bookkeeping; customer service standards; business forms and formats; marketing, advertising and promotions and other matters relating to the establishment, operation and marketing of Tutu School Schools.

**“Premises”** means any location within the Designated Area approved by us from which the Franchised School will be operated.

**“Retail Program”** means the specific retail products and merchandise from specific vendors or of specific types that we have approved you to sell in in its Franchised School in accordance with Section 9.5 of this Agreement.

**“Royalties”** means the royalties payable by you to us in accordance with Section 8.2 of this Agreement.

**“School”** means a licensed Tutu School that operates under the System and the Marks.

**“System”** means the techniques, methods, procedures, systems, forms, programs, devices, concepts, formats and know-how owned and developed by us, as may be modified from time to time by us, for the operation of Schools operating under the Marks, including but not limited to the Tutu School Methods.

**“Tutu School Methods”** means the proprietary methods and techniques for operating Schools, including those used in marketing Approved Services and all our intellectual property rights relating to these methods and techniques.

## **2. GRANT OF FRANCHISE{ TC }**

### **2.1     Grant of License{tc "Grant, Scope of Grant and Distribution Rights"}{ TC }**

(a) We hereby grant you the right and license, and you undertake the obligation, subject to the terms and conditions of this Agreement (i) to operate the single Franchised School; (ii) to sell at retail authorized products and services at and from the Franchised School premises, (iii) to use the Marks in connection with operating and promoting the Franchised School; and (iv) the right to solicit memberships in the Designated Area. You may not solicit memberships online, in person or through advertising or other direct marketing method outside your Designated Area, except with our prior written approval and in strict accordance with our then-current policies and restrictions.

(b) The licensed granted by this Agreement does not include (i) any right to sell services and products identified by the Marks at any location other than the Authorized Location, or through any other channels or methods of distribution, including the internet (or any other existing or future form of electronic commerce), catalog sales, telemarketing or other direct marketing, (ii) any right to sell services and products identified by the Marks to any person or entity for resale or further distribution; or (iii) except for the designated area protection described in Section 2.3, any right to exclude, control or impose conditions on our development of future franchised, company or affiliate owned Schools at any time or at any location.

### **2.2     Authorized Location**

You must operate the Franchised School only at the location identified, or to be identified on the Summary Page (the “Authorized Location”). If the Authorized Location is not known at the time this Agreement is signed, you must acquire an acceptable site for the Franchised School

premises no later than 180 days from the Effective Date of this Agreement, at which time you authorize us to insert the Authorized Location on the Summary Page. You must identify a site for the Franchised School that meets our site selection criteria and that is located within the Preliminary Designated Area identified on the Summary Page (see Section 5). You may not use the Franchised School premises or Authorized Location for any purpose other than the operation of a School during the term of this Agreement.

### **2.3 Designated Area{tc " Rights in the Territory; Change in Territory"} { TC }**

(a) The Preliminary Designated Area identified on the Summary Page, if any, is the general location where you intend to secure a site for the Franchised School. If a Preliminary Designated Area is specified on the Summary Page, we will not grant anyone else the right to develop or operate a School in the Preliminary Designated Area for 180 days from the Effective Date of this Agreement. Once the Authorized Location has been identified, you hereby authorize us to define in Exhibit B a **“Designated Area”** around the Authorized Location; provided that such Designated Area will be substantially the same as the Preliminary Designated Area in terms of size, shape and/or demographics. If the Authorized Location is not within the Preliminary Designated Area, the Designated Area will be defined by us based on our current criteria for size, demographics and topographical features. Once defined in Exhibit B, your Designated Area will remain constant throughout the initial term of this Agreement (unless you relocate the Franchised School and upon renewal or transfer).

(b) During the term of this Agreement and provided you are in compliance with the terms of this Agreement and subject to Section 2.4 below, within the Designated Area we will not establish, place or locate or authorize anyone else to establish, place or locate a School physically within the Designated Area. You acknowledge and agree that we have the right to develop and operate and grant others the right to develop and operate Schools outside the Designated Area, regardless of their proximity to the Designated Area or any negative impact they may have on your Franchised School.

### **2.4 Reservation of Rights {tc "Reservation of Rights by FRANCHISOR"}{ TC }**

Other than as provided in Section 2.3 above, no other form of exclusivity in the Designated Area is granted and none will exist or may be implied from this Agreement or from any other conduct or course of dealing. Other than the conduct expressly prohibited under Section 2.2 above, we and our affiliates will have all rights to own, operate or franchise Schools or other Competitive Businesses and to market and sell products or services by any methods, through any channels of distribution, to any customers at or from any locations without compensation to you. Without limiting the foregoing, we may, or may grant others the rights, at any location: (i) to own and operate or franchise any Schools or other Competitive Businesses at any locations outside of the Designated Area regardless of proximity to the Designated Area; (ii) to own and operate businesses that are not Competitive Businesses within and outside the Designated Area; (iii) to participate in dance exhibitions and competitions, events targeted at children and parents, franchise trade shows, and other marketing events to promote or increase awareness of the Tutu School System and Network; (iv) to offer to sell, sell and distribute, any products or services associated with the Tutu School System and Network (now or in the future) or identified by the Marks, or any other trademarks, services marks or trade names, through any distribution channels or methods (including without limitation retail stores, wholesale and the internet). and (v) to merge with,

acquire, be acquired, or become associated with any businesses of any kind under other systems and/or other marks, which businesses may convert to or operate under the Marks or other trademarks and may offer or sell products and services that are the same as or similar to the products and services offered at or from the Schools, and which may be located anywhere inside or outside the Designated Area.

### **3. THE MARKS{ TC }**

#### **3.1    Grant and Use of the Marks{tc "Grant and Use of the Marks"}{ TC }.**

We hereby grant you a limited, nonexclusive, personal license to use the Marks in connection with the Franchised School during the term of this Agreement and subject to the terms and conditions of this Agreement and all of our quality control standards and requirements. You must use the Marks and no other names or marks to establish, identify, promote, advertise and market the Franchised School. You may not use or authorize, aid or abet anyone to use the Marks for any other purpose or in connection with any other business or activity. If you or any of your affiliates or owners is involved in or affiliated with any business other than the Franchised School, you must ensure that the Marks are not used, represented or understood as a name or mark for such other businesses or any products or services they provide. You must use the Marks in strict accordance with our standards and specifications as issued from time to time. You may not add to or modify the Marks in any manner or use the Marks in connection with any other marks unless expressly authorized by us in writing. The Marks must not be used in any other manner or for any other purpose except as we expressly permit in writing.

#### **3.2    Personal License{tc "Personal License"}{ TC }.**

The license granted to use the Marks hereunder is personal to you and may not be transferred except in accordance with a transfer made in accordance with Article 11 of this Agreement. You have no right to and will not sublicense the Marks or authorize anyone else to use the Marks.

#### **3.3    Ownership{tc "Ownership02"}{ TC }.**

(a) The Marks and all goodwill associated therewith are and will remain our exclusive property, whether or not specifically recognized or registered under applicable law. You do not have and will not obtain any right, title or interest in or to the Marks. You must not take any action that jeopardizes our rights in the Marks. You must not attempt to assert, establish or acquire, by registration or otherwise, any rights to the Marks or the goodwill associated therewith. You must not register or use the Marks as part of the legal name of any corporation, partnership, limited liability company or other entity. You must not register or otherwise establish (i) any Internet domain name that incorporates any of the Marks or any derivatives thereof; or (ii) use the Marks or any confusingly similar version of the marks as a username, login or personal ID as an email address or on any social media site; or (iii) otherwise use the Marks or any derivatives thereof in any meta-tags or otherwise use the Marks on the Internet except as we may permit in writing. During and after the term of this Agreement, you must not register or attempt to register, directly or indirectly, any trademark, service mark, trade name, copyright, company name or other proprietary or commercial right that is identical or confusingly similar to any of those owned by us.

(b) Upon expiration, termination or nonrenewal of this Agreement for any reason, the license to use the Marks will automatically terminate and you, at your own expense, must immediately cease all use of the Marks and must provide us with evidence that you have done so. After termination, you must not adopt or use any name or mark that is confusingly similar to any of the Marks.

(c) All goodwill associated with, or arising out of, your use of the Marks inures to our benefit.

### **3.4 Infringement{tc "Infringement"}{ TC }.**

If any person or entity improperly uses or infringes the Marks or challenges your use of our use or ownership of the Marks, we will control all litigation and we have the right to determine whether suit will be instituted, prosecuted or settled, the terms of settlement, and whether any other action will be taken. You must promptly notify us of any such use or infringement of which you are aware, or any challenge or claim arising out of your use of any Mark. You must take all reasonable steps we require, without compensation, to assist us with any action we undertake. We will be responsible for our fees and expenses with any such action, unless the challenge or claim results from your misuse of the Marks in violation of this Agreement.

### **3.5 Modification of the Marks{tc "Modification of the Marks"}{ TC }.**

We reserve the right at any time, for any reason, to adopt additional or substitute Marks or to modify or discontinue any of the Marks. Upon notice from us, all such additions, substitutions, modifications or discontinuances relative to the Marks (collectively "changes") will become effective and the scope of the Marks, and the license to use the Marks, will be deemed modified to reflect such changes. Promptly upon notice of any such changes to the Marks, you must adopt and comply with the changes for all purposes in connection with the Franchised School at your own expense.

## **4. TRAINING AND ASSISTANCE{ TC }**

### **4.1 Initial Training{tc "Initial Training"}{ TC }.**

(a) We will provide an initial training program to you. You (or if you are a legal entity, one of your Operating Partners) must attend and complete our initial training program to our satisfaction prior to opening your Franchised School. It then is solely your responsibility to ensure that your employees are properly trained. There is no additional cost for the first two individuals who attend the initial training program during the same training session. You may send more than two people to our initial training program, but we reserve the right to charge you our then-current additional training fee for each additional person who attends our initial training program or if you attend multiple training sessions.

(b) All Operating Principals of the Franchised School during the term of this Agreement must attend and successfully complete the initial training. Under no circumstances may you permit management of the Franchised School's operations on a regular basis who has not successfully completed to our reasonable satisfaction all applicable training we require.

(c) You are solely responsible for all of your costs and expenses associated with the attendance at initial training, including travel and lodging, meals and compensation for any of your representatives or employees attending initial training. You may send more than two people to our initial training program, but we reserve the right to charge you our then-current additional training fee for each additional person who attends our training program.

#### **4.2 Additional Training{tc "Additional Training"}{ TC }.**

(a) You must, at your expense, comply with all the training requirements we prescribe for the Franchised School to be developed under this Agreement. We may require you and other key employees of the Franchised School to attend, at your expense, ongoing training at our training School, the Authorized Location or any other location we designate. We reserve the right to charge you our then-current training fee for all training we conduct for you.

(b) Without limiting the foregoing, in the event that you are given notice of default, and the default relates in whole or in part, to your failure to meet any operational standards, we have the right to require as a condition of curing the default that you and your manager, at your expense, comply with our additional training requirements within a reasonable time as we specify. You will be solely responsible for all of your costs associated with attending any such additional training. We reserve the right to charge you reasonable fees for additional training or training materials, and to receive reimbursement for our reasonable out-of-pocket expenses incurred in providing additional training.

#### **4.3 Requirements for Attendees{tc "Requirements for Attendees"}{ TC }.**

All persons you send to training provided by us must sign our form of Confidentiality Agreement as provided in Article 10 below before commencing the training. We reserve the right to establish other criteria for admitting attendees to any training provided by us.

#### **4.4 Other Assistance and Advice{tc "Technical and Operational Advice"}{ TC }.**

(a) We will provide guidance and assistance in the operation of your Franchised School in such formats and at such times as we determine. This guidance may be provided in the form of periodic in-person meetings, webinars or video calls and telephone or written communications and will cover topics such as products or services to be offered to customers and improvements and developments in your Tutu School business.

(b) Our representatives may visit the Franchised School at reasonable times during the term of this Agreement to observe its operations and provide feedback to you, which may be delivered orally, in a face-to-face meeting, in writing or by other reasonable means as we may select. If additional visits, inspections or on-site assistance are provided at your request, then you may be required to pay a reasonable consulting fee and for any travel, lodging and living expenses incurred by us in sending its representatives to the Franchised School.

(c) We may hold or sponsor a franchise summit or conference and other meetings relating to new training services, new operational procedures or programs, training, School management, sales or sales promotion or similar topics. You must attend, at your expense, any such franchise conventions and meetings that we require. We may charge you a fee in connection with your attendance at any convention or meetings we hold or sponsor. If you are not able to attend a

meeting or convention, you must notify us prior to the meeting and must have a substitute person acceptable to us attend the meeting. Any fee we may charge will be payable by you whether or not you or a substitute person attends the conference or meeting. If you fail to attend two (2) or more conventions during the term of this Agreement, we have the right to require you to attend additional training, in addition to any other rights and remedies available to us for your breach of this provision.

#### **4.5 Operations Manual{tc "Operations Manual"}{ TC }.**

We provide you access to the Operations Manual through electronic access on the franchisee portal we maintain. You must adopt and use as your continuing operational routine the required standards, procedures, methods of operation and management described in our Operations Manual. The Operations Manual is at all times our sole property. You must at all times treat the Operations Manual, and the information it contains, as secret and confidential, and must use all reasonable efforts to maintain such information as secret and confidential. We may from time to time revise the contents of the Operations Manual and you expressly agree to comply with each new or changed requirement. You acknowledge and agree that the Operations Manual and other system communications may only be available on the Internet or other online or computer communications.

#### **4.6 Modifications{tc "Modifications"}{ TC }.**

You acknowledge and agree that we have the right to modify, add to or rescind any required standard or specification that we prescribe under this Agreement to adapt the System to changing conditions, competitive circumstances, business strategies, business practices and other changes we deem appropriate. This right includes, but is not limited to, the right to introduce new products and services. You must comply with these required modifications, additions or rescissions at your expense, subject to the express limitations listed in this Agreement.

#### **4.7 Website or Intranet{tc "Website or Intranet"}{ TC }**

We provide a website and intranet for the Network as we may determine from time to time. Any such Website or Intranet will be provided "AS IS". We make no representation or warranty that use will be error free or uninterrupted. We will not be liable for any delays or failures in functionality or any security breaches regarding use of its Website or Intranet. You must, at your expense, participate in our website and any intranet system we may develop or other online communications as we may require. We have the right to determine the content and use of our website and intranet system and we may establish rules under which School franchisees may or must participate. We retain all rights related to our website and intranet system. Your general conduct on our website, intranet system or other online communications and specifically your use of the Marks or any advertising is subject to the provisions of this Agreement. You acknowledge that certain information related to your participation in our website or intranet system may be considered Confidential Information, including access codes and identification codes. You may not use the Marks or any part or derivative thereof on the internet, except as we expressly permit in writing and as authorized by our then-current policies. Without limiting the generality of the foregoing, you may not use the Marks or any part or derivative of the Marks as part of any URL or domain name or as part of any unauthorized email address and may only register the Marks or any part or derivative of the Marks as part of any user name on any social media or gaming site (such as Facebook, TikTok or Instagram) in accordance with our then-current policies. You also

may not display on any website (including commercial websites, gaming websites, and social networking websites) any of our copyrighted or proprietary works, which include the design portion of our Marks, or any collateral merchandise identified by the Marks.

#### **4.8 Music License{ TC }**

We will maintain a limited license allowing you to play specified music in connection with instruction at your Franchised Business. You agree to play only the music specified by us and understand that if the terms of our license change, you may be required to modify your music following written notice from us. We reserve the right to require you to adopt a music system provided by a third party and to pay the associated fees to such provider (including, if applicable, music licensing fees).

### **5. THE PREMISES AND PRE-OPENING REQUIREMENTS { TC }**

#### **5.1 Background Checks; Staff Restrictions{tc "Background Checks; Staff Restrictions"}{ TC }.**

(a) Because the Franchised School caters to children, it is critical to the brand image of Tutu School that you and all of your staff have no history of criminal conduct or behavior that could pose a danger to the children enrolled in classes at the Franchised School or could reasonably create a public relations problem for the brand. As part of your franchise application, you, or your owners if you are not a natural person, have represented that they have a clean criminal background. In addition, you, or your owners if you are not a natural person, must submit to a criminal and personal background check to be conducted by us at our expense before your execution of a lease and at such times as we may periodically request during the term. In the event that we discover that you or your owners materially misrepresented or omitted pertinent information from the franchise application, we may immediately terminate this Agreement and we are not required to refund any portion of the Initial Franchise Fee.

(b) You agree to conduct criminal background checks at your expense and through an Approved Supplier on all employees or independent contractors who will work at the Franchised School, including any owners. If you will have any employees or independent contractors working at the Franchised School as of the Opening Date, these background checks must be completed prior to opening the Franchised School. You must not hire any person who does not successfully pass the criminal background check to perform any task at the Franchised School. It is your responsibility to ensure that all background checks are completed in compliance with applicable law. If you become aware of a conflict between our policies and applicable law, you must follow the law and must notify us so that we can approve an alternative option that meets our brand standards.

#### **5.2 Selection of Suitable Premises{tc "Selection of Suitable Premises"}{ TC }.**

(a) We will provide general guidance concerning site selection and will provide you with standards and requirements for the Premises of a Tutu School. You must select and lease Premises for each School consistent with our standards and requirements. Without limiting the foregoing, the Premises must be located in an area zoned for commercial use and have adequate parking or be well served by mass transit. Typical locations include strip malls and storefronts in commercial areas heavily trafficked by parents with young children. You are solely responsible

for identifying and securing suitable Premises for the Franchised School. You must obtain our prior written approval of any Premises before leasing the Premises and must submit information we reasonably request, including but not limited to photographs, floor plan, demographic information and other information about the Premises and its surrounding area as reasonably requested. The parties acknowledge and agree that our site approval is not an assurance that the Franchised School will achieve a certain sales volume or level of profitability; it means only that the site meets our minimum site selection criteria. We will have the right but not the obligation to inspect any proposed location.

(b) You must select and lease the Premises within 180 days of the Effective Date of this Agreement.

### **5.3 Use of Premises{tc "Use of Premises"}{ TC }.**

The Premises may not be used for any purpose or business other than the operation of the Franchised School. You may not conduct or permit the conduct of any unlawful activity at the Premises or through the Franchised School.

### **5.4 Leasing the Premises{tc "Leasing the Premises"}{ TC }.**

You are solely responsible for negotiating the lease for any Premises. The Lease may not prevent you from performing your obligations under this Agreement, and must permit us to exercise our rights pursuant to this Agreement. We may condition our approval of a proposed site on the full execution of a Lease Addendum substantially in the form attached as Exhibit E to this Agreement. You must deliver to us a fully executed copy of the Lease as amended by the Lease Addendum within 10 days of its execution.

### **5.5 No Assurances by Us{tc "No Assurances by FRANCHISOR"}{ TC }.**

You are responsible for locating and securing the Premises and for the suitability of the Premises for the Franchised School notwithstanding any guidance or assistance we may provide to you concerning selection of the Premises and the terms of the lease. We will have no liability to you concerning the suitability of the location, the Premises or the lease. We do not warrant in any way that the location, the Premises or lease terms will be adequate for your needs or purposes. Our reviews, approvals, and assistance are based on our general criteria and are not a guaranty that you will succeed in the location selected or under the terms of the lease approved by us.

### **5.6 Development of Premises and Pre-Opening Requirements{tc "Development of Premises and Pre-Opening Requirements"}{ TC }.**

You have full and sole responsibility for:

(a) Customizing plans and drawings needed for the development of the Premises as a Tutu School meeting our standards and requirements;

(b) Obtaining any required zoning changes, all required building, utility and sign permits and licenses and any other required permits and licenses;

(c) Purchasing or leasing and installing at the Premises approved Equipment required for the Franchised School in compliance with this Agreement and any specifications and standards set forth in the Operations Manual or other writings from us;

(d) Completing any construction or leasehold improvements needed, including, but not limited to, remodeling, installation of fixtures, furniture and signs, and decorating of the Premises in full and strict compliance with our standards and requirements and following all applicable ordinances, building codes and permit requirements, including but not limited to any requirements of the Americans with Disabilities Act;

(e) Hiring any staff for the operation of the Franchised School;

(f) Completing our satisfaction all training required by Section 4.1 of this Agreement;

(g) Completing development of and having the Franchised School ready to open and commence business in accordance with Section 6.1 of this Agreement; and

(h) Planning and conducting appropriate pre-opening and “market introduction” marketing, promotion and advertising for the Franchised School in accordance with good business practices and our standards and specifications which includes a required minimum amount of \$5,000 spent on advertising and marketing of your Franchised School in the period beginning 60 days before opening and through your first month of business operations.

### **5.7 Trade Dress and Furnishings{tc "Trade Dress and Furnishings"}{ TC }.**

We will provide you with the design criteria and image and layout specifications for a Tutu School. Without limiting any other provisions of this Agreement, you must design and decorate the Premises in accordance with all of our design criteria and image specifications, including but not limited to those concerning, signs, décor, artwork, color schemes, furnishings and fixtures, and must from time to time redecorate, refurbish and otherwise update the Premises as reasonably required by us to comport with modifications in our trade dress and image.

### **5.8 Maintenance and Repair of Premises{tc "Maintenance and Repair of Premises"}{ TC }.**

You must maintain and repair the Premises in accordance with our standards and with the requirements of the Premises lease. Without limiting the foregoing, the Premises must be kept safe and clean at all times and have an immaculate and inviting appearance in keeping with the highest standards for a School with all health, fire, safety, access and egress requirements of applicable laws and ordinances, including any laws specifically applicable to businesses serving young children.

### **5.9 Modernization.**

From time to time as we require, you must modernize and/or replace the building interior, trade dress, equipment, fixtures and improvements as may be necessary for your Franchised School to conform to the standards for similarly situated new Schools. A transfer of a Controlling Interest in this Agreement or your business governed by Section 11 or renewal covered by Section 12.2 is

expressly conditioned upon your (or the transferee, as applicable) modernizing the Franchised School to confirm to new standards for new Schools. You acknowledge and agree that the requirements of this Section are both reasonable and necessary to ensure continued public acceptance and patronage of Schools and avoid deterioration in connection with the operation of your Franchised School. If you fail to make any improvement or perform the required maintenance, we may, in addition to our other rights and obligations under this Agreement, complete such improvement or maintenance on your behalf and you must reimburse us for the costs we incur.

### **5.10 Relocation.**

You may not relocate your Franchised School without our prior written consent. If you need to relocate because of condemnation, destruction or expiration or cancellation of your lease for reasons other than your breach, we will grant you authority to do so at a site acceptable to us that is within your Designated Area, is reasonably suited for a School, and does not infringe on the rights of any other School franchisee, provided that the new Franchised School premises is open and operating within 60 days after you discontinue operation at the present Premises, all in accordance with our then-current standards. If you voluntarily decide to relocate the Franchised School, you must obtain our prior written consent and your right to relocate the Franchised School will be void and your interest in this Agreement will be voluntarily abandoned, unless you have given us notice of your intent to relocate not less than 60 days prior to closing the Franchised School, have procured a site within your Designated Area that we accept 15 days prior to such closure, have opened the new School within 48 hours of such closure and complied with any other conditions that we reasonably require. In connection with your relocation for any reason, you must sign our then-current form of relocation agreement (which may include a general release of claims to the extent permitted by law), you must pay the costs of relocation, and we reserve the right to charge you for any reasonable costs we incur. Upon relocation of the Franchised School for any reason, we may modify your Designated Area, in our sole judgment, to take into account the designated areas of neighboring schools and other factors. We have the right to refuse to consent to a relocation if you lose the right to occupy the Premises because of termination of your lease due to your breach. Further, the cancellation of your lease due to your breach is grounds for immediate termination under Section 12.3.

## **6. OPERATION OF THE FRANCHISED SCHOOL{ TC }**

### **6.1 Commencement of Business{tc "Commencement of Business"}{ TC }.**

(a) You must commence operation at the Franchised School promptly after completion of initial training and all other pre-opening requirements and in no event later than 12 months after the Effective Date.

(b) Once open for business, the Franchised School must remain in operation. You may not under any circumstances close any School without our prior written approval. Any relocation of the Franchised School is subject to the requirements of Section 5.9.

### **6.2 Minimum Period of Operation{tc "Minimum Period of Operation"}{ TC }.**

We do not currently prescribe exact hours of operation. However, you must actively operate the Franchised School and must offer at least 16 hours of class per week, unless consent

to operate for a lesser period is granted by us in writing. We reserve the right to increase the minimum number of class hours and to prescribe specific hours of operation as may be set forth in the Operations Manual from time to time.

### **6.3 Required Equipment.**

You must at your sole expense provide all necessary Equipment for operation of the Franchised School and must use in the Franchised School such Equipment meeting any specifications as we may have issued. We may modify Equipment and related requirements from time to time and you must comply with all such changes, modifications and updates by replacing, modifying or updating the Equipment, provided that the requirements imposed are reasonable in terms of cost, frequency of the changes and the time imposed for full implementation of the changes.

### **6.4 Technology System.{ TC }**

You must purchase and use any technology system that we develop or select for the Franchised School or Network, including all future updates, supplements and modifications (the “**Technology System**”). The Technology System may include all hardware used in the operation of the Schools, including (i) all computer hardware and related accessories and peripheral equipment and (ii) the billing, electronic point-of-sale cash registers, school management and back office programs used to record, analyze and report sales and School operations. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, high speed internet connections, and establishment of one or more email accounts. You must (i) use any software programs, system documentation manuals, and other materials that we provide to you in connection with the operation of your Franchised School; (ii) input and maintain in designated systems such data and information as we prescribe in the Operations Manual and other written directives; and (iii) purchase new or upgraded software programs, system documentation manuals, and other materials at then-current prices whenever we adopt such new or upgraded programs, manuals, and materials system-wide. You must enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner we prescribe, and pay all fees imposed by us, our affiliate or any third party software and software services provider there-under. You acknowledge that we may independently access from a remote location, at any time, all information input into and compiled by your Technology System or an off-site server, including Member Information. We reserve the right to designate a single source from whom you must purchase any component of the Technology System. It is your responsibility to make sure you comply with all laws that are applicable to the Technology System, including all data protection, privacy and security laws.

### **6.5 Approved Services and Products{tc "Approved Services; Suppliers"}{ TC }.**

You may offer and sell only approved services and approved products in the Franchised School and must offer for sale the complete range of required services and required products as listed in the approved products and approved services list in the Operations Manual, as we may amend from time to time. You may not offer, sell, or supply any products or services which are not approved products or services (including products or services that we have withdrawn), without our prior written consent. We may designate or approve specific suppliers (including us

or an affiliate) to provide products, Equipment, goods or services to all or part of the Network as further outlined in Section 7.

#### **6.6 Compliance with Operations Manuals and Standards{tc "Compliance with Operations Manuals and Standards"}{ TC }.**

You must operate the Franchised School in strict compliance with all required quality and service standards and specifications, and other requirements, standards, procedures, specifications and policies we establish. Without limiting the foregoing, you must at all times comply with the latest version of the Operations Manual, which may be modified from time to time by us in our sole discretion, provided that the cost of complying with any modifications must be reasonable. The required standards generally will be set forth in the Operations Manual. The Operations Manual also will include guidelines or recommendations in addition to required standards. In some instances, the required standards will include recommendations or guidelines to meet the required standards. You may follow the recommendations or guidelines or some other suitable alternative, provided you meet and comply with the required standards. In other instances, no suitable alternative may exist. In order to protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines. Any required standards exist to protect our interests in the System and the Marks and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you.

#### **6.7 Compliance with Laws and Good Business Practices{tc "Compliance with Laws and Good Business Practices"}{ TC }.**

You must comply with all federal, state and local laws, regulations and ordinances applicable to the Franchised School and its operations, including but not limited to local or state licensing requirements, public health, child safety requirements, workplace and occupational safety requirements, employment regulations, intellectual property laws, the Americans With Disabilities Act and other laws concerning access to the Premises and all permit requirements. While we may provide information about such laws, regulations and ordinances, you are solely responsible for identifying and complying with those laws, regulations and ordinances applicable to the Franchised School. You are solely responsible for and must promptly pay all taxes, license fees, assessments, rent, trade obligations and all other debts and obligations of the Franchised School. You must conduct the Franchised School in an ethical, competent, courteous and professional manner. You must not take or omit to take any action or permit any action by any person under its control that may damage, tarnish or detract from the goodwill and reputation associated with the Marks, the Network or us.

#### **6.8 Ongoing Background Checks; Staff Restrictions{tc "Ongoing Background Checks; Staff Restrictions"}{ TC }.**

Throughout the term of this Agreement, you agree to perform background checks through an Approved Supplier on any new employees or independent contractors who will work at the Franchised School prior to their employment, and will not hire an individual without completing the required background check or if the results of a background check on such person do not meet our standards. In addition, you are aware and agree that any misconduct by an employee or independent contractor of the Franchised School involving harm to minors or any criminal charge

of sexual misconduct against any person, regardless of whether it occurs in connection with the Franchised School or not, constitutes improper behavior which is likely to harm the Tutu School Marks and requires your immediate intervention, upon discovery, to prevent such a person from interacting with any of the children attending classes in the future. You must at all times consider the safety and security of the public, as well as the goodwill in the Marks, in making hiring decisions relating to the Franchised School. You acknowledge that you are an independent business and solely responsible for control and management of your Franchised School, including, but not limited to, the hiring and discharging of your employees and setting and paying wages and benefits of your employees. You acknowledge that we have no power, responsibility or liability in respect to the hiring, discharging, setting and paying of wages or related matters.

#### **6.9 Customer Service{tc "Customer Service"}{ TC }.**

You must comply with our standards for customer service. Without limiting the foregoing, you must ensure that all messages from customers, referral sources and potential customers receive a reply within 24 hours of receipt or by the next business day. You must respond promptly, courteously and substantively to customer inquiries and any complaints regarding the Franchised School or the customer's experience with the Franchised School and will otherwise conduct the Franchised School so as to promote good customer and business relations. We may establish standards for customer satisfaction and/or refund policies and you must abide by all such standards and policies. You must follow our policies, prohibitions or programs concerning gift cards or certificates, coupons and promotions and must participate in any gift card or certificate programs that we may establish.

#### **6.10 Communication with Us{tc "Communication with FRANCHISOR"}{ TC }.**

You must return all our telephone calls and respond to all other communications from us to which a response is requested within a reasonable length of time. You must inform us of any material problems you encounter with the use any part of the Tutu School System, the Tutu School Methods, any of the Approved Services or Approved Suppliers.

#### **6.11 Advertising{tc "Advertising"}{ TC }.**

You may only use advertising, marketing and promotional materials (including communications in print, broadcast, on the Internet and in other media or form) that are either supplied by us or that meet the standards and specifications contained in the Operations Manual or other writings from us. You must submit all advertising, marketing and promotional materials we did not provide us for approval by us before use. We maintain the absolute right to determine in our sole discretion whether any advertising, marketing or promotional materials used by or proposed for use by you are permissible. You, on notice from us, will refrain from using or discontinue use of any such materials that we deem inappropriate for any reason. Your use of the Marks to advertise and market the business online is governed by the terms of Section 4.7.

#### **6.12 Personnel and Supervision Standards{tc "Best Efforts, Management and Staffing"}{ TC }.**

(a) During the term of this Agreement, you (if you are an individual) or your Operating Partner (if you are a legal entity), or your general manager must devote full time and attention to the management and operation of your Franchised School and provide direct, on-site

supervision of the Franchised School. The use of a general manager in no way relieves you of your obligations to comply with this Agreement and to ensure that the Franchised School is properly operated. Any general manager or replacement general manager must complete the training described in Section 4.1.

(b) You must employ a sufficient number of competent and trained employees to ensure efficient service to your customers.

(c) No employee of yours will be deemed our employee for any purpose whatsoever, and nothing in any aspect of the System and Marks in any way shifts any employee or employment related responsibility from you to us. You acknowledge that you are an independent business and responsible for the control and management of your Franchised School, including, but not limited to, the hiring, discharging, training, compliance with wage and hour requirements, personnel policies, benefits, recordkeeping, scheduling, supervision and discipline of employees, regardless of whether you receive advice from us on these subjects. You acknowledge that we have no power, responsibility or liability for personnel decisions regarding your employees.

#### **6.13 Image{tc "Image"}{ TC }**

We have established and wishes to foster a certain image and ambience for all Schools and the Network. You acknowledge that image and ambience are critical to building and maintaining the goodwill and reputation associated with the Marks and the Network. Accordingly, you must strictly comply with all standards, specifications or prohibitions we issue concerning image and ambience, including, but not limited to, trade dress and the maintenance of a fresh, updated and inviting Franchised School appearance at all times.

### **7. SUPPLIER ARRANGEMENTS{ TC }**

You must use only our designated or approved suppliers as applicable to specific products, Equipment, goods, or services. We may change the Approved Supplier list from time to time and will provide you with updated lists as they are changed. Although we do not do so for every item, we have the right to approve the manufacturer, distributor and/or supplier of approved supplies. You acknowledge and agree that certain approved supplies may only be available from one source and we or our affiliates may be that source. You will pay the then-current price in effect for approved supplies you purchase from us or our affiliates. All inventory, products, materials and other items and supplies used in the operation of the Franchised School that are not included in the approved supplies or approved suppliers lists must conform to the specifications and standards we establish from time to time. **ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT (INCLUDING WITHOUT LIMITATION ANY REQUIRED TECHNOLOGY SYSTEMS), SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS.**

Except for any products, supplies or materials for which we designate a single approved supplier, if you wish to purchase products, supplies, materials or equipment from suppliers not approved by us, you must submit to us a written request to approve the proposed supplier, together

with any background documents or evidence we may require. We will have the right to require you to obtain permission from the supplier to allow our representatives to inspect the supplier's facilities and that you deliver samples from the supplier for evaluation and testing to us or to an independent testing Store that we designate. We may charge you an evaluation fee to conduct our evaluation and testing. We will, within 30 days after our receipt of your evaluation request, notify you in writing of our approval or disapproval of your proposed supplier. We may revoke our approval of particular products, equipment or suppliers when we determine that such products, equipment or suppliers no longer meet our standards. Upon receipt of our revocation of approval, you must cease to use or sell any disapproved products and cease to purchase from any disapproved supplier. You understand and agree that we and any supplier may communicate freely with each other concerning purchases made by you and other matters relevant to the Franchised School or the Network.

## **8. FEES AND REPORTS{ TC }**

### **8.1 Initial Franchise Fee{tc "Franchise Fee"}{ TC }.**

You must pay us an initial franchise fee ("Initial Franchise Fee") in the amount set forth on the Summary Page, due in full on signing of this Agreement. The initial fee is deemed fully earned upon payment in consideration for our expenses incurred and services rendered in granting you the franchise and is non-refundable.

### **8.2 Royalties{tc "Royalties"}{ TC }.**

(a) During the full term of this Agreement, or any Interim Period, and in consideration of the rights granted to you, you must pay to us a monthly Royalty Fee on your Franchised School's Gross Programming Revenue and Gross Retail Revenue in the amounts set forth on the Summary Page.

(b) You must accurately report sales made at or through the Franchised School and may not delay collection of tuition or otherwise manipulate the revenues or the making of bank deposits as a means of avoiding or lessening the payment of Royalty. The taking of any such actions will constitute an intentional understatement and a material default of this Agreement. You must also certify the computation of the amounts in the manner and form we specify, and you must supply to us any supporting or supplementary materials as we reasonably require to verify the accuracy of remittances.

(c) You must pay the Royalty to us by the 10<sup>th</sup> day of each month. We reserve the right to change the due date of any or all amounts on notice to you. At the time required for payment, you must deliver to us a true and correct accounting of Gross Revenue (including each of Gross Programming Revenue and Gross Retail Revenue) received during the prior month. All such accounting statements must be prepared and delivered in the form and manner we prescribe from time to time.

(d) You waive any and all existing and future claims and offsets against any amounts due under this Agreement, which amounts you must pay when due. We have the right to apply or cause to be applied against amounts due to us or any of our affiliates any amounts that we or our affiliates may hold from time to time on your behalf or that we or our affiliates owe to you.

### **8.3 Reports, Audits and Records{tc "Inspection, Audits and Records"}{ TC }.**

(a) Each month you must submit to us a report of your Gross Revenues with respect to the preceding month on the day and in the form and content as we periodically prescribe. The monthly report or other reports that we may require will include, but not be limited to, the following information for the preceding the applicable reporting period: (i) amount of Gross Revenues of the Franchised School, amount of sales tax and the computation of the Royalty Fee and other fees; (ii) copies of your most recent sales tax return, sales summary and monthly balance sheet and statement of profit and loss, including a summary of your costs for utilities, labor, rent and other material cost items; and (iii) if requested by us to verify your Gross Revenues, all such books and records as we may require under our audit policies published from time to time. You also must, at your expense, submit to us within 90 days after the end of each fiscal year a detailed balance sheet, profit and loss statement and statement of cash flows for such fiscal year. We may require that the annual financial statements be reviewed by a certified public accountant. You must certify all reports to be true and correct.

(b) We or our authorized representative have the right at all times during the business day to enter the premises where your books and records relative to the Business are kept and to evaluate, copy and audit such books and records. We also have the right to request information from your suppliers and vendors. In the event that any such evaluation or audit reveals any understatement of 2% or more of your Gross Revenues, you must pay for the audit, and in addition to any other rights we may have, we have the right to conduct further periodic audits and evaluations of your books and records as we reasonably deem necessary for up to 3 years thereafter and any further audits and evaluations will be at your sole expense, including, without limitation, professional fees, travel, and room and board expenses directly related thereto. Furthermore, if you intentionally understate or underreport Gross Revenues at any time, or if a subsequent audit or evaluation conducted within the 3-year period reveals any understatement of your Gross Revenues of 2% or more, in addition to any other remedies provided for in this Agreement, at law or in equity, we have the right to terminate this Agreement immediately.

(c) You must keep books and records (including using our standard chart of accounts) and submit reports as we periodically require, including but not limited to a monthly profit plan, monthly balance sheet and monthly statement of profit and loss, records of prices and special sales, check registers, purchase records, invoices, sales summaries and inventories, sales tax records and returns, payroll records, cash disbursement journals and general ledgers, all of which accurately reflect the operations and condition of your Franchised School operations. You must compile, keep and submit to us the books, records and reports on the forms and using the methods of bookkeeping and accounting as we periodically may prescribe. The records that you are required to keep for your Franchised School must include detailed daily sales, cost of sales, and other relevant records or information maintained in an electronic media format and methodology we approve. You must provide this information to us according to reporting formats, methodologies and time schedules that we establish from time to time. You also must preserve and retain the books, records and reports for not less than 36 months. You must allow us electronic and manual access to any and all records relating to your Franchised School.

## **8.4 Interest Charges and Late Fees{tc "Underpayments"}{ TC }.**

Any and all amounts that you owe to us or to our affiliates will bear interest at the rate of 18% per annum or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual. In addition to interest charges on late Royalty Fee and Advertising Fund Fee payments, you must pay to us a service charge of \$50 for each delinquent periodic report or payment that you owe to us under this Agreement. A payment is delinquent for any of the following reasons: (i) we do not receive the payment on or before the date due; or (ii) there are insufficient funds in your bank account to collect the total payment by a transfer of funds on or after the date due. The service charge is not interest or a penalty, it is only to compensate us for increased administrative and management costs due to late payment.

## **8.5 Methods of Payment{tc "Methods of Payment"}{ TC }.**

You must make payments to us and our affiliates by electronic funds transfer or such alternative methods as we may designate. You must execute and deliver to us, our bank and your bank, as necessary, all forms and documents that we request to permit us to use any payment method we designate. You must comply with all procedures we specify and take such reasonable action as we request to assist in any of the payment methods. Specifically, you agree that upon notice by us, all payments owed to us and our affiliates may be deducted from the monies your billing and payment processor collects on your behalf and you hereby authorize the billing and payment processor to deduct such amounts and to pay those amounts to us on the due date of such amount. You must maintain a balance in your account sufficient to allow us and our affiliates to collect the amounts owed to us when due and must notify us at least 20 days before closing or changing the account against which such debits are to be made. You are responsible for any penalties, fines or other similar expenses associated with the transfer of funds described in this Section.

## **8.6 Inflation Adjustment{tc "Inflation Adjustment"}{ TC }.**

Any fees or charges stated as fixed dollar amounts anywhere in this Agreement are subject to inflation adjustment by us. Adjustments may be made no more than once each year and must be in proportion to the changes in the Consumer Price Index (meaning the annual average of the Consumer Price Index for All Urban Consumers, 1982-84=100, published by the Bureau of Labor Statistics of the United States Department of Labor (or any successor index that we designate) since the Effective Date or, if prior adjustments have been made, since the previous date an inflation adjustment was made by us.

## **8.7 Taxes.**

If any taxes, fees, or assessments are imposed on royalties or other fees by reason of us acting as us or licensing the Marks or the System under this Agreement (for example, sales tax), you will reimburse us the amount of those taxes, fees, or assessments within 15 days after receipt of our written notice to you.

# **9. MARKETING{ TC }**

## **9.1 Approved Materials.**

You must use only such marketing materials (including any print, radio, television, electronic, or other media forms that may become available in the future) as we furnish, approve or make available, and the materials must be used only in a manner that we prescribe. Furthermore, any promotional activities you conduct in the Franchised School or on its premises are subject to our approval. You must submit all advertising and promotional materials to us prior to your use. If we do not respond within 14 days after you submit the proposed advertising materials to us, the advertising materials will be deemed not approved. We will not unreasonably withhold approval of any sales promotion materials or media and activities; provided that they are current, in good condition, in good taste and accurately depict the Marks.

## **9.2 National Marketing and Technology Fee.**

(a) You must pay us each month a National Marketing and Technology Fee in the amount set forth on the Summary Page. We will deposit the National Marketing and Technology Fee in the National Marketing and Technology Fund that we manage. The Fund is not a trust or escrow account, and we have no fiduciary obligation to you with respect to the Fund; provided, however, we will make a good faith effort to expend such fees in a manner that we determine is in the general best interests of the Network.

(b) We may use the National Marketing & Technology Fund for activities to support the marketing and promotion of Schools, the Network and the Marks, including: providing creative development services (including graphic design for marketing collateral); updating and hosting a website; development and maintenance of software used by you (including class registration and billing software), social media support; subscription fees and set-up expenses for design and learning platforms; the cost of music licensing; the expenses of franchise system-wide meetings; providing market intelligence through analytics to the franchise system; conducting member interviews, focus groups and surveys; conducting promotions; engaging advertising and marketing agencies and public relations firms; and any other expenses for developing and promoting the brand or System. We may be reimbursed for reasonable administrative costs, salaries and overhead incurred in administering or providing services to the National Marketing and Technology Fund. We need not spend all amounts we collect for this advertising in the same year collected. If the amount collected exceeds what is needed to pay for currently-planned advertising, marketing and technology, we may accrue the excess amounts for use in future years. We will provide you with an unaudited accounting of how we used payments in the last fiscal year upon your request. We do not use your advertising payments in any advertising that is principally to solicit prospective franchisees, provided our general marketing materials may reference franchise sales available. You will not receive a refund of any advertising fees paid on termination, nonrenewal or expiration of your franchise. We are not required to segregate these payments from other funds we hold or to audit what we collect and spend.

## **9.3 Local Marketing**

You must use your best efforts to aggressively promote and advertise the Franchised School in your local area, and participate in any local marketing and promotional programs that we establish from time to time (subject to applicable law). In addition to the National Marketing and Technology Fee, you must spend a minimum of 5% of Gross Revenues per month on approved local marketing activities each year. We strongly recommend that you spend money every month on local advertising but you may want to spend more on local advertising during peak months and

less during non-peak months. Within 30 days of our request, you must provide us with verification of the local marketing you conduct, including reports and receipts evidencing the placement of ads or verification copies of advertising. If you fail to spend at least 5% of Gross Revenues in a calendar year, we reserve the right to collect the deficiency from you and deposit that amount in the National Marketing and Technology Fund.

#### **9.4 Local/Regional Marketing Groups**

We have the right to designate local or regional marketing groups and if designated, you must participate in and contribute to the advertising and marketing programs in your designated local/regional marketing group. If established, you must contribute to the group the amount we designate. We have the right to form, change, dissolve or merge local/regional marketing groups. Any amount you spend on approved local/regional marketing group activities will count towards your local marketing requirements.

### **10. CONFIDENTIAL INFORMATION AND NONCOMPETITION { TC }**

#### **10.1 Confidential Information{tc "Confidential Information"}{ TC }.**

(a) You will have access to certain confidential information ("Confidential Information") concerning us, the System, other Tutu School franchisees and related matters, all of which are our sole property. You must treat all Confidential Information strictly in accordance with the terms set forth in this Article 10 and the Operations Manual. "Confidential Information" means and includes: any information disclosed by us to you or generated in the operation of the Franchised School, whether disclosure is direct or indirect, in writing, orally or by inspection of tangible objects or observation of procedures, and includes but is not limited to: (i) our business strategies, plans and objectives, including but not limited to development, marketing, advertising and promotional strategies, proposals and plans; (ii) the System; (iii) the content of the Operations Manual, training programs and materials; (iv) the Tutu School Methods; (v) any proprietary computer system or program; (vi) programs, classes, camps and teaching material; (vii) information on identity of designated or approved suppliers and the pricing and other arrangements with such suppliers, as well as information which is designated as "Confidential," "Proprietary" or some similar designation, and information disclosed under circumstances that reasonably indicate that it is considered Confidential Information.

(b) Confidential Information does not include any information that: (i) was publicly known and made generally available in the public domain prior to the time of disclosure by us; (ii) becomes publicly known and made generally available after disclosure by us to you through no action or inaction of you; (iii) is already in your possession at the time of disclosure by us as shown by your files and records immediately prior to the time of disclosure; (iv) is obtained by you from a third party without a breach of such third party's obligations of confidentiality; or (v) is independently developed by you without use of or reference to the our Confidential Information, as shown by documents and other competent evidence in your possession.

#### **10.2 Protection of Confidential Information{tc "Protection of Confidential Information"}{ TC }.**

(a) You may only use the Confidential Information in the development and operation of the Franchised School and for no other purpose. You must not use or disclose, directly

or indirectly, any Confidential Information, whether in tangible or intangible form, to any person except as may be expressly permitted by us in writing. You must at all times keep all of the Confidential Information in a secure manner that prevents unauthorized access. You must not copy, reproduce, duplicate or redact the Confidential Information in any form. You must take all reasonable measures to prevent the unauthorized use and disclosure of Confidential Information, and to prevent unauthorized persons or entities from obtaining or using such Confidential Information. You further agree to refrain from directly or indirectly taking any action that would constitute or facilitate the unauthorized use or disclosure of such Confidential Information. You will follow our directives, including any requirements of the Operations Manual, regarding the protection of the Confidential Information.

(b) You may disclose Confidential Information to your officers, owners, executives and employees only to the extent necessary to enable you to operate the Franchised School in compliance with this Agreement. Such disclosure may only be made to qualified and responsible officers, owners, executives, employees or contractors to the extent they need to know the information and who have entered into a form of confidentiality agreement satisfactory to us. You must obtain from all employees and contractors, upon their engagement, signed confidentiality agreements in a form satisfactory to us. You will be liable for any unauthorized use and disclosure of Confidential Information by your employees, contractors, owners, affiliates or anyone controlled by or under common control of you. You will not be liable for disclosure of such Confidential Information as you are required by law or court order to disclose, provided that you give us prompt written notice of such requirement prior to such disclosure and cooperate with us in seeking an order protecting the information from public disclosure.

### **10.3 Noncompetition {tc "Noncompetition"} { TC }**

You acknowledge and agree that (i) the System and the Confidential Information are valuable and proprietary; (ii) Without this Agreement and the relationship with us, you would not have acquired access to or knowledge of the System or the Confidential Information; (iii) irreparable damage to us and the Network could result were the System or the Confidential Information to be used in a Competitive Business; (iv) it would be difficult, if not impossible, for you to operate a Competitive Business without using therein all or part of the System and the Confidential Information; and (v) we have a legitimate interest in protecting the System and the Confidential Information from use in any Competitive Business. Therefore, it is necessary to protect the System and the Confidential Information, and you agree:

(a) You and your shareholders, partners or other owners (including their respective spouses and immediate family) must not directly or indirectly establish, assist, engage in or have any direct or indirect interest, whether as an owner, partner, shareholder, employee, salesperson, consultant, officer, director, principal or agent, security holder, lender, investor or guarantor of or for the benefit of, in any Competitive Business as follows:

(i) At any location during the term of this Agreement or any renewals hereof; and

(ii) For a period of 2 years following any termination, expiration or nonrenewal of this Agreement in the following areas:

- (A) at the Premises;
- (B) anywhere within the Designated Area;
- (C) anywhere within 15 miles of the Designated Area; or
- (D) within 15 miles of any operating School in the System.

(b) Notwithstanding the above, you may own, directly or indirectly, solely as a passive investor, securities of any Competitive Business, if such securities are traded on any national securities exchange and you: (i) are not a controlling person of, or a member of a group which controls, such Competitive Business, and (ii) do not, directly or indirectly, own more than one percent (1%) of any class of securities of such Competitive Business.

For purposes of this Section 10.3, licensing, selling, providing or otherwise making available to any other business or person any information that would enable such business or person to provide retail services competitive with those offered by Schools in the Network is deemed a form of assisting a Competitive Business and is prohibited hereunder. In addition, the length of time in subpart (a)(ii) will be tolled for any period during which you or any Related Party is in breach of the covenants or any other period during which we seek to enforce this Agreement. The parties agree that the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement.

#### **10.4 Compliance by Related Parties{tc "Compliance by Related Parties"}{ TC }.**

You must cause each of your owners, shareholders and partners and any other person, company, partnership or entity that directly or indirectly controls, is controlled by, or is under common control with you (collectively “Related Parties”) to comply with and fully observe the provisions of this Article 10 and, at our request, must require such Related Parties to execute a form of Non-Disclosure and Non-Competition Agreement as may be approved by us.

#### **10.5 Enforcement{tc "Enforcement"}{ TC }.**

If you breach, or if any of your Related Parties breach, any of the provisions of this Article 10 (the **“Restrictive Covenants”**), we have the following rights and remedies, each of which is independent of the other and severally enforceable, and all of which are in addition to, and not in lieu of, any other rights and remedies available to us under law or in equity:

- (a) To have the Restrictive Covenants specifically enforced, by preliminary injunction or otherwise, by any court having jurisdiction, all without the need to post a bond or any other security or to prove any amount of actual damage or that money damages would not provide an adequate remedy, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to us and that monetary damages will not provide an adequate remedy to us; and
- (b) To require you:

(i) to account for and pay over to us all compensation, profits, monies, accruals, increments and other benefits derived or received by you or any Related Party deriving such benefits as a result of any such breach of the Restrictive Covenants; and

(ii) to indemnify and hold us harmless and each of our officers, directors, stockholders, employees, agents, attorneys and their respective successors and assigns from and against any other losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and court costs (whether or not suit is filed), that may be incurred by us and that may result from or arise out of any such breach or threatened breach of the Restrictive Covenants.

#### **10.6 Narrowing of Restrictive Covenants{tc "Narrowing of Restrictive Covenants"}{ TC }.**

We may elect to enforce or demand enforcement of the Restrictive Covenants to their full extent or at our option, to such lesser extent as we determine is necessary to protect our interest. If any court determines that any Restrictive Covenant, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants will not thereby be affected and must be given full effect without regard to the invalid portions. If any court of competent jurisdiction determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable because of the duration or geographic scope of such provision, we and you consent to the court reducing the duration or geographic scope of such provision so that it is valid and enforceable.

#### **10.7 Grant-Back of Improvements{tc "Grant-Back of Improvements"}{ TC }.**

If in the employment and utilization of the System, the Tutu School Methods or in the operation of the Franchised School, you or any of your owners or employees make or acquire any Improvements, you hereby agree to grant-back exclusive rights in such Improvements to us in consideration of the grant of the franchise made under this Agreement and without the payment of additional consideration by us. We may include any Improvements made or acquired by you in the Tutu School Methods, the Operations Manual and the System for use by all Tutu School franchisees.

### **11. ASSIGNMENT AND RIGHT OF FIRST REFUSAL{ TC }**

#### **11.1 Assignment by Us{tc "Assignment by FRANCHISOR"}{ TC }.**

We may freely assign this Agreement, and any or all of our rights and privileges hereunder to any other person, firm or corporation without your prior consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of us: (a) we will determine in good faith if the assignee is financially responsible and economically capable of performing the obligations of us hereunder; and (b) the assignee will expressly assume and agree to perform such obligations.

#### **11.2 Assignment by You{tc "Assignment by FRANCHISEE"}{ TC }.**

You understand and acknowledge that the rights and duties created by this Agreement are personal to you and your owners and that we have granted the franchise to you in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial

capacity of you and your owners. Accordingly, neither this Agreement nor the franchise (or any interest therein), nor any part or all of the ownership of you or the Franchised School (or any interest therein), may be transferred unless you have first tendered to us the right of first refusal to acquire this Agreement in accordance with Section 11.8, and, if we do not exercise such right, unless prior written consent is obtained, the transfer fee provided for in Section 11.3 is paid, and the transfer conditions described in Section 11.4 are satisfied.

As used in this Article 11, a “transfer” requiring our approval includes the voluntary, involuntary, direct or indirect assignment, sale, gift or other transfer of any interest in: (i) this Agreement; (ii) the franchise; (iii) the ownership of you; or (iv) the Franchised School or a substantial part of the assets used in the Franchised School and includes any transfer of ownership of capital stock, partnership or membership interest; merger or consolidation or issuance of additional securities representing an ownership interest in you; any sale of voting stock of you or any security convertible to voting stock of you, transfer of an interest in you, this Agreement, the franchise or the Franchised School in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or transfer of an interest in this Agreement, the franchise, you, or the Franchised School in the event of the death of you or an owner, by will, declaration of or transfer in trust, or under the laws of intestate succession.

### **11.3 Transfer Fee.**

You must pay us a transfer fee in an amount equal to 50% of our then-current initial franchise fee paid by you; provided that the transfer fee is reduced to (i) 25% of our then current initial franchise fee paid by you if the buyer is an existing Tutu School franchisee in good standing or (ii) \$2,500 if we determine that the transfer does not result in a change in control in you.

### **11.4 Consent to Transfer.**

We will not unreasonably withhold our consent to transfer, provided we determine that all of the conditions described in this Section 11 have been satisfied. Application for our consent to a transfer and tender of the right of first refusal provided for in Section 11.7 must be made by submission of our form of application for consent to transfer, which must be accompanied by the documents we request and other required information. The application must indicate whether you or an Owner proposes to retain a security interest in the property to be transferred. No security interest may be retained or created, however, without our prior written consent and except upon conditions acceptable to us. Any agreement used in connection with a transfer will be subject to our prior written approval, which approval will not be withheld unreasonably. You immediately must notify us of any proposed transfer and must submit promptly to us the application for consent to transfer and any other required documents and information. Any attempted transfer by you without our prior written consent or otherwise not in compliance with the terms of this Agreement will be void, your interest in this Agreement will be voluntarily abandoned, and it will provide us with the right to elect either to deem you in default and terminate this Agreement or to collect from you and the guarantors a transfer fee equal to two times the transfer fee provided for in Section 11.3.

### **11.5 Conditions for Approval of Transfer{tc "Conditions for Approval of Transfer"}{ TC }.**

We condition our consent to any proposed transfer, whether to an individual, a corporation, a partnership or any other entity upon the following:

- (a) The transferee must meet all of our then-current requirements for Tutu School franchisees, including that they have sufficient business experience, aptitude and financial resources to operate the Franchised School in our judgment;
- (b) You must pay all amounts owed to us or to any of our affiliates that are then owed and unpaid;
- (c) The transferee or person designated as the transferee's Operating Principal must complete our training program to our satisfaction;
- (d) The transferee must execute our then-current form of franchise agreement, which may be materially different from this Agreement (including with respect to fees of Designated Area; provided that no initial franchise fee will be due thereunder) or, at our sole election must assume this Agreement in writing;
- (e) You and your owners must execute all transfer documents that we require and in the form we designate, which documents will include a general release of any and all claims, whether known or unknown, against us, any of our affiliates and their respective shareholders, officers, directors, employees, agents, successors and assigns; provided however that the release will not be inconsistent with any applicable state law regulating franchising;
- (f) If any part of the sale price of the transferred interest is financed, the transferor must agree that all obligations of the transferee under or pursuant to any promissory note, agreements or security interests reserved by the transferor in the assets of the Franchised School or the Premises must be subordinate to the obligations of the transferee to pay fees, and other amounts due to us and our affiliates;
- (g) The transferor and you must execute a noncompetition covenant in favor of the transferee in a form satisfactory to us;
- (h) The transferee must agree to complete modernization of the Franchised School as set forth in Section 5.9; and
- (i) You must have complied with any other conditions that we reasonably require from time to time as part of our transfer policies.

## **11.6 Death or Disability{tc "Death or Disability"}{ TC }.**

If any individual who is an Operating Principal or owner dies or becomes disabled or incapacitated and the decedent's or disabled or incapacitated person's heir or successor-in-interest wishes to continue as an owner or Operating Principal, such person or entity must apply for our consent under Section 11.4, comply with the training requirements of Section 4.1, pay the transfer fee, if applicable, under Section 11.3, and satisfy the transfer conditions under Section 11.5, as in any other case of a proposed transfer, all within 180 days of the death or event of disability or incapacity. During any transition period to an heir or successor-in-interest, the Franchised School still must be operated in accordance with the terms and conditions of this Agreement. If the

assignee of the decedent or disabled or incapacitated person is the spouse or child of such person, the transfer conditions in Section 11.5 will apply; provided no transfer fee will be payable to us and we will not have a right of first refusal as stated in Section 11.8.

### **11.7 Effect of Consent and Transfer{tc "Effect of Consent and Transfer"}{ TC }.**

Our consent to any transfer under this Article 11 and any transfer hereunder will in no event constitute a novation or a release of you or any of your partners, shareholders or other owners or of any guarantors of this Agreement.

### **11.8 Our Right of First Refusal{tc "FRANCHISOR's Right of First Refusal"}{ TC }.**

At least 30 days prior to any proposed transfer: (i) of this Agreement or the franchise hereunder; or (ii) the Franchised School or (iii) a substantial part of the assets used therein; or (iv) that would effect a change in the Controlling Interest, you will provide us with written notice of the proposed transfer, including all of the terms and conditions of the proposed transfer, the identity of the proposed transferee and a copy of any bona fide offer, proposed agreement to transfer or letter of intent for the proposed transfer. We or our designee will have 15 business days after receipt of the foregoing information in which to elect to acquire the interest to be transferred on the same terms and conditions as those contained in the notice. We or our designee will not be required to match any terms and conditions that relate to an offer to buy or acquire any rights or assets or to assume any liabilities unconnected with the Franchised School and may require that such terms and conditions be excluded from the offer and the offer restated to reflect the transfer only of rights, assets and liabilities related to the Franchised School. We or our designee may substitute equivalent cash consideration for any non-cash consideration included in the offer. If this right of first refusal is exercised, we or our designee will be entitled to acquire the interest subject to all customary representations and warranties from the transferor as to title and ownership of stock or assets, condition of the assets, liens and encumbrances, liabilities and contingent liabilities.

### **11.9 Type of Franchisee{tc "Type of Franchisee67"}{ TC }.**

(a) If you are not a natural person but is a business entity e.g., a corporation, partnership or limited liability company, in that event all owners of that entity must execute a form of undertaking and unconditional guaranty required by us (the current form of which is attached to this Agreement as Exhibit C) agreeing to be bound by all the terms, conditions and covenants (including Restrictive Covenants) of this Agreement and to be jointly and severally liable for the payment of all debts and obligations hereunder. Additionally, in such cases:

(i) There must always be an individual shareholder, partner or owner designated by you and approved in writing by us as the Operating Principal and designated contact person for you and that person will be deemed to have full authority in matters concerning the Franchised School we will be entitled to rely on the acts, representations and decisions of that person in relation to the Franchised School;

(ii) We must receive copies of any articles of incorporation, formation documents, operating agreement, partnership agreement, by-laws and other organizational documents and changes thereto;

(iii) You will provide to us, and update upon any change, a complete list of the current officers, shareholders, partners, members or other owners and their respective titles within the organization and the amount of their respective ownership interests in you which list will be updated by notice to us as changes occur;

(iv) All shares of capital stock in any corporation must bear the following legend: "The sale or other transfer of the shares of stock represented by this certificate is restricted by and subject to the terms and conditions of a written franchise agreement with Tutu School Inc.";

(v) All shareholders, partners, members owners must be natural persons; and

(vi) The corporation, partnership or limited liability company may not own or be engaged in any business or enterprise other than the Franchised School and its shareholders, partners, members or owners may not own or be engaged in any Competitive Business.

(b) If you are a natural person or a partnership, you may transfer this Agreement and your interest in the Franchised School to a corporation or limited liability company (i) that is and will be owned solely by the same natural persons as you or your partners before, (ii) in which you maintain management control, (iii) of which you own and control 100% of the equity and voting power of all issued and outstanding equity interests, and (iv) further provided that all assets of the Franchised School are owned, and the entire School is conducted by a single business entity. Any transfer meeting the conditions of this Section will not be subject to the conditions in Section 11.3 or 11.4, however, the corporate or limited liability company must execute a document in a form approved by us in which it agrees to become a party to and be bound by all the provisions of this Agreement and the owners must agree to remain personally liable under this Agreement.

## **11.10 Public or Private Offerings.**

You acknowledge and agree that the written information used to raise or secure funds can reflect upon us and the Network. You further acknowledge and agree that you may not engage in a public or private offering without our prior written consent. All materials required for any offering or registration of the proposed securities pursuant to federal or state law must be submitted to us for review prior to filing with any government agency; and any materials to be used in any exempt offering must be submitted to use for review prior to their use. If we object to any reference to us or our affiliates or any of our businesses in the offering literature or prospectus, the literature or prospectus must not be used until our objections are withdrawn. No offerings of securities of you or your affiliates may imply, by use of the Marks or otherwise, that we are participating in an underwriting, issuance, or offering of securities of either you or us. The participants in the offering must fully indemnify us and our affiliates in connection with the offering. For each proposed offering, you will pay us a non-refundable fee of Ten Thousand Dollars (\$10,000), or such greater amount as may be necessary to reimburse us for our reasonable administrative and professional costs and expenses associated with reviewing the proposed offering, including, without limitation, legal and accounting fees. You agree to provide us with written notice at least 45 days prior to the date of commencement of any offering or other transaction covered by this Section 11.10. Any

offering or other transaction covered by this Section 11.10 are subject to our right of first refusal, as set forth in Section 11.8.

### **11.11 Your Information{tc "FRANCHISEE Information"}{ TC }.**

You have the right, but not the obligation, to furnish any prospective transferee or assignee of the Franchised School or an interest in you with copies of all financial statements furnished by you to us in accordance with this Agreement during the 3 year period prior to the date the approval of the proposed assignment, transfer or sale is sought. We also have the right, but not the obligation to advise any prospective assignee of any uncured breaches or defaults by you under this Agreement, or any under other agreement relating to the Franchised School or any other material information relative to the Franchised School. We will have no liability to you or your owners for making any such disclosures to a proposed transferee or assignee. Our approval of such proposed transaction will not, however, be deemed a representation or guarantee by us that the terms and conditions of the proposed transaction are economically sound or that, if the transaction is consummated, the assignee will be capable of successfully conducting the Franchised School and no inference to such effect may be made from such approval.

## **12. TERM, RENEWAL AND TERMINATION{ TC }**

### **12.1 Initial Term{tc "Initial Term"}{ TC }.**

This Agreement is effective on the Effective Date and expires on the tenth anniversary of the Effective Date. Upon your written request, within six (6) months after the opening date of your Franchised School, we will, in our sole discretion, consider a reasonable extension or reduction of the Term to match the expiration of your lease for the premises of the Franchised School.

### **12.2 Renewal{tc "Renewal"}{ TC }.**

If you have substantially complied in all respects with the terms and conditions of this Agreement during its term, you may renew the franchise granted hereunder for unlimited, successive additional terms of ten (10) years, provided that with respect to each renewal:

(a) You must provide us written notice of your intent to renew at least six months, but not more than 12 months, before expiration of the current term;

(b) You must pay us a renewal fee of 25% of the then-current initial franchise fee for new franchisees;

(c) You sign our then-current form of franchise agreement (modified to reflect that the agreement relates to a renewal agreement), the terms of which may be materially different than this Agreement, including higher fees and a modified Designated Area (or, at your sole option, you sign an instrument extending for the duration of the renewal term, all covenants, conditions and provisions contained in this Agreement);

(d) You execute a general release in the form required by us releasing us and any of our owners, officers, affiliates and other related parties from any and all claims arising up to and through the expiration date of the initial term;

(e) You must attend and completes, to our satisfaction, any refresher training class required by us;

(f) You must not be in default of this Agreement or any other agreement between you and us or our affiliates; you must not have been in default of this Agreement or any other agreement between you and us or our affiliates on three or more occasions during the term of this Agreement regardless of whether any cure has been effectuated; and you must have satisfied all monetary and material obligations on a timely basis during the term, and you are in good standing;

(g) You must provide written proof that you maintain possession of the Premises or locate substitute Premises for the Franchised School(s) in the Designated Area approved by us;

(h) You must bring any Premises up to our then-current standards as provided in Section 5.9, which may require substantial expenditures for remodeling, redecoration and new Equipment, among others; and

(i) You must pay any amounts owed to us or any of our affiliates and Approved Suppliers.

### **12.3 Immediate Termination{tc "Immediate Termination"}{ TC }.**

We have the right to terminate this Agreement immediately upon written notice without opportunity to cure under the following circumstances:

(a) If you fail to timely open the Franchised School required in Section 6.1 of this Agreement;

(b) If you do not fulfill the initial training requirements to our satisfaction;

(c) If you abandon the Franchised School which includes but is not limited to your admission that the Franchised School has been or is about to be permanently closed prior to the expiration of the term of this Agreement or your failure, at any time during the term of this Agreement, to keep the Franchised School open as required under Section 6.1(b) of this Agreement or under any other circumstances that make it reasonable to conclude that you do not intend to continue to operate the Franchised School;

(d) If you lose your lease, fails to timely cure a default under the lease, loses the right of possession or fails to reopen or relocate under Section 5.10;

(e) If you knowingly hire any employee to work at the Franchised School who has not satisfactorily cleared a background check or allows any person you know has a history of violence or harm toward children to visit the Franchised School at any time;

(f) If you cover up any misconduct toward any child in any way connected with the Franchised School;

(g) If you are adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), or admit to your inability to meet your financial obligations as they become due, or make a disposition for the benefit of your creditors;

(h) The Franchised School or a substantial part of the assets used in the Franchised School are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder;

(i) If you or the owner of the Controlling Interest is convicted of or pleads no contest to any criminal misconduct relevant to the operation of the Franchised School or is convicted of or pleads no contest to any felony, or engages in any conduct that reflects materially and unfavorably on the operation and reputation of the Franchised School, the System or the Network;

(j) If there is a transfer or purported transfer, as defined in Section 11.2 of this Agreement, in violation of the requirements of Section 11 of this Agreement;

(k) Upon your default that is the second same or similar default within any 12-month consecutive period or the fourth default of any type within any 24-month consecutive period (whether or not corrected after notice);

(l) If you make any material misrepresentations relating to the acquisition of the Franchised School or in connection with the operation of the Franchised School, including any intentional understatement of Gross Revenue or an understatement of 2% variance on a subsequent audit within a three-year period under Section 8.3;

(m) If you fail to comply with material federal, state or local law or regulation applicable to the operation of the Franchised School;

(n) If you fail, for a period of 24 hours after receiving notice of non-compliance from us or any government or quasi-governmental agency or authority, to cure any default under this Agreement that violates any health, safety or sanitation law or regulation, violates any system standard as to cleanliness, health, safety or sanitation, or if the Franchised School presents a health or safety hazard to your customers or the public;

(o) If you fail to pay any amount due to us or any of our affiliates within 10 days after receiving written notice that payment is past due;

(p) If you or your owners violate any of the Restrictive Covenants of Article 10 of this Agreement; or

(q) If we receive or become aware of more than 6 customer complaints concerning the Franchised School, you or the Franchised School made within any 6 consecutive months.

#### **12.4 Termination After Opportunity to Cure{tc "Termination After Opportunity to Cure"}{ TC }.**

Without limiting any right of us to terminate under Section 12.3 above and subject to Section 12.5 below, we may terminate this Agreement and the rights granted hereunder effective 30 days after written notice is given to you of any material breach of any term, condition, covenant or requirement of this Agreement if such material breach is not cured within the 30 day period.

### **12.5 Termination by You{tc "Termination by FRANCHISEE"}{ TC }.**

You may terminate this Agreement only (a) with our prior written consent; or (b) upon a material breach of this Agreement by us that is not cured within 60 days after notice from you.

### **12.6 Cross Default{tc "Cross Default"}{ TC }.**

Any default by you or any of your affiliates under any other agreement with us or any of our affiliates may be deemed a default under this Agreement, and any default by you of this Agreement may be deemed a default under any and all other such agreements with us or any of our affiliates.

### **12.7 Option to Purchase Business{tc "Option to Purchase Business"}{ TC }.**

On termination, nonrenewal or expiration of this Agreement for any reason, we have the right but not the obligation to purchase the assets of the Franchised School at their fair market value, less any amounts due to us and after deduction of any amounts we may be required to pay to the landlord, Approved Suppliers or any creditors of the Franchised School to satisfy any indebtedness of you. This option may be exercised by written notice to you which may be given at any time from 30 days before through 30 days after the termination or expiration, or from such earlier time as it becomes apparent that the franchise will terminate, expire or not be renewed by you through 30 days after the termination, expiration or nonrenewal. Upon receipt of the notice, you must preserve the assets of the Franchised School and refrain from any acts or omissions that would deplete or damage the assets of the Franchised School. Assets to be transferred will include the leasehold interest in the Franchised School, furniture, fixtures, furnishings, equipment, signs, decor and inventory, telephone listings, social media names or sub-domains, and any other assets owned by you and necessary for the operation of the Franchised School. The fair market value of the Franchised School must not include any factor for the value of or goodwill generated by use of the Marks as all such value belongs to us. If we cannot agree on fair market value of the assets, it will be established by an experienced business appraiser agreed on by both parties, with each party paying one half of the appraisal fee. Failing agreement on an appraiser, each party must select and pay the fees of its own appraiser, who must be an experienced business appraiser, and fair market value will be the average of both appraisals. Any appraisal must be reasonable, made in good faith and consistent with the provisions of this Section 12.7.

### **12.8 Other Remedies.**

If we issue you a notice of default and you fail to cure such default within any applicable time period, in addition to any other remedies we may have and without waiving our right to terminate this Agreement as a result of such default, we have the right to withhold services pending any cure of the default including: (1) removing your Franchised School from any website we manage; (2) suspending access to our systems; or (3) limiting or ceasing support. You must hold us harmless with respect to any action we take pursuant to this Section 12.8; and you agree that we will not be liable for any loss, expense, or damage you incur because of any action we take

pursuant to this Section 12.8. Nothing in this Section 12.8 constitutes a waiver of any of our rights or remedies under this Agreement or any other agreement between us and you, including the right to terminate this Agreement. You agree that our exercise of our rights pursuant to this Section 12.8 will not be deemed a constructive termination of this Agreement or of any other agreement between us and you, and may not be deemed a breach of any provision of this Agreement.

### **13. POST-TERMINATION OBLIGATIONS AND RIGHTS{ TC }**

#### **13.1 Your Duties{tc "FRANCHISEE's Duties"}{ TC }.**

Upon termination, nonrenewal or expiration of this Agreement for any reason or cause, you have the following obligations, all of which are at your expense:

(a) You must immediately and completely cease any and all use of the Marks or any other name or mark or trade dress confusingly similar to any of the Marks. The foregoing includes but is not limited to the obligation to cancel all advertising and fictitious business name statements or filings that incorporate any of the Marks, refrain from any use of the Marks to identify you as a former franchisee of us or to otherwise suggest a past or present affiliation between you and us.

(b) If we or our designee are not assuming possession of the Premises, you must promptly take such action as is necessary to change the trade dress of the Premises so that it does not resemble a Tutu School.

(c) You must immediately cease using, in any manner, or for any purpose, directly or indirectly, any part of the Tutu School Methods, the System or the Confidential Information, must permanently delete all electronic files containing any such information or documentation in your possession or control, and must immediately deliver to us all physical documents including:

(i) the Operations Manual, all other manuals, bulletins, instruction sheets, and supplements thereto;

(ii) all forms, brochures, stationery, business cards and other printed matter containing any of the Marks or other devices, insignia, slogans and designs used by us or Tutu School Schools; and

(iii) the original and all copies of all Confidential Information provided to or maintained by you in all media, including without limitation, all documents, computer disks and video tapes containing Confidential Information; and

(d) You must within 5 business days pay to us or any of our affiliates all sums owed in connection with this Agreement or otherwise.

(e) You must transfer to us or any of our designees all of the telephone numbers and social media accounts you have listed under "Tutu School" in any telephone directory or other advertising;

(f) You must comply in transferring the Premises to us if we elect to assume the lease and has authority to do so under the terms of the lease; and

(g) You must comply with the provisions of Section 12.7 if we elect to exercise our option to purchase, and cooperate an orderly transition of the business to us.

### **13.2 Termination Without Prejudice{tc "Termination Without Prejudice"}{ TC }.**

The expiration or termination of this Agreement is without prejudice to the rights of either party hereto against the other party and such expiration or termination will not relieve either party of any of their obligations to the other party existing at the time of expiration or termination or terminate those obligations which expressly or by their nature, survive the expiration or termination of this Agreement.

## **14. INDEMNIFICATION, INSURANCE AND LIMITATIONS ON LIABILITY{ TC }**

### **14.1 Indemnification by You{tc "Indemnification by FRANCHISEE"}{ TC }.**

We have no liability for, and you must indemnify and hold us harmless against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorney's fees), damages, liabilities, assessments, taxes (other than our income taxes) that we may incur or suffer arising out of: (i) your breach of this Agreement; (ii) the acts, omissions, negligence or intentional misconduct of you or your owners, employees, contractors or agents; (iii) the operation of the Franchised School or (iv) your failure to comply with any law or regulation or failure to perform any obligation or pay any debt. It is the intention of the parties to this Agreement that we should not be deemed a joint employer with you for any reason; however, if we incur any cost, loss or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for any such loss.

### **14.2 Indemnification by Us{tc "Indemnification by FRANCHISOR"}{ TC }.**

Subject to the limitations expressly set forth in this Agreement, we will indemnify and hold you harmless against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorney's fees), damages or liabilities that you may incur or suffer arising out of our gross negligence or willful misconduct.

### **14.3 Insurance{tc "Insurance"}{ TC }.**

You must maintain in full force and effect throughout the term of this Agreement that insurance which you determine is necessary or appropriate for liabilities caused by or occurring in connection with the development or operation of the Franchised School. Such insurance must include, at a minimum:

(a) General Liability Insurance: (i) general liability coverage, including personal and advertising injury, of \$1,000,000 per occurrence and \$2,000,000 in the aggregate (per location); (ii) damage to premises rented to you and/or fire damage legal liability of not less than \$300,000; (iii) medical payments must be included (if the primary insurance provider will not offer participant medical expenses, a supplemental participant accident policy is required); (iv)

additional insured, grantor of franchise, endorsement in the name of us; and (v) a waiver of subrogation in favor of us.

(b) Professional Liability Insurance: If owner, employees or independent contractors are professionally licensed in any capacity related to the business operations, professional liability coverage is required at a limit no less than \$1,000,000 each professional incident and \$1,000,000 in the aggregate; additional insured endorsement in the name of us.

(c) Auto Liability Insurance: hired and non-owned auto liability coverage of \$1,000,000 CSL; owned auto coverage included (as applicable) with a limit no less than \$1,000,000 CSL; additional insured endorsement in the name of us; a waiver of subrogation in favor of us.

(d) Umbrella Liability Insurance: minimum umbrella liability limit of \$1,000,000 per occurrence and \$1,000,000 in the aggregate (for one to four locations); 5-14 owned locations requires \$2,000,000 umbrella liability; 15-29 locations requires \$3,000,000 umbrella liability; 30+ owned locations requires \$5,000,000 umbrella liability; additional insured, grantor of franchise in the name of us; waiver of subrogation in favor of us; Umbrella liability must go over the general liability and auto liability (and is recommended to go over employers liability).

(e) Property Insurance: business income and extra expense coverage of at least 12 months income replacement; business personal property and tenant improvements and betterments at full replacement cost; special causes of loss form required.

(f) Workers Compensation and Employers Liability Insurance: workers compensation per state statutes; employers liability of at least \$1,000,000 each accident, \$1,000,000 each employee, \$1,000,000 policy limit; waiver of subrogation in favor of us.

(g) Recommended Coverages: Additional recommended (but not currently required) coverages are: (i) sexual or physical misconduct of \$100,000 each incident, \$300,000 aggregate; (ii) Employment Practices Liability Coverage with minimum limit of \$500,000 per claim (1-4 locations), \$1,000,000 (5-14 locations), \$2,000,000 (15-29 locations), \$3,000,000 (30+ locations), first and third party coverages, wage and hour defense sublimit of at least \$25,000, join employer co-defense language for us; and (iii) cyber liability/data privacy coverage with minimum limit of \$1,000,000, including first and third party coverage and cyber business interruption.

All insurance policies must be written by an insurance company or companies satisfactory to us (generally, companies with an AM Best rating of A- or better and licensed in your state) and must be on an occurrence basis, unless occurrence basis is unavailable. The required insurance coverage must commence as of the date the lease has been signed for your Authorized Location. You must deliver to us at commencement and thereafter annually or at our request a proper certificate, endorsement, or other documentation as we require evidencing the existence of such insurance coverage and your compliance with the provisions of this Section. The insurance certificate or endorsement must show all required Additional Insureds (as noted above) and provide that we will be given 30 days' prior written notice of material change in or termination or cancellation of the policy. We also may request copies of all policies. We may modify the required minimum limits from time to time and by written notice to you, as conditions require, to reflect changes in relevant circumstances, industry standards, experiences in the Tutu School Network,

standards of liability and higher damage awards. If you do not procure and maintain the insurance coverage required by this Agreement, we have the right, but not the obligation, to procure insurance coverage and to charge the same to you, together with a reasonable fee for the expenses we incur in doing so, payable by you immediately upon notice. You acknowledge that the foregoing minimum insurance requirements do not constitute advice or a representation that such coverages are necessary or adequate to protect you from losses in connection with your School. Nothing in this Agreement prevents or restricts you from acquiring and maintaining insurance with higher policy limits or lower deductibles than we require.

## **15. MISCELLANEOUS{ TC }**

### **15.1 Relationship of the Parties{tc "Relationship of the Parties"}{ TC }.**

You and us are independent contractors. No fiduciary, employment, joint venture, agency or partnership relationship is created by or will be implied from this Agreement. Neither us nor you may make any agreements, representations or warranties in the name of or on behalf of the other, nor represent that their relationship is other than an independent contractor, franchise relationship. You are responsible for the day-to-day operations of the Franchised School and for all decisions about its operations, subject only to the quality standards and other requirements of this Agreement. You must at all times identify yourself as an independently owned franchise of us in all of your business dealings and to the general public. We may require you to display notices at the Premises, on invoices, brochures or other materials, that the Franchised School is an independently owned and operated business by you.

### **15.2 Our Right To Cure Defaults{tc "FRANCHISOR's Right To Cure Defaults"}{ TC }.**

In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breaches any term or condition of this Agreement or any related agreement, we may, at your election, following 10 days written notice to you, without waiving any claim for breach hereunder and without further notice to you, cure such default for the account and on behalf of you, and the cost to us thereof will be due and payable on demand and will be deemed to be additional compensation due to us hereunder and will be added to the amount of compensation next accruing hereunder, at the election of us.

### **15.3 Waiver and Delay{tc "Waiver and Delay"}{ TC }.**

No waiver by either party of any breach or series of breaches or defaults in performance by the other party and no failure, refusal or neglect of either party to exercise any right, power or option given to it hereunder or to insist upon strict compliance with or performance of the other party's obligations under this Agreement or the Operations Manual, will constitute a waiver of the provisions of this Agreement or the Operations Manual with respect to any subsequent breach thereof or a waiver by such party of your right at any time thereafter to require exact and strict compliance with the provisions thereof. No waiver of any provision of this Agreement is effective unless it is in a writing signed by the party whose rights are being waived.

## **15.4 Force Majeure{tc "Force Majeure"}{ TC }.**

Neither us nor you will be in breach of this Agreement for any failure to perform any obligations or requirements of this Agreement that results from fire, flood, earthquake, or other act of nature, war, terrorists, riots, insurrection, labor strike, power or water outages (other than for reason of nonpayment by you) or government shutdown provided that these events will excuse or extend the time for performance only as reasonably necessary. However, no such causes excuse prompt payment of amounts due or owed.

## **15.5 Survival of Covenants{tc "Survival of Covenants"}{ TC }.**

The covenants contained in this Agreement, which, by their terms, require performance by the parties after the expiration, or termination of this Agreement, will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

## **15.6 Successors and Assigns{tc "Successors and Assigns"}{ TC }.**

This Agreement is binding upon and inure to the benefit of the successors and assigns of us and you, subject to the restrictions on transfers contained herein.

## **15.7 Joint and Several Liability{tc "Joint and Several Liability"}{ TC }.**

If you or the Franchised School is owned by more than one (1) person or entity, or a combination thereof, the obligations and liabilities of each such persons or entities to us hereunder are joint and several.

## **15.8 Governing Law{tc "Governing Law, Venue, Jurisdiction and Dispute Resolution"}, Venue, Arbitration and Dispute Resolution{ TC }.**

(a) Subject to our rights under federal trademark laws and the parties' rights under the Federal Arbitration Act, all claims arising out of or relating to this Agreement and the parties' relationship will be governed by, and will be interpreted in accordance with the substantive laws of the state of Illinois (irrespective of any conflicts of laws); provided that the Illinois Franchise Disclosure Act and any other law or regulation applicable to the offer or sale of franchises or the franchise relationship will only apply if the jurisdictional provisions of the law are otherwise met.

(b) Dispute Resolution Procedures.

(i) Mediation. Except as otherwise stated in this Section 15.8(b)(i), the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between us and you, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within 15 days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, at our corporate headquarters (currently in Chicago, Illinois). The costs and

expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within 90 days after conferring with the mediator, either party may submit such claim, controversy or dispute to arbitration under Section 15.8(b)(i) below. Either party may bring an action under the applicable provisions of this Section 15.8 without first submitting the action to mediation under this Section 15.8(b)(i): (i) for monies owed, (ii) for injunctive relief, or (iii) involving the possession or disposition of, or other relief relating to, real property.

(ii) Arbitration. Except to the extent we elect to enforce the provisions of this Agreement by injunction as provided in Section 15.8(b)(iii) below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 15.8(b)(i) above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the Chicago, Illinois. The arbitration will be on an individual basis only and not consolidated with any other proceeding, and you agree not to seek joinder of any of your claims with those of any other parties. The arbitrator(s) shall have no authority to select a different hearing locale for the arbitration. The arbitrator(s) will have a minimum of 5 years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. As part of the arbitration proceedings, each party agrees to submit no more than 25 interrogatories or to conduct no more than 4 depositions during the course of discovery, should discovery be ordered by the arbitrator(s). The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by us. This Section 15.8(b)(ii) will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof.

(iii) Injunctive Relief. Notwithstanding Sections 15.8(i) and (ii) above, you recognize that a single franchisee's failure to comply with the terms of this Agreement could cause irreparable damage to us and/or to some or all other Schools. Therefore, if you breach or threaten to breach any of the terms of this Agreement, we will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

(iv) Attorneys' Fees. The nonprevailing party will pay all costs, expenses and interest, including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

(v) Venue. Any claims, controversies or disputes arising out of or related to this Agreement that are not subject to arbitration as provided above, must be brought in the Federal District Court for the district of our then-current headquarters (currently, the Northern District of Illinois) or in the state district court having jurisdiction over our corporate headquarters (currently, Cook County District Court, Chicago, Illinois). We also have the right to file any such suit against you in the federal or state court where the Franchised School is located. We and you irrevocably consent to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue. The provisions of this Section 15.8 will survive the termination of this Agreement.

### **15.9 Interpretation of Rights and Obligations.**

Whenever this Agreement provides that we have a certain right, that right is absolute and the parties intend that our exercise of that right will not be subject to any limitation or review. We have the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement, although this right does not modify express limitations set forth in this Agreement. Whenever we reserve discretion in a particular area or where we agree to exercise our rights reasonably or in good faith, we will satisfy our obligations whenever we exercise Reasonable Business Judgment in making our decision or exercising our rights. Our decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended, in whole or significant part, to promote or benefit the Network generally even if the decision or action also promotes our financial or other individual interest. Examples of items that will promote or benefit the Network include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

### **15.10 Entire Agreement{tc "Entire Agreement"}{ TC }.**

This Agreement is the complete expression of the agreement made by us and you as to the subject matter hereof. Any other agreements, promises, representations or understandings between the parties are expressly superseded hereby and merged herein. Nothing in the Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. No officer or employee or agent of us have any authority to make any representation or promise not contained in this Agreement and you agree that it has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by you and us.

### **15.11 No Warranty of Success{tc "No Warranty of Success"}{ TC }.**

We do not represent and have not promised that you will or are likely to be successful in or realize any profits from the operation of the Franchised School. You acknowledge and agree that the success or failure or profitability of the Franchised School is dependent on your efforts and business acumen and on other factors that are not within our control. We do not make any representations or warranties concerning current or continuing consumer acceptance of or market demand for the Approved Services or the retail services provided by the Franchised School.

## 15.12 Titles for Convenience{tc "Titles for Convenience"}{ TC }.

Article and section titles used in this Agreement are for convenience only and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

### 15.13 Counterparts{tc "Counterparts"}{ TC }.

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same instrument.

## 15.14 Notices{tc "Notices"}{ TC }.

All notices given under or in connection with this Agreement must be in writing and sent by reliable overnight courier such as Federal Express or by email with the original to follow immediately by reliable overnight courier, and sent to the principal business address of the receiving party, the current addresses being noted as follows:

If to you: The address for notices on the Summary Page  
The email of the Operating Principal

If to us: TUTU SCHOOL FRANCHISES, LLC  
c/o Genevieve Weeks  
3717 North Ravenswood Avenue, #237,  
Chicago, IL 60613  
Email: [genevieve@tutuschool.com](mailto:genevieve@tutuschool.com)

## 16. ACKNOWLEDGEMENTS{ TC }

By signing this Agreement, you make the following representations:

You have thoroughly read this Agreement and the Uniform Franchise Disclosure Document provided to you and has had an opportunity to consult with legal counsel and ask us about any provision that you have not fully understood.

We have provided to you a copy of this Agreement and all related documents you must execute, and that these documents were fully completed, and provided by us at least 7 business days prior to the signing of said agreements.

You understand and accept the terms, conditions and covenants contained in this Agreement as reasonable and necessary to maintain our high standards of quality and service, and to maintain the uniformity of those standards at all Schools in the Network, and to protect and preserve the goodwill of the Marks.

You have conducted an independent investigation of the investment in a Tutu School franchise and has conducted an independent investigation of the market in which the Franchised School will operate.

You understand that the Franchised School involves business risk, and that the success of this business venture is primarily dependent on your business abilities and efforts, including your ability to develop successful marketing techniques and customer relations.

You have not received or relied on any guaranty, express or implied, as to the revenues, profits, or likelihood of success of the Franchised School. You acknowledge that there have been no representations by us or our employees, or agents that are not contained in, or consistent with, the statements made in the Uniform Franchise Disclosure Document or with the provisions of this Agreement.

You acknowledge that all owners, members, executives, employees and agents of us have acted and will act only in a representative capacity in relation to this Agreement and that Agreement is being made by us and not by any such individuals in a personal capacity.

All information that you have provided to us in any franchise application, financial statements or other documents you have supplied to us to substantiate your qualifications to become a franchisee are accurate and no misrepresentations have been made therein. Neither You nor any natural person affiliated with it is subject to any restriction on their ability to work with children.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective duly authorized representatives, as set forth below.

**Franchisor/We**

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

Name: Genevieve Weeks

Title: President

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

**Franchisee/Your**

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

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

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

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

**Franchisee/You**

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

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

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

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

**EXHIBIT A**  
**THE MARKS**

TUTU SCHOOL®



## EXHIBIT B

1. The Designated Area is described as follows or is depicted on the map or maps attached hereto:

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### **Franchisor**

By: \_\_\_\_\_  
Name: Genevieve Weeks  
Title: President  
Date: \_\_\_\_\_

### **Franchisee**

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

### **Franchisee**

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

**EXHIBIT C**  
**OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS**

In consideration of the execution of the Franchise Agreement by us, and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Franchise Agreement, to be paid, kept and performed by the franchisee, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Franchise Agreement, including but not limited to the non-compete provisions in subparagraph 10.D, and agree that this Personal Guarantee will be construed as though the undersigned and each of them executed a Franchise Agreement containing the identical terms and conditions of this Franchise Agreement.

The undersigned waives: (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; and (3) any right he/she may have to require that an action be brought against the franchisee or any other person as a condition of liability.

In addition, the undersigned consents and agrees that: (1) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the franchisee or any other person; and (2) such liability will not be diminished, relieved or otherwise affected by franchisee's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Franchise Agreement, or the amendment or extension of the Franchise Agreement with or without notice to the undersigned.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee will inure to the benefit of our successors and assigns.

Franchisee: \_\_\_\_\_

**PERSONAL GUARANTORS:**

Individually \_\_\_\_\_

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

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_

Individually \_\_\_\_\_

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

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_

Individually \_\_\_\_\_

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

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_

Individually \_\_\_\_\_

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

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Telephone \_\_\_\_\_

**EXHIBIT D**  
**SPOUSAL CONSENT AND WAIVER**

The undersigned (“Spouse”) hereby represents that he/she is a \_\_\_\_\_ [state] resident and is the spouse of \_\_\_\_\_ (“Franchise Owner”). Spouse acknowledges and understands that, contemporaneously herewith, Franchise Owner, or a corporation, partnership or limited liability company in which Franchise Owner is a principal owner (the “Franchisee”), will be entering into a Franchise Agreement with Tutu School Franchises LLC (“Franchisor”, “we”, “our” or “us”, ) to acquire a Tutu School franchise and operate a Tutu School business. Spouse hereby consents to this transaction and waives any right, now or in the future, to assert a community property or quasi community property interest in the franchise, the Franchise Agreement, the Tutu School store or in the Franchisee. Spouse understands that in the absence of this Spousal Consent and Waiver, Franchisor, as a condition of granting the Tutu School franchise to Franchise Owner, would have required Spouse to personally enter into the Franchise Agreement or to execute a personal guaranty of all of Franchisee’s obligations under the Franchise Agreement. Spouse represents and agrees that the waiver of this condition by us is sufficient consideration for this Spousal Consent and Waiver. Spouse understands that if Spouse did not wish to provide this Spousal Consent and Waiver, Spouse could have agreed to personally execute the Franchise Agreement or the personal guaranty. Spouse hereby represents and acknowledges that Spouse knowingly and deliberately elected not to do so and to instead provide this Spousal Consent and Waiver. If notwithstanding this Spousal Consent and Waiver, Spouse claims or is awarded in a legal action a community property interest, quasi community property interest or other ownership interest in the franchise, the Franchise Agreement, the Tutu School business or in Franchisee, other than by way of a transfer approved in writing by us as provided in the Franchise Agreement, Spouse hereby agrees, without further action or execution of further instruments, to be personally bound by all of the terms of the Franchise Agreement and to be liable for the performance of all obligations thereunder.

**Spouse**

Dated: \_\_\_\_\_

## EXHIBIT E

### Lease Addendum

This Lease Addendum ("Addendum"), dated \_\_\_\_\_, 20\_\_\_\_\_, is entered into between \_\_\_\_\_ ("Landlord") and \_\_\_\_\_ ("Tenant").

#### RECITALS

- A. The parties have entered into a Lease Agreement, dated \_\_\_\_\_, 20\_\_\_\_\_, (the "Lease"), pertaining to the premises located at \_\_\_\_\_ (the "Premises").
- B. The Landlord acknowledges that Tenant intends to operate a "Tutu School" business ("School") from the Premises pursuant to Tenant's Franchise Agreement ("Franchise Agreement") with Tutu School Franchises LLC ("Franchisor"), whereby Tenant will use the "Tutu School" name and the "Tutu School" Marks as Franchisor may designate in the operation of the School at the Premises.
- C. Landlord further acknowledges that Franchisor has approved Tenant's request to locate its Store on the Premises that is the subject of the Lease, provided that the conditions and agreements set forth in this Addendum are made a part of the Lease.

#### AGREEMENTS

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree to amend the Lease as follows:

1. Remodeling and Decor. Landlord agrees to allow Tenant to remodel, equip, paint and decorate the interior of the Premises and to display such Marks and signs on the interior and exterior of the Premises as Tenant is reasonably required to do pursuant to the Franchise Agreement and any renewal Franchise Agreement under which Tenant may operate a School on the Premises. Any remodel of the building and/or its signs will be subject to Landlord's prior and reasonable approval.
2. Assignment By Tenant. Tenant does not have the right to sublease or assign the Lease to any third party without Landlord's and Franchisor's written approval. So long as Tenant is in good standing under the Lease, Tenant has the right to assign all of its right, title and interest in the Lease to Franchisor or its affiliates during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Franchisor or its designated affiliate gives Landlord written notice of its acceptance of the assignment. If Franchisor elects to assume the lease under this paragraph or unilaterally assumes the lease as provided for in subparagraphs 3(c) or 4(a), Landlord and Tenant agree that (i) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to the date of assignment and assumption, and (ii) Franchisor will have the right to sublease the Premises to another Tutu School franchisee, without further need for Landlord approval, provided the franchisee agrees to operate the

School as a Tutu School pursuant to a franchise agreement with Franchisor. Franchisor will be responsible for the lease obligations incurred after the effective date of assignment unless otherwise agreed in writing with Landlord. If Franchisor elects to assume the Lease, Franchisor will not be required to begin paying rent until Landlord delivers possession of the Premises to the Franchisor. At any time until the Landlord delivers possession of the Premises, Franchisor will have the right to rescind the election to assume by written notice to Landlord.

3. Default and Notices to Franchisor.

- a. If there is a default or violation by Tenant under the terms of the Lease, Landlord agrees to give Tenant and Franchisor written notice of such default or violation within a reasonable time after Landlord knows of its occurrence. Landlord agrees to provide Franchisor the written notice of default as written and on the same day as Landlord gives it to Tenant. Although Franchisor is under no obligation to cure the default, Franchisor will notify Landlord it intends to cure the default and unilaterally assume Tenant's interest in the lease as provided in paragraph 3(c). Franchisor will have an additional 15 days from the expiration of Tenant's cure period in which to cure the default or violation.
- b. All notices to Franchisor must be sent by registered or certified mail, postage prepaid, to the following address: 3717 North Ravenswood Avenue, #237, Chicago, IL 60613. Franchisor may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees to notify Tenant and Franchisor of any change in Landlord's mailing address to which notices should be sent.
- c. Upon Tenant's default and failure to cure a default under either the Lease or the Franchise Agreement, Franchisor has the right (but not the obligation) to unilaterally assume Tenant's interest in the Lease in accordance with Paragraph 2.

4. Termination of Franchise Agreement: Expiration or Non-Renewal of Lease.

- a. Upon the expiration or termination of the Franchise Agreement, Franchisor has the right (but not the obligation) to unilaterally assume Tenant's interest in the Lease in accordance with paragraph 2.
- b. Upon the expiration or termination of the Lease, if Franchisor does not assume Tenant's interest in the Lease, Landlord agrees to cooperate and allow Franchisor to enter the Premises, without cost and without being guilty of trespass and without incurring any liability to Landlord (except for any damages caused by Franchisor's willful misconduct or gross negligence), to remove all signs and all other items identifying the Premises as a Tutu School franchise and to make such other modifications as are reasonably necessary to protect the marks and system, and to distinguish the Premises from Tutu School locations. If Franchisor exercises its option to purchase assets of Tenant under the Franchise Agreement, Landlord agrees to permit Franchisor to remove all such assets being purchased by Franchisor.

5. Access to Premises During Lease. As provided in the Franchise Agreement, Franchisor will have the right to access the Premises during continuance of the Lease to ensure compliance by Tenant with its obligations under the Franchise Agreement.
6. Additional Provisions.
  - a. Landlord hereby acknowledges that the provisions of this Addendum to Lease are required pursuant to the Franchise Agreement under which Tenant plans to operate its business and the Tenant would not lease the Premises without this Addendum.
  - b. Landlord further acknowledges that Tenant is not an agent or employee of Franchisor and the Tenant has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Franchisor or any affiliate of Franchisor, and that Landlord has entered into this Addendum to Lease with full understanding that it creates no duties, obligations or liability of or against Franchisor or any affiliate of Franchisor, unless and until the Lease is assigned to, and accepted in writing by, Franchisor.
7. Conflicts. In the event of a conflict between the terms of the Lease and the terms set forth in this Addendum, the terms set forth herein will govern. In the event of a conflict between notices provided to Landlord by Tenant and Franchisor, the notices of Franchisor will prevail.
8. Modification. No amendment or variation of the terms of this Addendum is valid unless made in writing and signed by the parties and the parties have obtained Franchisor's written consent.
9. Miscellaneous. Franchisor is a third party beneficiary of this Addendum, with independent rights of enforcement. References to the Lease and to the Franchise Agreement include all amendments, addenda, extensions and renewals to the documents. References to Landlord, Tenant and Franchisor include the successors and assigns of each of the parties.

IN WITNESS WHEREOF, this Addendum is made and entered into by the undersigned parties as of \_\_\_\_\_, \_\_\_\_\_.

Tenant/Franchisee:

Landlord:

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Name:

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Name:

Title:

Title:

**EXHIBIT B-1 TO THE  
TUTU SCHOOL FRANCHISES LLC  
DISCLOSURE DOCUMENT**

**FRANCHISE APPLICATION**

## **TUTU SCHOOL FRANCHISE APPLICATION**

I am applying to become a Tutu School franchisee. I certify that all of the following information is true:

### **CONTACT INFORMATION**

Name \_\_\_\_\_

Present  
Address \_\_\_\_\_

Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home Phone \_\_\_\_\_ Work Phone \_\_\_\_\_ Cell Phone \_\_\_\_\_

Email Address \_\_\_\_\_

How Long at  
Present Address? \_\_\_\_\_ Rent  Own

If Renting, Name and contact information of Landlord \_\_\_\_\_

Previous Address \_\_\_\_\_

Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

### **EMPLOYMENT & EDUCATION**

Current Employer \_\_\_\_\_

Address \_\_\_\_\_ Phone \_\_\_\_\_

Position \_\_\_\_\_ Date of Hire \_\_\_\_\_

Education Level \_\_\_\_\_ Degree \_\_\_\_\_

Name of College \_\_\_\_\_

### **PRIOR EMPLOYMENT EXPERIENCE**

(Attach a resume, if available)

Business Name	City	Position	Date of Hire
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

## BACKGROUND INFORMATION

(Attach additional pages if necessary)

Are you a trained dancer?  Yes  No  
If yes, please explain \_\_\_\_\_

Do you have any experience or education in teaching children?  Yes  No  
If yes, please explain \_\_\_\_\_

Have you ever been a franchisee of any other company?  Yes  No  
If so, what company and dates? \_\_\_\_\_

Have you ever owned your own business or been self-employed?  Yes  No  
If yes, please explain \_\_\_\_\_

Do you plan to be the full-time operator/manager of this business?  Yes  No  
If not, have you identified a manager?  Yes  No  
If yes, provide contact information or details \_\_\_\_\_

If you do not intend to be the full-time operator/manager, what will you do with the majority of your time? \_\_\_\_\_

Who will teach at your Tutu School? \_\_\_\_\_  
Do the above individuals have dance training experience?  Yes  No  
If yes, please explain \_\_\_\_\_  
Do the above individuals have child development or education training?  Yes  No  
If yes, please explain \_\_\_\_\_

How did you hear about Tutu School? \_\_\_\_\_  
Why do you want to become a Tutu School franchisee?  
\_\_\_\_\_  
\_\_\_\_\_

What in your background or experience qualifies you to become a Tutu School franchisee?  
\_\_\_\_\_  
\_\_\_\_\_

How do you expect that becoming a franchisee will help you achieve your business and personal goals?  
\_\_\_\_\_  
\_\_\_\_\_

### **BACKGROUND CHECK INFORMATION**

(Please answer for yourself and all business partners, instructors and managers listed in this application)

Have you ever used any name(s) other than what appears above?  Yes  No

Do you have any criminal convictions (felonies or misdemeanors)?  Yes  No

Have you ever been accused or convicted of any kind of inappropriate conduct involving a child?

Yes  No

Are you required to register as a sex offender in any state, country or jurisdiction?  Yes  No

Have you ever been evicted from either residential or commercial property?  Yes  No

Have you ever declared bankruptcy?  Yes  No

Have you ever been sued for fraud, unfair competition, breach of contract, theft or conversion?

Yes  No

If you answered yes to any question, please provide details \_\_\_\_\_

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### **YOUR DESIRED FRANCHISE**

Location Preference: 1<sup>st</sup> Choice \_\_\_\_\_ 2<sup>nd</sup> Choice \_\_\_\_\_

Planned date to open franchise: \_\_\_\_\_

Available Capital to Invest \_\_\_\_\_

Source of available capital (income, savings, loans, gifts, etc.) \_\_\_\_\_

Will you have to repay your capital investment?  Yes  No

If yes, please provide details \_\_\_\_\_

Will you have a business partner?  Yes  No

Name of Partner \_\_\_\_\_

Will your business partner be active in the business?  Yes  No

Will an existing business entity become the franchisee?  Yes  No

If yes, please provide details \_\_\_\_\_

**EXHIBIT C TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**AREA DEVELOPMENT AGREEMENT**

## TUTU SCHOOL AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is entered into effective as of the Effective Date (defined below) by and between **Tutu School Franchises, LLC**, an Illinois limited liability company (“**Company**”, “**Tutu School**”, “**we**” or “**our**”); and the individual or entity identified on the signature page (“**Developer**” or “**you**”).

### RECITALS

- A. Tutu School and its affiliates have developed a proprietary business format and system (“**System**”) for operating ballet schools (“**Schools**”) offering children’s ballet and movement classes and other authorized services and products, and use of proprietary and confidential information.
- B. Schools operating under the System are identified by the trade name and service mark “TUTU SCHOOL” and other trademarks, service marks and trade identifiers designated by Company (“**Marks**”).
- C. Developer desires to develop, own and operate multiple Schools.

### AGREEMENT

NOW, THEREFORE, in consideration of the covenants and promises contained herein, the sufficiency of which is hereby acknowledged by each of the parties, Company and Developer hereby agree as follows:

#### ARTICLE 1

##### GRANT OF DEVELOPMENT RIGHTS; RESERVATION OF RIGHTS{ Tc “2. License Granted; Development Rights” \F C \L “1” }

1.1 Grant of Development Rights. Tutu School hereby grants to Developer, subject to the terms and conditions of this Agreement, the right and license to develop a specified number of Schools within the Development Area (defined below). Developer must develop and open the Schools according to the Development Schedule in Exhibit A. Each School to be developed hereunder must be established and operated pursuant to a Franchise Agreement, as further described in Article 1.5 below. This Agreement is not a franchise agreement and Developer will have no right to use the Marks in any manner by virtue hereof unless and until a franchise agreement for each Schools is executed by Developer and Tutu School. Developer may not franchise or subfranchise its rights under this Agreement, but may designate a wholly-owned subsidiary or to be the franchisee for any School to be developed hereunder.

1.2 Area Development Fee. As a condition to the effectiveness of this Agreement, Developer must pay Tutu School a non-refundable Development Fee in the amount reflected in Exhibit A, due upon execution of this Agreement.

1.3 Development Area. The development area (“**Development Area**”) is the geographic area identified on Exhibit A.

1.4 Scope of Exclusivity; Reservation of Rights. Subject to the terms of this Agreement, Tutu School agrees that it will not license to another person or entity the right to establish and operate new Tutu School locations physically within the Development Area during the Term, except that Tutu School reserves all rights that are not expressly contrary to the rights granted to Developer, without compensation to Developer, including the following rights: (a) to own and operate or franchise any Schools or other Competitive Businesses at any locations outside of the Development Area regardless of proximity to the Development Area; (b) to own and operate businesses that are not Competitive Businesses within and outside the Development Area; (c) to participate in trade shows, franchise trade shows, and other marketing events to promote or increase awareness of the Tutu School System; (d) to offer to sell, sell and distribute, any products or services associated with the Tutu School System (now or in the future) or

identified by the Marks, or any other trademarks, services marks or trade names, through any distribution channels or methods (including without limitation retail stores, wholesale and the internet); and (d) the right to merge with, acquire or become associated with a multi-unit brand (through a stock purchase, asset purchase, merger or otherwise) in which case Tutu School or its affiliate may operate, franchise or license the operation of the acquired brand (whether a Competitive Business or not) within and outside the Development Area. A “Competitive Business” is one that offers products or services that are substantially similar to the Schools.

1.5 Franchise Agreements. Unless Developer is an existing franchisee with a current franchise agreement in effect, Developer must sign its first Franchise Agreement in connection with signing this Agreement. Developer (or its designated wholly-owned subsidiary) must execute the then-current form of Franchise Agreement for each additional School to be established pursuant to this Agreement, provided that (a) the per location amount of the Development Fee noted in Section 1.2 and paid by Developer will be deducted from the Initial Franchise Fee due for the corresponding Franchise Agreement; and (b) for all timely developed locations, the Initial Franchise Fee will be reduced as reflected on Exhibit A. All future Franchise Agreements must be executed on the earlier of (a) the deadline under the Development Schedule, (b) lease signing; or (c) School opening.

1.6 Site Selection. Developer must find a proposed site for the School which it reasonably believes to conform to the Tutu School site selection criteria (as modified by us from time to time) and submit to Tutu School a complete site report (containing such demographic, commercial, and other information and photographs as Tutu School may reasonably require) for such site. Developer must receive written consent to the proposed site. Tutu School agrees not to unreasonably withhold consent to a proposed site. In approving or disapproving any proposed site, Tutu School will consider such matters as it deems material, including demographic characteristics of the proposed site, traffic patterns, visibility, business mix, parking, layout and dimensions of location, physical characteristics of the site, and other commercial characteristics (including the purchase or lease obligations for the proposed site). Tutu School may conduct on-site evaluations, as it deems advisable, as part of the evaluation of the site for the School. Tutu School reserves the right to charge its then-current site evaluation fee for each on-site evaluation it conducts. Tutu School’s review and approval of a prospective site or the rendering of assistance in the selection of a site for a School does not in any manner constitute a representation, promise or guarantee by Tutu School that a School operated at that site will be profitable or otherwise successful. Developer remains responsible for all costs, liability, expenses, and responsibility for locating, obtaining, and developing sites for Schools.

1.7 Continuing Qualification. Developer’s right to open additional Schools as provided in this Agreement is subject to Developer’s continuing qualification for a Tutu School franchise as follows: (a) Developer must not be in default of this Agreement, any Franchise Agreement entered into pursuant to this Agreement or any other agreement between Developer and any of Developer’s affiliates and Tutu School or any of its affiliates; (b) Developer must have satisfied, on a timely basis, all monetary and other material obligations under the Franchise Agreements for all Developer’s existing Schools; (c) Developer must furnish to us, at least 60 days prior to the earlier of (i) the opening due date set forth in the Development Schedule or (ii) the actual date on which the Franchise Agreement would be executed, financial statements and other information regarding Developer and the operation of the proposed School (including, without limitation, investment and financing plans for the proposed School) as Tutu School may reasonably require; and (d) Developer must receive written confirmation from Tutu School that Developer meet the then-current standards for franchisees, including the financial capability criteria for the development of a new School.

1.8 Ownership; Guarantee. Developer represents and warrants that the ownership information outlined in Exhibit B is true, correct and complete. If Developer is a corporation, partnership, limited liability company, partnership or other legal entity, all of Developer’s owners must execute the form of undertaking and guarantee attached as Exhibit C to this Agreement. Any person or entity that at any time after the date of this Agreement becomes an owner must also execute the form of undertaking and guarantee.

**ARTICLE 2**  
**TERM AND TERMINATION**{ Tc “8. Default And Termination” \F C \L “1” }

2.1. **Term.** Unless sooner terminated as provided herein, the term of this Agreement will expire on the earlier of (a) the opening due date for the last School to be developed in accordance with the Development Schedule; or (b) the date the last School to be developed under this Agreement opens for business (the “**Term**”).

2.2 **Default and Termination.** If Developer fails to comply with any of the terms of this Agreement or any Franchise Agreement with Company to which Developer or an approved related entity have an interest, upon expiration of any applicable cure period, Company has the right to terminate this Agreement without the need to obtain a judicial or arbitral resolutions and without any responsibility for Company, by means of simple written notice to Developer. Without waiving any rights afforded to Company under this Agreement or any Franchise Agreement in which Developer (or its approved affiliates) own or hold any interest, Company has the discretionary right, but no obligation, to do any one or more of the following: (a) terminate or reduce the size of the Development Area, (b) terminate this Agreement as provided above, or (c) exercise any other rights and remedies which Company may have under this Agreement or applicable law.

2.3 **Effect of Expiration or Termination.** Upon expiration or termination of this Agreement for any reason: (a) all remaining rights granted Developer to establish Schools under this Agreement automatically revert to Company, without any responsibility for Company; (b) Developer will have no right to establish or operate any School for which a Franchise Agreement has not been executed by Company before the effective date of the expiration or termination; and (c) Developer and Company’s rights and obligations with respect to the existing Schools will be governed by the terms of the applicable Franchise Agreements unless there also exists a basis or cause to terminate the applicable Franchise Agreement for a School.

**ARTICLE 3**  
**TRANSFER AND ASSIGNMENT OF DEVELOPMENT AGREEMENT**{ Tc “9. Transfer And Assignment Of Development Agreement” \F C \L “1” }

3.1 **Assignment by Company.** This Agreement and all rights hereunder may be unilaterally assigned and transferred by Company without the need to obtain the consent of Developer and, if so assigned, is binding upon and inure to the benefit of Company’s successors and assigns. The assignee will be required to fully perform all of Company’s obligations under this Agreement and expressly assume and agree to perform such obligations. Developer hereby consents to such assignment and agrees that upon notice of such assignment from Company and/or its assignee, the assignee will be solely responsible to Developer for the Company’s obligations under this Agreement.

3.2 **Assignment by Developer.** Neither Developer nor any partner or shareholder thereof may, without Company’s prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in any School (collectively referred to as “Transfer”) or in Developer, unless Developer obtains Company’s prior written consent and Developer transfers all of its rights and interest under this Agreement and all Franchise Agreements for Schools in the Development Area. Upon any Transfer, the Base Initial Franchise Fee reflected in Exhibit A will re-set to the then-current initial franchise fee then being offered to new franchisees. Developer acknowledges and agrees that it cannot Transfer its rights under this Agreement independent of its rights under the Franchise Agreements. Accordingly, the assignment terms and conditions of the Franchise Agreements apply to any Transfer of Developer’s rights and interest under this Agreement, including the payment of transfer fees and Company’s right of first refusal. Furthermore, the transferee must demonstrate to Company’s satisfaction that he, she or it meets the Company’s managerial, financial, and business standards, possesses a good business reputation and credit rating, and possesses the aptitude and ability to operate the Clubs required to be opened and operating pursuant to this Agreement in an

economic and businesslike manner. Any such proposed Transfer occurring by operation of law or otherwise, including any assignment by or to any trustee in an insolvency or bankruptcy procedure, without Company's prior written consent, is a material default of this Agreement.

## ARTICLE 4 DISPUTE RESOLUTION

4.1 Mediation. Except as otherwise stated in this Section 4.1, the parties agree to submit any claim, controversy or dispute arising out of or relating to this Agreement (and attachments) or the relationship created by this Agreement to non-binding mediation before bringing such claim, controversy or dispute to arbitration or to a court. The mediation will be conducted either through an individual mediator or a mediator appointed by a mediation services organization, experienced in the mediation of disputes between Tutu School and Developer, agreed upon by the parties. If the parties do not agree upon a mediator or mediation services organization within 15 days after either party has notified the other of its desire to seek mediation, the dispute will be mediated by the American Arbitration Association pursuant to its rules governing mediation, at Tutu School's corporate headquarters (currently in Chicago, Illinois). The costs and expenses of mediation, including compensation of the mediator, will be borne equally by the parties. If the parties cannot resolve the claim, controversy or dispute within 90 days after conferring with the mediator, either party may submit such claim, controversy or dispute to arbitration under Section 4.2 below. Either party may bring an action under the applicable provisions of this Article 4 without first submitting the action to mediation under this Section 4.1: (i) for monies owed, (ii) for injunctive relief, or (iii) involving the possession or disposition of, or other relief relating to, real property.

4.2 Arbitration. Except to the extent Tutu School elects to enforce the provisions of this Agreement by injunction as provided in Section 4.3 below, all disputes, claims and controversies between the parties arising under or in connection with this Agreement or the making, performance or interpretation thereof (including claims of fraud in the inducement and other claims of fraud in the arbitrability of any matter) that have not been settled by or are not otherwise subject to mediation as described in Section 4.1 above will be resolved by arbitration on an individual basis under the authority of the Federal Arbitration Act in the city where Tutu School's corporate headquarters are located (currently Chicago, Illinois). The arbitration will be on an individual basis only and not consolidated with any other proceeding, and Developer agrees not to seek joinder of any of Developer's claims with those of any other parties. The arbitrator(s) shall have no authority to select a different hearing locale for the arbitration. The arbitrator(s) will have a minimum of 5 years' experience in franchising or distribution law and will have the right to award specific performance of this Agreement. The proceedings will be conducted under the Commercial Arbitration Rules of the American Arbitration Association, or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. As part of the arbitration proceedings, each party agrees to submit no more than 25 interrogatories or to conduct no more than 4 depositions during the course of discovery, should discovery be ordered by the arbitrator(s). The decision of the arbitrator(s) will be final and binding on all parties; provided, however, the arbitrator(s) may not under any circumstances: (i) stay the effectiveness of any pending termination of this Agreement; (ii) assess punitive or exemplary damages; or (iii) make any award which extends, modifies or suspends any lawful term of this Agreement or any reasonable standard of business performance set by Tutu School. This Section 4.2 will survive termination or nonrenewal of this Agreement under any circumstances. Judgment upon the award of the arbitrator(s) may be entered in any court having jurisdiction thereof.

4.3 Injunctive Relief. Notwithstanding Sections 4.1 and 4.2 above, Developer recognizes that a single franchisee's failure to comply with the terms of this Agreement could cause irreparable damage to Tutu School and/or to some or all other Schools. Therefore, if Developer's breach or threaten

to breach any of the terms of this Agreement, Tutu School will be entitled to an injunction restraining such breach and/or a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining such equitable relief, until such time as a final and binding determination is made by the arbitrators.

4.4 Attorneys' Fees. The nonprevailing party will pay all costs, expenses and interest, including reasonable attorneys' fees, the prevailing party incurs in any action brought to enforce any provision of this Agreement or to enjoin any violation of this Agreement.

4.5 Venue. Any claims, controversies or disputes arising out of or related to this Agreement that are not subject to arbitration as provided above, must be brought in the Federal District Court for the district of Tutu School's then-current headquarters (currently, the Northern District of Illinois) or in the state district court having jurisdiction over Tutu School's corporate headquarters (currently, Cook County District Court, Chicago, Illinois). Tutu School also has the right to file any such suit against Developer in the federal or state court where any of its Schools are located. Tutu School and Developer irrevocably consents to the jurisdiction of such courts and waive all rights to challenge personal jurisdiction and venue. The provisions of this Section 4.5 will survive the termination of this Agreement.

## ARTICLE 5 MISCELLANEOUS{ Tc "12. Miscellaneous" \F C \L "1" }

5.1 Independent Contractor. Developer is an independent contractor. Nothing herein contained may be deemed or construed to create the relationship of principal and agent, partnership, joint venture, employment, or a fiduciary relationship, and Developer may not hold itself out as an agent, legal representative, partner, subsidiary, joint venturer, servant or employee of Company. Neither Company nor Developer has the right to bind or obligate the other to any obligations or debts.

5.2 Waiver and Delay. No waiver or delay by either party with respect to any default by the other of any term, covenant, or condition of this Agreement or in exercising any right, power, or remedy with regard to any such default may be construed as a waiver of any preceding or succeeding default of any other term, covenant or condition of this Agreement, nor will it impair any right, remedy or power to enforce the same. The acceptance of any payments is not, nor may be construed to be, a waiver of any default of any term, covenant or condition of this Agreement. Any waiver, permit, consent or approval of any provision or condition of this Agreement or of any default under this Agreement must be in writing and will be effective only to the extent specifically allowed by such writing. All remedies, either under this Agreement, at law, in equity, or otherwise are cumulative and not alternative and may be exercised simultaneously or sequentially in any order.

5.3 Successors. Subject to the restrictions in Article 3, this Agreement is binding upon and inure to the benefit of the permitted successors, assigns, heirs, and personal representatives of the parties.

5.4 Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for in this Agreement must be in writing and signed by the party serving the same and (i) delivered personally or (ii) delivered by a reputable overnight service (such as FedEx or UPS) and addressed to the party's registered address or the address noted in this Agreement or such other address as the party may designate in writing from time to time. Notices for purposes of this Agreement will be deemed to have been received if mailed or delivered as provided in this Section.

5.5 Applicable Law. All claims arising out of or relating to this Agreement and the parties' relationship will be governed by, and will be in accordance with, the substantive laws of Illinois (regardless of any conflicts of laws); provided that the Illinois Franchise Act and any other law or

regulation applicable to the offer or sale of franchises or the franchise relationship will apply only if the jurisdictional provisions of the law are otherwise met.

5.7 **Severability.** All provisions of this Agreement are severable and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein and partially valid and enforceable provisions will be enforced to the extent valid and enforceable.

5.8 **Entire Agreement.** This Agreement and all exhibits and documents referenced in this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Except as otherwise expressly provided herein, this Agreement may be amended only by a written document signed by the Developer and Company.

5.9 **Further Assurances.** The parties hereby agree to execute such other documents as may be necessary or desirable to carry out the purposes of this Agreement.

5.10 **Reasonable Business Judgment.** Whenever Tutu School reserves discretion in a particular area or agrees to exercise our rights reasonably or in good faith, Tutu School will satisfy its obligations whenever it exercises Reasonable Business Judgment in making the decision or exercising its rights. Tutu School's decisions or actions will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if the decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Tutu School's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

5.11 **Force Majeure.** Should Developer be unable to meet the Development Obligation solely as the result of acts wholly beyond the control of the parties ("Force Majeure"), including, but not limited to, strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to, any legal disability of Tutu School to deliver a Franchise Disclosure Document), which result in the inability of Developer to construct or operate School(s) in the Development Area, and which Developer could not by the exercise of due diligence have avoided, the Development Periods will be extended by the amount of time during which such Force Majeure exists.

5.11 **Counterparts.** This Agreement may be executed in two or more counterparts and delivered by e-mail or facsimile, all of which taken together will constitute one instrument.

5.12 **Effective Date.** Tutu School will designate the "**Effective Date**" of this Agreement in the space provided below. If no Effective Date is designated below, the Effective Date is the date when Tutu School signs this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement effective as of the Effective Date.

TUTU SCHOOL FRANCHISES LLC

Signature: \_\_\_\_\_  
Name: Genevieve Weeks  
Title: Founder & CEO  
**Effective Date:** \_\_\_\_\_

AREA DEVELOPER:

(For a company):  
Entity Name: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

(For individuals):

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

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

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

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

**EXHIBIT A**  
**DEVELOPMENT FEES, SCHEDULE AND AREA**

**FEES**

**Development Fee:** \$\_\_\_\_\_ per location to be developed under this Agreement.

If you are a new franchisee, you will sign the franchise agreement for the first location to be developed under this Agreement and pay the corresponding Initial Franchise Fee concurrently with this Agreement and the development fee will be due only for each additional location.

**Initial Franchise Fee:**

Base Initial Franchise Fee (before any development fee credit)	\$_____	If you are signing this Area Development Agreement together with your first franchise agreement, your base Initial Franchise Fee is the current Initial Franchise Fee. If you are an existing franchisee signing this Area Development Agreement for additional locations, the base Initial Franchise Fee is the initial franchise fee you paid for your first location.
Additional Location Discounted Initial Franchise Fee (15% discount)	\$_____	Additional locations timely developed according to the Development Schedule are eligible for a discount from your Base Initial Franchise Fee.

As provided in Section 1.5, the amount you pay when you sign the Franchise Agreement for each location will be reduced by a credit in the amount of the per location development fee actually paid for the corresponding location.

**DEVELOPMENT SCHEDULE**

Developer must open and have in continuous operation in the Development Area, pursuant to Franchise Agreements, that cumulative number of Schools set forth below as of each of the following dates and the opening deadlines in each Franchise Agreement will be deemed adjusted accordingly:

Cumulative Schools	Franchise Agreement signed by:	Purchase or lease of location by:	Business open and operating by:
1	Concurrently with this Agreement	3 months from the Effective Date of this Agreement	12 months from the Effective Date of this Agreement
2	15 months from the Effective Date of this Agreement	18 months from the Effective Date of this Agreement	24 months from the from the Effective Date of this Agreement
3	27 months from the Effective Date of this Agreement	30 months from the Effective Date of this Agreement	36 months from the Effective Date of this Agreement

Time is of the essence. Failure to meet the development schedule above is a material default of this Agreement.

**DEVELOPMENT AREA**

The Development Area is: \_\_\_\_\_

**EXHIBIT B**  
**OWNERSHIP**

Developer represents and warrants that the following is a complete and accurate list of all owners of equity interests in franchisee, including the full name and home address of each owner, and fully describes the nature and extent of each owner's equity interest. Developer, on its own behalf and on behalf of each owner as to his or her ownership interest in Developer, represents and warrants that each owner is the sole and exclusive legal and beneficial owner of his or her interest, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

OWNER'S NAME	HOME ADDRESS	EQUITY INTEREST (must equal 100%)
		TOTAL: 100%

**AREA DEVELOPER:**

(For a company):

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

Signature: \_\_\_\_\_

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

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

(For individuals):

Signature: \_\_\_\_\_

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

Signature: \_\_\_\_\_

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

Signature: \_\_\_\_\_

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

Signature: \_\_\_\_\_

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

**EXHIBIT C**  
**PERSONAL GUARANTY AND AGREEMENT TO BE BOUND**  
**PERSONALLY BY THE TERMS AND CONDITIONS**  
**OF THE AREA DEVELOPMENT AGREEMENT**

In consideration of the execution of the Area Development Agreement (the "Agreement") between Tutu School Franchising, LLC ("we" or "us") and the Developer identified below and for other good and valuable consideration, the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby become surety and guarantor for the payment of all amounts and the performance of the covenants, terms and conditions in the Agreement, to be paid, kept and performed by the Developer, including without limitation the arbitration and other dispute resolution provisions of the Agreement.

Further, the undersigned, individually and jointly, hereby agree to be personally bound by each and every condition and term contained in the Agreement and agree that this Personal Guaranty will be construed as though the undersigned and each of them executed an agreement containing the identical terms and conditions of the Agreement.

The undersigned waives (1) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (2) protest and notice of default to any party respecting the indebtedness or nonperformance of any obligations hereby guaranteed; (3) any right he/she may have to require that an action be brought against the Developer or any other person as a condition of liability; and (4) notice of any changes permitted by the terms of the Agreement or agreed to by the Developer.

In addition, the undersigned consents and agrees that: (a) the undersigned's liability will not be contingent or conditioned upon our pursuit of any remedies against the Developer or any other person; (b) such liability will not be diminished, relieved or otherwise affected by the Developer's insolvency, bankruptcy or reorganization, the invalidity, illegality or unenforceability of all or any part of the Agreement, or the amendment or extension of the Agreement with or without notice to the undersigned; and (c) this Personal Guaranty will apply in all modifications to the Agreement of any nature agreed to by Developer with or without the undersigned receiving notice thereof.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of this Personal Guaranty will inure to the benefit of our successors and assigns.

AREA DEVELOPER: \_\_\_\_\_

PERSONAL GUARANTORS:

\_\_\_\_\_  
Individually

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

\_\_\_\_\_  
Address

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Individually

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

\_\_\_\_\_  
Address

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

\_\_\_\_\_  
Telephone

Individually

Print Name

## Address

## City

## State

Zip Code

## Telephone

Individually

Print Name

## Address

## City

## State

Zip Code

## Telephone

**EXHIBIT D TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**LIST OF STATE ADMINISTRATORS  
AND  
AGENTS FOR SERVICE OF PROCESS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>            Department of Financial Protection and Innovation            320 West Fourth Street, Suite 750            Los Angeles, California 90013-2344            (213) 876-7500            Toll free: (866) 275-2677</p>	<p><b>MICHIGAN</b>            Consumer Protection Div., Franchise Section            Attn: Kathryn A. Barron            670 G. Mennen Williams Building            Lansing, Michigan 48913            (517) 373-7117</p>
<p><b>HAWAII</b>            Commissioner of Securities of the State of Hawaii            Department of Commerce &amp; Consumer Affairs            Business Registration Division            Securities Compliance Branch            335 Merchant Street, Room 203            Honolulu, Hawaii 96813            (808) 586-2722</p>	<p><b>MINNESOTA</b>            Commissioner of Commerce            Department of Commerce            85 7<sup>th</sup> Place East, Suite 500            St. Paul, Minnesota 55101            (651) 296-4026</p>
<p><b>ILLINOIS</b>            Office of the Attorney General            Franchise Division            500 South Second Street            Springfield, Illinois 62706            (217) 782-4465</p>	<p><b>NEW YORK</b>            NYS Department of Law            Investor Protection Bureau            28 Liberty St. 21st Fl            New York, NY 10005            (212) 416-8222</p>
<p><b>INDIANA</b>            Secretary of State            Franchise Section            302 West Washington, Room E-111            Indianapolis, Indiana 46204            (317) 232-6681</p>	<p><b>NORTH DAKOTA</b>            North Dakota Securities Department            600 Boulevard Avenue, State Capitol            Fifth Floor, Dept. 414            Bismarck, North Dakota 58505-0510            (701) 328-4712</p>
<p><b>MARYLAND</b>            Office of the Attorney General            Securities Division            200 St. Paul Place            Baltimore, Maryland 21202-2020            (410) 576-6360</p>	<p><b>RHODE ISLAND</b>            Securities Division            Department of Business Regulation            John O. Pastore Center            Bldg. 69, First Floor            1511 Pontiac Avenue            Cranston, RI 02920            (401) 277-3048</p>

<p><b>SOUTH DAKOTA</b>            Director of Division of Securities            445 E. Capitol Avenue            Pierre, South Dakota 57501-2017            (605) 773-4013</p>	<p><b>WASHINGTON</b>            Department of Financial Institutions            General Administration Building            Securities Division – 3rd Floor West            150 Israel Road S.W.            Tumwater, Washington 98501            (360) 902-8760</p>
<p><b>VIRGINIA</b>            Director, Securities and Retail Franchising            Div.            State Corporation Commission            1300 East Main Street            Richmond, Virginia 23219            (804) 371-9051</p>	<p><b>WISCONSIN</b>            Office of the Commissioner of Securities            345 West Washington Avenue, Fourth Floor            Madison, Wisconsin 53703            (608) 261-9555</p>

## **AGENTS FOR SERVICE OF PROCESS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<b>CALIFORNIA</b> Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: (866) 275-2677	<b>MICHIGAN</b> Dept. of Commerce, Corp’ns & Securities Bureau 670 Law Building 525 West Ottawa Lansing, Michigan 48913 (517) 373-7117
<b>HAWAII</b> Commissioner of Securities of the State of Hawaii Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	<b>MINNESOTA</b> Commissioner of Commerce 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-4026
<b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	<b>NEW YORK</b> Secretary of State 99 Washington Avenue Albany, NY 12231 (518) 486-6423
<b>INDIANA</b> Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681	<b>NORTH DAKOTA</b> North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510
<b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	<b>RHODE ISLAND</b> Director of Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue, Cranston, RI 02920 (401) 277-3048

<p><b>SOUTH DAKOTA</b>            Director of Division of Securities            445 E. Capitol Avenue            Pierre, South Dakota 57501-2017            (605) 773-4013</p>	<p><b>WASHINGTON</b>            Director of Department of Financial            Institutions            General Administration Building            Securities Division – 3rd Floor West            150 Israel Road S.W.            Tumwater, Washington 98501            (360) 902-8760</p>
<p><b>VIRGINIA</b>            Clerk of the State Corporation Commission            1300 East Main Street            Richmond, Virginia 23219            (804) 371-9733</p>	<p><b>WISCONSIN</b>            Commissioner of Securities            345 West Washington Avenue, Fourth Floor            Madison, Wisconsin 53703            (608) 261-9555</p>

**EXHIBIT E TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**STATE ADDENDA**

## CALIFORNIA APPENDIX

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**
2. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.
3. California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
4. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USCA § 101 *et seq.*).
5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
6. Neither the franchisor nor any person described in Item 2 of the disclosure document is subject to any currently effective order of any national securities exchange as defined in the Securities Exchange Act of 1934, 15 USCA 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
7. Our url is [www.tutuschool.com](http://www.tutuschool.com). Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfp.ca.gov](http://www.dfp.ca.gov).
8. Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.
9. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

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

## **CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

This California Addendum amends the Franchise Agreement and, if the parties enter into one, the Area Development Agreement as follows:

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

Dated: \_\_\_\_\_

Tutu School Franchises LLC

By:

---

Genevieve Weeks, President

FRANCHISEE

By:

---

By:

---

**HAWAII APPENDIX TO THE FDD  
HAWAII ADDENDUM TO  
FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

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

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

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

**ILLINOIS APPENDIX**  
**ADDENDUM TO THE FDD, FRANCHISE AGREEMENT, AND/OR AREA**  
**DEVELOPMENT AGREEMENT**

This Addendum to the FDD, the Franchise Agreement, and the Area Development Agreement is agreed to by and among Tutu School Franchises LLC and the Franchisee identified below:

1. Item 5 of the FDD, and Section 8.1 of the Franchise Agreement and Section 5.1 of the Area Development Agreement are each amended by the addition of the following language:

The Franchisor has agreed to defer collection of all fees, including initial franchise fees, until the Franchisor has satisfied all of its pre-opening obligations to the Franchisee, and the Franchisee has opened its franchised business and commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Section 15.8 of the Franchise Agreement and Section 11.1 of the Area Development Agreement are each amended by the addition of the following language to the original language that appears therein:

In the State of Illinois the designation of jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, except that the designation of arbitration in a forum outside of Illinois is permissible. In the State of Illinois the Illinois Franchise Disclosure Act shall prevail in construing and enforcing the Franchise Agreement.

3. Section 41 of the Illinois Franchise Disclosure Act states that "In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provisions purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void."
4. Illinois law governs the Franchise Agreement(s) and the Area Development Agreement.
5. Franchisee's rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

*[Continued on next page]*

6. The FDD, the Franchise Agreement, and the Area Development Agreement are each amended to add the following language:

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

Dated: \_\_\_\_\_

Tutu School Franchises LLC

By:

\_\_\_\_\_  
Genevieve Weeks, President

FRANCHISEE

By:

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

## NEW YORK APPENDIX

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. The following information is added to the cover page of the Franchise Disclosure Document.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT D OR YOUR PUBLIC LIBRARY FOR SERVICE OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

With the exception of what is stated above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for a franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum,” and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York

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

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **VIRGINIA APPENDIX**

The following modifies and amends our Franchise Disclosure Document and Franchise Agreement:

1. The following statements are added to Item 17h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise. If any ground for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**WASHINGTON APPENDIX**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE**  
**FRANCHISE AGREEMENT AND/OR AREA DEVELOPMENT AGREEMENT**

This addendum applies to all franchise agreements and all area development agreements executed in the State of Washington, and shall be executed in connection with every such agreement governing a franchise in the State of Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such

provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and is deferred until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

The undersigned does hereby acknowledge receipt of this addendum.

Dated: \_\_\_\_\_

Tutu School Franchises LLC

By:

---

Genevieve Weeks, President

FRANCHISEE

By:

---

By:

**EXHIBIT F-1 TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**LIST OF ACTIVE FRANCHISEES**

**Alabama Franchisees**

Danielle Greco  
Tutu School Montgomery  
2960G Zelda Road  
Montgomery, AL 36106  
(334) 363-3360  
[danielle@tutuschoolmontgomery.com](mailto:danielle@tutuschoolmontgomery.com)

**Arizona Franchisees**

Caroline Taylor  
Tutu School Arcadia  
3184 E Indian School Road  
Phoenix, AZ 95016  
(602) 734-9950  
[twirl@tutuschoolarcadia.com](mailto:twirl@tutuschoolarcadia.com)

Caroline Taylor  
Tutu School Scottsdale  
6969 E. Shea Blvd., Suite 165  
Scottsdale, AZ 85254  
(602) 734-9950  
[twirl@tutuschoolscottsdale.com](mailto:twirl@tutuschoolscottsdale.com)

**Bay Area California Franchisees**

Tracy Gonzalez\*  
Tutu School Alameda  
1419 Park St., Unit H  
Alameda, CA 94501  
(510) 987-8611  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Whitney Welch  
Tutu School Burlingame  
708 Carolan Ave  
Burlingame, CA 94010  
(650) 227-4971  
[whitney@tutuschoolburlingame.com](mailto:whitney@tutuschoolburlingame.com)

Sonya Krawczyk  
Tutu School Berkeley  
1820 Solano Ave., Suite C-2  
Berkeley, CA 94707  
(510) 868-2186  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Christy Pommerien\*  
Tutu School Folsom  
9580 Oak Avenue Parkway, Suite 10  
Folsom, CA 95630  
(916) 850-9777  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Tracy Gonzalez\*  
Tutu School Brentwood  
8650 Brentwood Blvd., Suite H  
Brentwood, CA 94513  
(925) 392-1633  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Sonya Krawczyk\*  
Tutu School Hercules  
1581 Sycamore Ave., Suite 5  
Hercules, CA 94547  
(888) 924-2734  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Christy Pommerien\*  
Tutu School Morgan Hill  
16375 Monterey Road, Suite G  
Morgan Hill, CA 95037  
(408) 809-1122  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Simone Bally & Jenn Flores\*  
Tutu School Scotts Valley  
16 Victor Square, Suite E  
Scotts Valley, CA 95066  
(831) 227-2244  
[simone@tutuschoolscottsvally.com](mailto:simone@tutuschoolscottsvally.com)  
[jennifer@tutuschoolscottsvally.com](mailto:jennifer@tutuschoolscottsvally.com)

Tracy Gonzalez\*  
Tutu School Montclair  
6206 La Salle Ave.  
Oakland-Montclair, CA 94611  
(510) 926-6525  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Christy Pommerien\*  
Tutu School San Jose South  
5723 Cottle Road  
South San Jose, CA 95123  
(408) 741-7058  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Tracy Gonzalez\*  
Tutu School Pleasanton  
99 Neal Street  
Pleasanton, CA 94566  
(925) 398-8543  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Christy Pommerien\*  
Tutu School Sunnyvale  
398 W El Camino Real, Suite 110  
Sunnyvale, CA 94087  
(650) 669-8377  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Christy Pommerien\*  
Tutu School Redwood City  
960 Main Street  
Redwood City, CA 94063  
(650) 362-3183  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Niroshika De Silva  
Tutu School Union City  
30907 Union City Blvd.  
Union City, CA 94587  
(510) 870-2015  
[niroshika@tutuschoolunioncity.com](mailto:niroshika@tutuschoolunioncity.com)

Whitney Welch  
Tutu School San Bruno  
444 San Mateo Avenue  
San Bruno, CA 94066  
(650) 227-4971  
[whitney@tutuschoolburlingame.com](mailto:whitney@tutuschoolburlingame.com)

Tracy Gonzalez\*  
Tutu School Walnut Creek  
1001 Harvey Drive, #170  
Walnut Creek, CA 94597  
(925) 357-5350  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Sonya Krawczyck  
Tutu School San Francisco - West Portal  
239 West Portal Avenue  
San Francisco, CA 94127  
(415) 571-8982  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Christy Pommerien\*  
Tutu School Willow Glen  
1702 Meridian Avenue, Suite I  
Willow Glen, CA 95125  
(408) 220-6024  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Tracy Gonzalez\*  
Tutu School San Ramon  
6000 Bollinger Canyon Rd., Suite 2603  
San Ramon, CA 94583  
(925) 575-9059  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

## **Southern California Franchisees**

Charlene Rawson\*  
Tutu School Carlsbad  
6994 El Camino Real #107  
Carlsbad, CA 92008  
(760) 683-8407  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Charlene Rawson\*  
Tutu School Carmel Valley  
4653 Carmel Mountain Rd, Suite 307  
Carmel Valley, CA 92130  
(619) 213-1998  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Brooke Taylor  
Tutu School Corona del Mar  
3645 E. Coast Hwy  
Corona del Mar, CA 92625  
(949) 423-6246  
[brooke@tutuschool.com](mailto:brooke@tutuschool.com)

Brooke Taylor  
Tutu School Huntington Beach  
7631 Edinger Avenue, Suite #1516  
Huntington Beach, CA 92647  
(714) 756-2337  
[brooke@tutuschool.com](mailto:brooke@tutuschool.com)

Brooke Taylor  
Tutu School Ladera Ranch  
1101 Corporate Drive A-2  
Ladera Ranch, CA 92694  
(949) 269-7212  
[brooke@tutuschool.com](mailto:brooke@tutuschool.com)

Brooke Taylor  
Tutu School Laguna Niguel  
31161 Niguel Road, Suite I  
Laguna Niguel, CA 92677  
(949) 416-4622  
[brooke@tutuschool.com](mailto:brooke@tutuschool.com)

Tracy Gonzalez\*  
Tutu School Long Beach  
4234 Atlantic Avenue  
Long Beach, CA 90807  
(562) 352-6455  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Kalli Templeton  
Tutu School Murrieta  
39605 Los Alanos Road, Unit E  
Murrieta, CA 92563  
(951) 241-8722  
[kalli@tutuschoolmurrieta.com](mailto:kalli@tutuschoolmurrieta.com)

Charlene Rawson\*  
Tutu School Pasadena  
696 E Colorado Blvd., Suite 6  
Pasadena, CA 91101  
(626) 657-8889  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Kalli Templeton  
Tutu School Rancho Cucamonga  
7224 Archibald Ave.  
Rancho Cucamonga, CA 91701  
(909) 505-2236  
[kalli@tutuschoolrancho.com](mailto:kalli@tutuschoolrancho.com)

Charlene Rawson\*  
Tutu School San Dimas  
527 W. Arrow Highway  
San Dimas, CA 91773  
(909) 451-8198  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Brooklyn Stone\*  
Tutu School Redlands  
501 W Redlands Blvd, Suite 1  
Redlands, CA 92373

Tracy Gonzalez\*  
Tutu School Santa Monica  
2006 Wilshire Blvd.  
Santa Monica, CA 90403  
(310) 295-1168  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Tracy Gonzalez\*  
Tutu School Yorba Linda  
18272 Imperial Hwy  
Yorba Linda, CA 92886  
(714) 481-0602  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Nicole Kerr  
Tutu School Sherman Oaks  
13325 Moorpark St.  
Sherman Oaks, CA 91423  
(818) 232-6302  
[nicole@tutuschoolshermanoaks.com](mailto:nicole@tutuschoolshermanoaks.com)

### **Georgia Franchisees**

Ashley Vetek\*  
Tutu School Halcyon  
6345 Halcyon Way, Suite 820  
Alpharetta, GA 30005  
(678) 658-1219  
[ashley@tutuschoolhalcyon.com](mailto:ashley@tutuschoolhalcyon.com)

### **Colorado Franchisees**

Sonya Krawczyck  
Tutu School Cherry Creek  
3000 East Third Ave, Unit 30  
Denver, CO 80206  
(303) 209-0941  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Sonya Krawczyck  
Tutu School Parker  
18870 Plaza Drive, Unit 101  
Parker, CO 80134  
(720) 400-7569  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Sonya Krawczyck  
Tutu School Highlands Ranch  
537 Highlands Ranch Parkway, Unit 113  
Highlands Ranch, CO 80129  
(720) 370-6762  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

### **Indiana Franchisees**

Lydia Aurinko-Mostow Halstead  
Tutu School Elkhart  
215 S. Main Street  
Elkhart, IN 46516  
(574) 350-2296  
[twirl@tutuschoolelkart.com](mailto:twirl@tutuschoolelkart.com)

## **Nevada Franchisees**

Elise Curtis  
Tutu School Reno  
75 Foothill Road, Suite 3  
Reno, NV 89511  
(775) 403-2999  
[elise@tutuschoolreno.com](mailto:elise@tutuschoolreno.com)

## **New York Franchisees**

Christy Pommerien\*  
Tutu School Boerum Hill  
200 Smith Street  
Boerum Hill, NY 11201  
(917) 933-8007  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Christy Pommerien\*  
Tutu School East Amherst  
9910 Transit Road, Suite 400  
East Amerst, NY 14051  
(716) 466-2002  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Siobhan Santapaola & Alison Ribellino  
Tutu School Commack  
6124 Jericho Turnpike  
Commack, NY 11725  
(631) 779-6212  
[siobhan@tutuschoolcommack.com](mailto:siobhan@tutuschoolcommack.com)  
[alison@tutuschoolcommack.com](mailto:alison@tutuschoolcommack.com)

Alison Ribellino, Kandice Halpin and  
Siobhan Santapaola\*  
Tutu School Upper East Side  
1195 Lexington Avenue  
Upper East Side, NY 10028  
(917) 794-4975  
[siobhan@tutuschoolcommack.com](mailto:siobhan@tutuschoolcommack.com)  
[alison@tutuschoolcommack.com](mailto:alison@tutuschoolcommack.com)  
[kandice@tutuschoolues.com](mailto:kandice@tutuschoolues.com)

Christy Pommerien\*  
Tutu School Park Slope  
235 5<sup>th</sup> Ave.  
Park Slope, NY 11215  
(917) 933-8007  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Alison Ribellino, Kandice Halpin and  
Siobhan Santapaola\*  
Tutu School Lenox Hill  
1195 1<sup>st</sup> Ave  
Lenox Hill, NY 10065  
(646) 828-3537  
[siobhan@tutuschoolcommack.com](mailto:siobhan@tutuschoolcommack.com)  
[alison@tutuschoolcommack.com](mailto:alison@tutuschoolcommack.com)  
[kandice@tutuschoolues.com](mailto:kandice@tutuschoolues.com)

Amy Kang Liem  
Tutu School Long Island  
43-4412<sup>th</sup> Stre  
Long Island City, NY11101  
[amy@tutuschoollic.com](mailto:amy@tutuschoollic.com)

## **North Carolina Franchisees**

Lara O'Brien Munoz  
Tutu School Cary  
205 E Chatham St.  
Cary, NC 27511  
(919) 674-0879  
[lara@tutuschool.com](mailto:lara@tutuschool.com)

Marissa Guerra and Ric Guerra  
Tutu School Lake Norman  
138 Willage View Dr, Ste 106  
Moorseville, NC 28117  
(833)888-8556  
[marissa@tutuschoolLKN.com](mailto:marissa@tutuschoolLKN.com)  
[ric@tutuschoolLKN.com](mailto:ric@tutuschoolLKN.com)

Lara O'Brien Munoz  
Tutu School Raleigh  
709 Tucker Street  
Raleigh, NC 27603  
(919) 792-8032  
[lara@tutuschool.com](mailto:lara@tutuschool.com)

Lara O'Brien Munoz  
Tutu School Wilmington  
242 Princess Street  
Wilmington, NC 28401  
(910) 782-2478  
[lara@tutuschool.com](mailto:lara@tutuschool.com)

### **Ohio Franchisees**

Katie and Grant Dettling  
Tutu School Akron  
2747 Crawfis Blvd., #101  
Fairlawn, OH 44333  
(234) 678-6776  
[grant@tutuschoolakron.com](mailto:grant@tutuschoolakron.com)  
[katie@tutuschoolakron.com](mailto:katie@tutuschoolakron.com)

### **Oregon Franchisees**

Ashley Murdock\*  
Tutu School Lake Aswego  
141 N. State Street, Suite 5115  
Lake Oswego, OR 97034  
(503) 837-3532  
[ashley@tutuschoollakeaswego.com](mailto:ashley@tutuschoollakeaswego.com)

### **Tennessee Franchisees**

Stephanie Suttle\*  
Tutu School Hendersonville  
300 Indian Lake Blvd., Suite D-120  
Hendersonville, TN 37075  
(615) 822-9714  
[stephanie@tutuschoolhendersonville.com](mailto:stephanie@tutuschoolhendersonville.com)

Stephanie Suttle\*  
Tutu School Green Hills  
2210 Crestmoor Road, Suite 3  
Nashville, TN 37215  
(615) 809-3559  
[stephanie@tutuschoolhendersonville.com](mailto:stephanie@tutuschoolhendersonville.com)

### **Texas Franchisees**

Colette Joy  
Tutu School Austin  
8312 Burnet Road, Suite 119  
Austin, TX 78757  
(512) 651-0344  
[colette@tutuschoolaustin.com](mailto:colette@tutuschoolaustin.com)

Whitney (Welch) Gregory and Jessican  
Mann  
Tutu School Haslet  
1395 FM156, Suite 107  
Haslet, TX 76052

Jennifer LaTanh\*  
Tutu School Cypress  
16718 House Haul Road, Suite M2  
Cypress, TX 77433  
(832) 392-0913

### **Utah Franchisees**

Kylee Bryson  
Tutu School Holladay  
6215 S. Highland Dr.  
Holladay, UT 84121  
(801) 216-3892  
[twirl@tutuschoolholladay.com](mailto:twirl@tutuschoolholladay.com)

Kylee Bryson  
Tutu School South Jordan  
11560 District Maine Drive, Suite 200  
South Jordan, UT 84095  
(801) 997-9261  
[kylee@tutuschoolholladay.com](mailto:kylee@tutuschoolholladay.com)

### **Washington Franchisees**

Sonya Krawczyk\*  
Tutu School Bellevue  
13260 NE 20<sup>th</sup> Street, Suite E  
Bellevue, WA 98005  
(425) 615-6579  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Meg Sakuda\*  
Tutu School Sammamish  
4502 Klahanie Drive SE, Suite 601  
Sammamish, WA 98029  
(425) 243-5089  
[meg@tutuschoolshoreline.com](mailto:meg@tutuschoolshoreline.com)

Kristin Rusnak and James Moore  
Tutu School Renton  
1630 Duvall Ave SE, Suite D  
Renton, WA 98059  
[kristen@tutschoolrenton.com](mailto:kristen@tutschoolrenton.com)  
james@tutschoolrenton.com

Sonya Krawczyk\*  
Tutu School Seattle  
15 Nickerson Street, Suite B  
Seattle, WA 98109  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Meg Sakuda\*  
Tutu School Shoreline  
20030 Ballinger Way NE, Suite A-10  
Shoreline, WA 98155  
(206) 899-5461  
[meg@tutuschoolshoreline.com](mailto:meg@tutuschoolshoreline.com)

### **Wisconsin Franchisees**

Simone Bally and Jennifer Flores\*  
Tutu School Sun Prairie  
2551 Smith's Crossing  
Sun Prairie, WI 53590  
(608) 478-3770  
[simone@tutuschoolsunprairie.com](mailto:simone@tutuschoolsunprairie.com)

\*These franchisees are party to an Area Development Agreement

## Franchisees Who Have Not Yet Opened

Caroline Taylor  
Gilbert/Chandler, AZ  
5507 E. Shea Boulevard  
Scottsdale, AZ 95254  
(602) 734-9950

Christy Pommerien\*  
Tutu School Belmont (CA)  
2043 Ralston Ave.  
Belmont, CA 94002  
650.263.3354  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Sonya Krawczyk\*  
Tutu School Daly City (CA)  
100 Skyline Plaza #207  
Daly City, CA 94015  
(650) 425-6698  
[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Kalli Templeton  
Tutu School Eastvale (CA)  
12518 Schleisman Rd Suite 120,  
Eastvale, CA 92880  
951.221.0681  
[kalli@tutuschoolrancho.com](mailto:kalli@tutuschoolrancho.com)

Cassie Barac-Matei  
Tutu School Mid-Wilshire (CA)  
[cassie@tutuschoolla.com](mailto:cassie@tutuschoolla.com)

Christy Pommerien\*  
Tutu School Milpitas (CA)  
408-741-7058  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Charisse and Vinh Tran  
Tutu School Monterey (CA)  
[charissemtran@gmail.com](mailto:charissemtran@gmail.com)

Tracy Gonzalez\*  
Tutu School Redondo Beach (CA)  
1209 S Pacific Coast Hwy  
Redondo Beach, CA 90277  
424.241.2991  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

Christy Pommerien\*  
Tutu School Sacramento (CA)  
408-741-7058  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Brooke Luminelli  
Tutu School Irvine (CA)  
(949) 416-4622  
[brooke@tutuschool.com](mailto:brooke@tutuschool.com)

Sonya Krawczyk\*  
Tutu School Castle Rock (CO)  
415.571.8982  
[sonya@tutuschoolwestportal](mailto:sonya@tutuschoolwestportal)

Elise Curtis, Nicole Curtis, Kate Foster  
Tutu School Lakewood (CO)  
[elise@tutuschoolreno.com](mailto:elise@tutuschoolreno.com)

Danielle Hall  
Tutu School Port St. Lucie (FL)  
[ms.daniellemelissa@gmail.com](mailto:ms.daniellemelissa@gmail.com)

Amanda Gomez\*  
Tutu School Wellington (FL)  
11924 W Forest Hills Blvd, Suite 9  
Wellington, FL 33414  
516-419-6217  
[amanda@tutuschool.com](mailto:amanda@tutuschool.com)

Amanda Gomez\*  
Tutu School West Palm Beach (FL)  
5814 S. Dixie Hwy  
West Palm Beach, FL 33405  
561-419-6217  
[amanda@tutuschool.com](mailto:amanda@tutuschool.com)

Ashley Vetek\*  
Tutu School Brookhaven (GA)  
705 Town Blvd S540  
Brookhaven, GA 30319  
404-445-0479  
[ashley@tutuschoolhalcyon.com](mailto:ashley@tutuschoolhalcyon.com)

Daria Istrate\*  
Tutu School Boise (ID)  
[daria.m.istrate@gmail.com](mailto:daria.m.istrate@gmail.com)

Phoebe Tamble  
Tutu School Brooklyn- DUMBO (NY)  
[phoebe@tutuschool.com](mailto:phoebe@tutuschool.com)

Christy Pommerien\*  
Tutu School Buffalo (NY)  
917.933.8007  
[christy@tutuschool.com](mailto:christy@tutuschool.com)

Lara O'Brien Munoz  
Tutu School Apex (NC)  
707 E. Jones St.  
Raleigh, NC 27601  
(919) 792-8032

Lara O'Brien Munoz  
Tutu School North Raleigh (NC)  
707 E Jones St.  
Raleigh, NC 27601  
(919) 792-8032

Kallie Templeton  
Tutu School McKinney (TX)  
(951) 241-8722  
[kalli@tutuschoolrancho.com](mailto:kalli@tutuschoolrancho.com)

Charlene Rawson\*  
Tutu School Woodlands (TX)  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Kristin Moore  
Tutu School Tacoma (WA)  
1812 S Mildred St, Suite D  
Tacoma, WA 98464  
253-372-2249  
[kristin@tutuschooltacoma.com](mailto:kristin@tutuschooltacoma.com)

**EXHIBIT F-2 TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**LIST OF COMPANY-OWNED FRANCHISEES**

Tutu School Larkspur  
1201B Larkspur Landing Circle  
Larkspur, CA 94939  
(415) 419-5610  
[twirl@tutuschoollarkspur.com](mailto:twirl@tutuschoollarkspur.com)

Tutu School San Francisco – Bay Street  
519 Bay Street  
San Francisco, CA 94133  
(415) 734-8840  
[twirl@tutuschoolsanfrancisco.com](mailto:twirl@tutuschoolsanfrancisco.com)

Tutu School Roscoe Village  
2223 W. Roscoe Street  
Chicago, IL 60618  
(773) 492-0210  
[twirl@tutuschoolchicago.com](mailto:twirl@tutuschoolchicago.com)

Tutu School Lincoln Park  
1015 W. Armitage Ave.  
Chicago, IL 60614

**EXHIBIT G TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

Niroshika DeSilva  
Folsom, CA  
[niroshika@tutuschoolunioncity.com](mailto:niroshika@tutuschoolunioncity.com)  
510.870.2015

Alyssa Gunsolus  
([agunsolus@gmail.com](mailto:agunsolus@gmail.com))  
William Earle Smith  
([earle.smith@lfg.com](mailto:earle.smith@lfg.com),  
Sun Prairie, WI  
(608) 287-3009

**EXHIBIT H TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**TABLE OF CONTENTS OF OPERATIONS MANUAL**

**Tutu School Franchises LLC: Operations Manual (Total of 93 pages)**  
**Table of Contents**

- I. Introduction**
- II. Pre-Opening Requirements**
- III. Programs**
  - a. Classes
  - b. Ballet Birthday Parties
  - c. Tutu Camp
- IV. Training & Support**
  - a. Franchise Training & Support
  - b. Faculty Training
  - c. Franchise Referrals
- V. Setting Up Your Tutu School**
- VI. Daily/Weekly/Monthly Operating Procedures**
  - a. Communication
  - b. Scheduling
  - c. Registration
  - d. Processing Payment
  - e. Membership Cancellation
  - f. Ballet Birthday Parties
  - g. Site Management
- VII. Website, Email, and CMS**
  - a. Website & Email
  - b. Content Management System (CMS)
- VIII. Marketing, Advertising, and Public Relations**
  - a. Marketing: Spreading the word about your Tutu School
  - b. Advertising
  - c. Public Relations
  - d. Social Media & Social Media Policy
  - e. Photography & Image Policy
- IX. Special Programs & Events:**
  - a. Bravo Bash & Performance
  - b. Parties
  - c. Student Evaluations
  - d. Field Trips
  - e. Miscellaneous Special Events
  - g. Managing Special Events
  - h. Pirouette Newsletter
  - i. Retail Offerings
- X. Grand Opening/How to Launch**
- XI. Frequently Asked Questions**
- XII. Conclusion**

**APPENDIX A: Brand Materials (*supplementary digital files*)**

**APPENDIX B: Style Guide**

**APPENDIX C: Décor Guide**

**APPENDIX D: Pricing Suggestion Sheet**

**APPENDIX E: Content Management System User Guide (*supplementary digital file*)**

**EXHIBIT I TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**SAMPLE RENEWAL ADDENDUM**

## RENEWAL ADDENDUM TO FRANCHISE AGREEMENT

**Location:** \_\_\_\_\_

**Franchisee (full legal entity name):** \_\_\_\_\_

**Guarantors (full names):** \_\_\_\_\_, residents of \_\_\_\_\_

**Renewal Effective Date:** \_\_\_\_\_

This RENEWAL ADDENDUM (this “**Addendum**”) is made and entered into by and between [enter franchisor entity name], a \_\_\_\_\_ limited liability company (referred to as “**we**,” “**us**,” or “**Franchisor**”) and the Franchisee identified above (referred to as “**you**”, “**your**” or “**Franchisee**”) and the Guarantors identified above.

### RECITALS

- A. Franchisor and Franchisee are parties to a Franchise Agreement dated \_\_\_\_\_ (the “**Old Franchise Agreement**”) pursuant to which Franchisee operates a franchised business at the location identified above (the “**Franchised Business**”).
- B. Franchisee desires to renew its franchise rights for the Franchised Business, in accordance with the terms and conditions of the Old Franchise Agreement and as amended in this Addendum, if applicable.
- C. Franchisee and Guarantor represent that there is no dispute related to the offer and sale of the Older Franchise Agreement or the Franchised Business and further represent that after having adequate time to consult with counsel of their choice, represent that they have no claims against Franchisor.
- D. In consideration of Franchisee’s and Guarantor’s request of the renewal and the representations set forth in the Recitals above, Franchisor consents to the Renewal, subject to the provisions stated below.

### AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Signing of Current Form of Franchise Agreement.** As a condition of the Renewal, Franchisee agrees to sign the current form of franchise agreement on or before the Renewal Effective Date. Franchisee acknowledges that the terms and conditions of the Franchise Agreement may be different from the terms and conditions of the Old Franchise Agreement, including with respect to fees and territory.
2. **Provisions Deleted Due to Renewal Franchise Agreement.** Sections 4.1(a) (Initial Training), 5.2 (Selection of Suitable Premises), 6.1(a)(Commencement of Business), 8.1 (Franchise Fee), 12.2 (Renewal).
3. **Provision Amended Due to Renewal Franchise Agreement - Term.** The renewal Franchise Agreement is effective on the Renewal Effective Date noted above and expires on the [5<sup>th</sup>/10<sup>th</sup>] anniversary of the Renewal Effective Date.

4. Remodeling Requirements. Franchisee agrees that to remodel the Franchised Business in accordance with the following schedule:

[insert details of remodeling requirements and deadlines]

Franchisee's failure to complete the remodeling requirements as provided in this Addendum shall be a default under the Franchise Agreement.

5. Payment of Fees Owed to Franchisor. On or before the Renewal Date, all fees owed by Franchisee under or related to the Old Franchise Agreement (the "Fees Owed") must be paid in full, including but not limited to the renewal fee of \$6,000.
6. Expiration of Old Franchise Agreement. All parties agree that the Old Franchise Agreement expired concurrently with the renewal and will be of no further force and effect, except for the obligations set forth in this Renewal Addendum or those that expressly or by their nature survive termination or expiration of the Old Franchise Agreement.
7. Release. Franchisee agrees to sign the General Release attached to this Renewal Addendum on or before the Renewal Effective Date.
8. Miscellaneous. Except as specifically amended or modified by this Addendum, all terms and conditions of the Franchise Agreement shall remain in full force and effect.
9. Counterparts. This Addendum may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the parties hereto have duly signed and delivered this Addendum as of the date first written above.

**US:**

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE:**

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**GUARANTORS:**

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_  
Printed Name: \_\_\_\_\_

**Exhibit A**  
**General Release**

[Insert form of general release to be signed by franchisee and guarantors as a condition of renewal]

**EXHIBIT J TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**SAMPLE GENERAL RELEASE**

## **GENERAL RELEASE**

THIS AGREEMENT ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and \_\_\_\_\_, a \_\_\_\_\_ company having its principal place of business located at \_\_\_\_\_ (the "Franchisor"), and \_\_\_\_\_, a \_\_\_\_\_ whose principal address is at \_\_\_\_\_ (hereinafter referred to as "Releasor"), wherein the parties hereto, in exchange for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in reliance upon the representations, warranties, and comments herein are set forth, do agree as follows:

**1. Release by Releasor:**

Releasor does for itself, its successors and assigns, hereby release and forever discharge generally the Franchisor and any affiliate, wholly owned or controlled corporation, subsidiary, successor or assign thereof and any shareholder, officer, director, employee, or agent of any of them, from any and all claims, demands, damages, injuries, agreements and contracts, indebtedness, accounts of every kind or nature, whether presently known or unknown, suspected or unsuspected, disclosed or undisclosed, actual or potential, which Releasor may now have, or may hereafter claim to have or to have acquired against them of whatever source or origin, arising out of or related to any and all transactions of any kind or character at any time prior to and including the date hereof, including generally any and all claims at law or in equity, those arising under the common law or state or federal statutes, rules or regulations such as, by way of example only, franchising, securities and anti-trust statutes, rules or regulations, in any way arising out of or connected with the Agreement, and further promises never from this day forward, directly or indirectly, to institute, prosecute, commence, join in, or generally attempt to assert or maintain any action thereon against the Franchisor, any affiliate, successor, assign, parent corporation, subsidiary, director, officer, shareholder, employee, agent, executor, administrator, estate, trustee or heir, in any court or tribunal of the United States of America, any state thereof, or any other jurisdiction for any matter or claim arising before execution of this Agreement. In the event Releasor breaches any of the promises covenants, or undertakings made herein by any act or omission, Releasor shall pay, by way of indemnification, all costs and expenses of the Franchisor caused by the act or omission, including reasonable attorneys' fees.

2. Releasor hereto represents and warrants that no portion of any claim, right, demand, obligation, debt, guarantee, or cause of action released hereby has been assigned or transferred by Releasor party to any other party, firm or entity in any manner including, but not limited to, assignment or transfer by subrogation or by operation of law. In the event that any claim, demand or suit shall be made or institute against any released party because of any such purported assignment, transfer or subrogation, the assigning or transferring party agrees to indemnify and hold such released party free and harmless from and against any such claim, demand or suit, including reasonable costs and attorneys' fees incurred in connection therewith. It is further agreed that this indemnification and hold harmless agreement shall not require payment to such claimant as a condition precedent to recovery under this paragraph.

3. Each party acknowledges and warrants that his, her or its execution of this Agreement is free and voluntary.

4. [STATE] law shall govern the validity and interpretation of this Agreement, as well

as the performance due thereunder. This Agreement is binding upon and inures to the benefit of the respective assigns, successors, heirs and legal representatives of the parties hereto.

5. In the event that any action is filed to interpret any provision of this Agreement, or to enforce any of the terms thereof, the prevailing party shall be entitled to its reasonable attorneys' fees and costs incurred therein, and said action must be filed in the State of \_\_\_\_\_.

6. This Agreement may be signed in counterparts, each of which shall be binding against the party executing it and considered as the original.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have executed this agreement effective as of the date first above.

RELEASOR:

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Witness

---

(Name)

FRANCHISOR:

---

Witness

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

**EXHIBIT K TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**ELECTRONIC DEBIT AUTHORIZATION**

## AUTOMATIC PAYMENT PLAN

We are pleased to be able to offer you a new billing convenience – Automatic Payment.

Now you can have your payment made directly from your checking or savings account. And, you won't have to change your present banking relationship to take advantage of this service.

### The Automatic Payment plan will help you in several ways:

- It saves time and saves checks
- It will help you meet your billing commitments – even when you're on vacation or out of town
- It's easy to get started, easy to change, and easy to cancel
- It's convenient, timely, and gives peace of mind

### How the Automatic Payment plan works:

You authorize regularly scheduled payments to be made from your checking or savings account. Your payments will be made electronically on the specified day. Proof of payment will appear with your statement.

The authority you give to debit your account will remain in effect until you notify us in writing to terminate the authorization. You can change your payment at anytime by notifying us 5 days prior to any regularly scheduled payments.

The Automatic Payment Plan is worry free, convenient, and easy. To participate in this service, complete the authorization form (part A), select the fund and dollar amount of your payment, and return to us.

**A.** I authorize \_\_\_\_\_ to initiate debit entries, and in case of error credit entries, to my checking/savings (circle one) account. This authority will remain in effect until I notify you in writing to cancel in such time as to afford the business a reasonable opportunity to act on it. I can stop payment of any entry by written notification 3 days before my account is charged.\*

Name of Financial  
Institution\_\_\_\_\_

City\_\_\_\_\_ State\_\_\_\_\_ Zip\_\_\_\_\_

Signature\_\_\_\_\_ Email\_\_\_\_\_

Name (Please print)\_\_\_\_\_

Address\_\_\_\_\_

Account Number \_\_\_\_\_ Checking  Savings

Financial Institution Routing Number \_\_\_\_\_

### B. Select Payment fund, regularity, and dollar amount:

<input type="checkbox"/> <b>General Billing</b>	\$_____ Amount	<input type="checkbox"/> (Payment date)_____	Frequency _____
<input type="checkbox"/> <b>Other Billing</b>	\$_____ Amount	<input type="checkbox"/> (Payment date)_____	Project Name _____
<input type="checkbox"/> <b>Special Bill</b>	\$_____ Amount	<input type="checkbox"/> (Payment due date)_____	Billing Name _____
			Frequency _____

\*If you are currently enrolled in the Automatic Payment plan and wish to update your billing information or pay a specific bill no bank information is required. Please provide written information and authorize by signing below:

Signature\_\_\_\_\_

OFAC Compliance

**EXHIBIT L TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES**

## 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 effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	(Pending)
Hawaii	(Pending)
Illinois	(Pending)
Indiana	(Pending)
New York	(Pending)
Washington	(Pending)
Wisconsin	(Pending)

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT M TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**RECEIPTS**

## **RECEIPT (YOUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Tutu School Franchises, LLC offers you a franchise, Tutu School Franchises LLC must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. Iowa and New York require that Tutu School Franchises, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Tutu School Franchises, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Tutu School Franchises, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency listed on Exhibit D.

Issuance Date: April 30, 2024

The franchisor is Tutu School Franchises, LLC, located at 3717 North Ravenswood Avenue, #237, Chicago, IL 60613. Its telephone number is: (415) 734-8840.

Tutu School Franchises, LLC's franchise sellers involved in offering and selling the franchise is Genevieve Weeks 3717 North Ravenswood Avenue, #237, Chicago, IL 60613, (415) 734-8840, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

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Our agents for service of process are listed in Exhibit D of the Disclosure Document.

I have received a disclosure document with an issuance date of April 30, 2024, that included the following Exhibits:

Exhibit A	Financial Statements	Exhibit G	List of Franchisees Who Have
Exhibit B	Franchise Agreement	Left the System	
Exhibit B-1	Franchise Application	Exhibit H	Table of Contents of System
Exhibit C	Area Development Agreement	Manual	
Exhibit D	List of State Administrators and Agents for Service of Process	Exhibit I	Sample Renewal Addendum
Exhibit E	State Addenda	Exhibit J	Sample General Release
Exhibit F-1	List of Active Franchisees	Exhibit K	Electronic Debit Authorization
Exhibit F-2	List of Company-Owned Franchisees	Exhibit L	State Effective Dates
		Exhibit M	Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

**Please sign this copy of the receipt and keep it for your records.**

**ITEM 23**  
**RECEIPT**  
**(OUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Tutu School Franchises, LLC offers you a franchise, Tutu School Franchises LLC must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale. Iowa and New York require that Tutu School Franchises, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Tutu School Franchises, LLC gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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Issuance Date: April 30, 2024

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Tutu School Franchises, LLC's franchise sellers involved in offering and selling the franchise is Genevieve Weeks 3717 North Ravenswood Avenue, #237, Chicago, IL 60613, (415) 734-8840, or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:

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Exhibit F-2	List of Company-Owned Franchisees	Exhibit L	State Effective Dates
		Exhibit M	Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

**Please sign this copy of the receipt, date your signature, and return it to: Genevieve Weeks 3717 North Ravenswood Avenue, #237, Chicago, IL 60613 or by email to: genevieve@tutuschool.com.**