

## FRANCHISE DISCLOSURE DOCUMENT

Tippi Toes, Inc.  
an Oklahoma corporation  
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The franchise offered is for the operation of a Tippi Toes Dance business, hereinafter, referred to as Tippi Toes. The franchise will conduct lessons and courses in dance for children ages 18 months to 12 years of age.

The total investment necessary to begin operation of a Tippi Toes Franchise is between \$67,100 and \$84,100. This includes \$49,500 that must be paid to the franchisor.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats contact Sarah Nuse at 5921 S. Marion Place, Tulsa, Oklahoma 74135 or (270) 779-0228.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

DATE OF ISSUANCE: March 15, 2023

## How To Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D and F.
<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 Tippi Toes 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 Tippi Toes franchisee?</b>	Item 20 or Exhibits D and F 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 C.

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 requires you to resolve disputes by mediation, arbitration and/or litigation in Oklahoma. 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 Oklahoma than in your own state.

**Mandatory minimum payments.** Beginning in the fourth month of operation you must make minimum royalty payments (based on number of students and/or gross sales), and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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## **Item 1: The Franchise and any Parents, Predecessors and Affiliates**

The franchisor is Tippi Toes, Inc., referred to in this Disclosure Document as “Franchisor”, “Tippi Toes”, “we,” “us” or “our.” We refer to the person interested in buying a franchise as “you” or “your”. If you are a corporation, partnership, limited liability company, or other entity, certain provisions of the Franchise Agreement will apply to your owners. These will be addressed in this Disclosure Document where appropriate.

We were incorporated in the State of Oklahoma on October 31, 2002. Our principal business office is located at 5921 S. Marion Place, Tulsa, Oklahoma 74135, and our agents for service of process are disclosed in Exhibit C to this disclosure document. We do business under our corporate name and the name “Tippi Toes”.

We first began offering franchises for Tippi Toes businesses in 2009. We have never offered any other type of franchise in any line of business.

The first Tippi Toes dance business began operating in 1999. From 1999 to October 2002, we operated a Tippi Toes dance business in Oklahoma as a sole proprietorship. In January 2005 we expanded our Tippi Toes operations into Texas with a company-owned outlet in Corpus Christi, Texas. We continued to operate company-owned Tippi Toes businesses until March 2015. Since that time all Tippi Toes businesses have been operated by franchisees.

Our affiliate, Lyric by Tippi Toes, LLC (“Lyric”), supplies our franchisees with certain products, including all Tippi Toes branded items (including, but not limited to, teacher/student shirts, teacher bags, etc.), and is the only approved source for such items. Lyric is a Texas limited liability company that was formed in June 2018 and maintains its principal business address at 1301 S. Alamo Rd., Rockwall TX 75087. Lyric has never offered franchises of any kind.

Except as described above, we have no parents, no predecessors, and no affiliates that offer franchises or provide products or services to our franchisees.

We offer franchises for the right to market, offer and provide dance lessons, classes and programs for children with the objective of creating an experience for them to build self-confidence and create a love of dancing. Tippi Toes franchisees conduct dance courses and lessons for children ages 18 months to 12 years of age. Our courses are intended to create an experience that teaches the students to love dancing while building self-confidence and teaching them to connect with each other in a positive way. These classes are provided at churches, schools, daycare centers, community centers and other similar locations.

To our knowledge there are not any regulations specific to the dance industry in which the Tippi Toes franchise businesses operate, but you must comply with all local, state, and federal laws that apply to your operations, including health, sanitation, smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 (“ADA”) requires readily accessible accommodations for disabled people. You must also obtain any applicable real estate permits, licenses, and operational licenses for your business. Some states impose minimum student/teacher ratio requirements that could impact your business. You are solely responsible for investigating, and complying with, the license/permit requirements and other laws in your state.

You must comply with all payment card infrastructure (“PCI”) industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

We recommend that you consult with legal counsel or other professional advisors to help you investigate and understand these laws before you purchase a franchise. It is your sole responsibility to thoroughly investigate which regulations and/or licensing requirements are imposed by your state and local government authorities.

**Seasonality:** Our business is seasonal. It is sensitive to the school year, with the period from September through June of each year being busier than the summer months (July and August) in most cases.

**Competition:** There are a number of dance training schools which may serve clients with products and services similar to those offered by you. Competition ranges from fairly large and sophisticated companies to small individual dance studios that teach dancing for children. Most of our competitors operate out of a studio, which is either rented or built to suit the owner. Our competitors focus on technique and dance performance, while Tippi Toes will focus on improving a child’s self-esteem, building self-confidence and enhancing the love for the art of dance which tends to make the dance experience fun for the children.

## **Item 2: Business Experience**

**Sarah Nuse – President and Chief Executive Officer (CEO):** Sarah founded and created Tippi Toes in Oklahoma in 1999. She has served as the President and CEO of Tippi Toes, since October 2002. Sarah is the author of the book *Destined for Greatness* sharing her story of opening Tippi Toes Dance company as a 19 year old college girl. Sarah and her team have developed 7 music albums which is the secret sauce to the dance class. Sarah has been recognized in *Entrepreneur* magazine as well as features on *ABC Shark Tank*. Sarah hosts a podcast *Destined for Greatness* where she speaks to entrepreneurs about their journeys and secrets of success. Sarah is passionate about partnering Tippi Toes with the humanitarian organization *World Help* and aiding homes for children that live in poverty. Sarah is the chair for the *Bowling Green Young Life Committee*, and also serves on the *Board for Curbside Ministries*. Sarah is a graduate from the *University of Oklahoma* with a bachelor’s degree in communications. Sarah currently offices in *Bowling Green, Kentucky*.

**Megan Reilly - Chief Operating Officer (COO):** Megan began serving as the COO of Tippi Toes in October 2002 and continues to serve in that capacity as of the issuance date of this Franchise Disclosure Document. Megan has helped franchise owners build and grow their businesses around the world. Megan also appeared on season 2 of *Shark Tank* when she and her sister Sarah got a TV deal with Mark Cuban. Megan is the creator and host of one of the top 12 parenting podcasts *Who is Your Mamma Podcast* where she speaks to mothers of some of the world’s most successful CEO’s, athletes and entertainers. Megan serves as an expert mentor for in an elite coaching program, *Elite365*. Megan is a graduate from *Oklahoma State University* with a Masters in *Nutritional Science*. Megan currently offices in *Rockwall, Texas*.



**Adam Nuse, Chief Financial Officer (CFO):** Adam began serving as the CFO of Tippi Toes in October 2002 and continues to serve in that capacity as of the issuance date of this Franchise Disclosure Document. Adam Nuse, husband to Sarah, serves as the Senior Vice President of Business Operations for the Tennessee Titans. A role he took on in April 2021 and holds responsibility for all day-to-day operations related to Nissan Stadium. From 2016-2021, Adam Nuse had served as the Nashville Sounds' General Manager & Chief Operating Officer and oversees all day-to-day operations related to the ballclub. Nuse came to Nashville from the Bowling Green Hot Rods of the Midwest League, where he served as the General Manager and Chief Operating Officer since January 2014. The Texas native was previously with the Corpus Christi Hooks of the Texas League from 2004-2013, where he served in a variety of sales roles throughout his tenure and most recently served as Vice President of Sales beginning in 2009. He holds a bachelor's degree in business administration from the University of Oklahoma, a master's degree in sports administration from Wichita State University, and a doctorate in organizational leadership from Western Kentucky University. Adam currently offices in Bowling Green, KY.

**Maria Fesler, Vice President of Franchise Growth:** Maria Fesler is an accomplished operational executive specializing in growing and scaling small to medium sized businesses. She began working with Tippi Toes in June 2022. Her career has crossed over multiple industries including apparel, beauty, beverage, salon, and luxury sectors. Maria began her career working for large mass companies including Limited Brands, Gap, and Ann Taylor. She then discovered her true passion for working with smaller companies who have a great runway for growth and focused on scaling. Maria has positioned and scaled several companies, including Bare Minerals, BevMo, and NYX Professional Makeup, resulting in the opening of hundreds of locations through North America. Over the last 5 years, Maria's focus has transitioned to the Franchise sector where she has helped companies stabilize and solidify the foundation necessary to scale hundreds of Franchises throughout the US and Canada. Maria received her Bachelor of Science degree with a major in Business Retail from the University of Minnesota. Maria currently offices in Scottsdale, AZ.

**Lexi Rains - Tippi Toes Training and Onboarding Manager**

Lexi Rains began working for Tippi Toes in September 2022. She is a learning and development professional with over 15 years of experience. She has a unique background that is the intersection of early education, tech, retail and start up environments. Lexi has worked for Regis Corporation, Koch, Stitch Fix and most recently Tippi Toes. She has notable experience in adult theory, building strategic learning programs, scaling leadership development programs and human resources. She holds a Bachelor of Science degree in foundations of education from the University of Minnesota – twin cities. When she isn't working, Lexi is the professional snack holder and event manager for her two young daughters. When not holding snacks, Lexi loves to spend time with her husband, the local church, baking or using her creative spirit. Lexi currently offices in Lakeville, MN.

**Item 3: Litigation**

**Tippi Toes, Inc vs. Kristen Robinson, Kids Dance Center, LLC and Whitney Robinson Former Franchisee:**

Tippi Toes franchise owners Kristen and Whitney Robison began operating a competing business with Tippi Toes. She began reporting a lower number of students to Tippi Toes and transferring all her students to her new company. This is a direct violation of her Tippi Toes contract therefore Tippi Toes, Inc took action to close her business. This case is Pending.

**Item 4: Bankruptcy**

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

**Item 5: Initial Fees**

**Franchise Agreement:** Upon signing the franchise agreement, you must pay us an initial franchisee fee of \$49,500. This amount is payable in one lump sum payment, is considered fully earned and nonrefundable upon receipt, and is imposed uniformly on all franchisees, except that we reserve the right to modify this fee from time to time in our discretion.

For franchisees awarded multiple units or existing franchisees in good standing who decide to purchase additional territories, the Initial Franchise Fee will be as follows:

Number of Tippi Toes Units	Franchise Fee	Total Fee
1	\$49,500 (For unit 1)	\$49,500
2	\$42,000 (For unit 2)	\$91,500
3	\$38,000 (For unit 3)	\$129,500
4	\$34,000 (For unit 4)	\$163,500
5	\$30,000 (For unit 5)	\$193,500
6	\$30,000 (For unit 6)	\$223,500
7	\$30,000 (for unit 7)	\$253,500
8	\$28,000 (For unit 8)	\$281,500
9	\$28,000 (For unit 9)	\$309,500
10	\$28,000 (for unit 10)	\$337,500

From time to time, we may offer special incentive programs as part of our franchise development activities. We currently offer an incentive whereby we will discount the Initial Franchise Fee by five percent (5%) for honorably discharged veterans for their initial franchise. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

**Item 6: Other Fees**

**OTHER FEES**

Type of Fee	Amounts	Due Date	Remarks
Royalties (4)	An amount equal to the greater of 7% of your Gross Sales or the following structure:	15 <sup>th</sup> day of each month, based on revenues received	If your monthly financial report (including Gross Sales figures) required by us is not

Type of Fee	Amounts	Due Date	Remarks
	<p>Minimum Royalty:</p> <p>Months 1-6: None</p> <p>Months 7-18: \$500 per month per territory</p> <p>Months 19+: \$1000 per month per territory</p>	during the previous month	timely received, then the royalty payment owed to us will be equal to 120% of your average royalty payment during the past 12 months (or shorter payment period as applicable if you have not paid royalties for each of the last 12 months). Nevertheless, we will be entitled to any unpaid portion of the royalties if we later determine that the 120% payment was not sufficient to cover the actual royalty amount owed to us for the applicable month.
Brand Fund Contribution	Currently 1% of Gross Sales but can be increased to 2% during your term with advanced notice.	Payable together with Royalty Fee.	The Brand Fund is described in Item 11.
Renewal Fee	\$10,000	Upon renewal of your Franchise Agreement.	Your Franchise Agreement is renewable if you have not violated any terms of the Franchise Agreement and you meet the other renewal requirements under the Franchise Agreement. (1) (2)
Transfer Fee (3)	\$10,000 plus any applicable commission	Prior to the transfer	Payable upon any transfer. (1) (2)
Training Fee for Additional Personnel	\$250/day plus travel expenses	At the time training of the additional personnel begins	Training of additional personnel members (after the initial training) at your request (1) (2)
Uniforms and Other Tippi Toes branded items	Cost varies (approximately \$150 per teacher)	Upon receipt of invoice	You and your teachers must wear approved Tippi Toes uniforms and use Tippi Toes-branded gear.
Centerstage Fees (5)	<p>Currently \$199 per month (subject to increase upon 30 days' written notice)</p> <p>Includes: backstage, website, Qvinci, Dance Studio Pro</p>	15 <sup>th</sup> day of each month beginning upon the set-up of your account.	(1) (2) We reserve the right to increase this fee upon 30 days' prior written notice to you. In addition to Centerstage fees payable to us, you may be required to pay third party vendors who provide certain Centerstage related products or services.

Type of Fee	Amounts	Due Date	Remarks
Marketing Cooperative Fund	Currently \$0, but if implemented then up to 2% of your Gross Sales at our option	15 <sup>th</sup> day of each month, based on revenues received during the previous month	If implemented, the Marketing Fund contributions will be paid to us in addition to any local advertising you choose to conduct in your local market. We reserve the right to implement this Marketing Fund upon 30 days' prior written notice to you.
Late Fees	\$50 for each late payment or the maximum allowed by law, whichever is less (plus \$35 for each payment by check, draft or electronic transfer that is returned for lack of sufficient funds)	Upon demand	These fees will apply to any payment owed to us which is more than ten (10) days late. In addition, if your monthly financial report (including Gross Sales figures) required by us is not timely received by us, then the royalty payment owed to us will be equal to 120% of your average royalty payment during the past 12 months (or shorter payment period as applicable if you have not paid royalties for each of the last 12 months).
Bookkeeper fee	Approximately \$300-\$500 per month	Payable monthly to 3 <sup>rd</sup> party vendor that we designate	You will pay a monthly fee to the required vendor we designate to send your monthly financial statements to us.
Inspection/Audit Fee	Costs related to inspection/audit	Upon demand	Payable if an inspection or audit shows you have understated any amount owed to us by 2% or more
Indemnification	Varies according to loss	Upon demand	You must indemnify us when certain of your actions result in loss to us
Interest on Late Payments	18% per annum, or the maximum allowed by law, whichever is less	Upon demand	These fees will apply to any payment owed to us which is more than thirty (30) days late.
ASCAP (License Fee) (6)	\$99 to \$1,000 Annually	Upon receipt of Invoice	See details in Training Manual
Liquidated Damages	Liquidated damages an amount equal to royalty fees and marketing fund contributions for	Upon demand	Payable if we terminate your franchise agreement because of your default, or if you

Type of Fee	Amounts	Due Date	Remarks
	the lesser of (i) 2 years or (ii) the remaining months of the franchise term.		terminate the franchise agreement without the right to do so.

- (1) All of these fees are uniformly imposed.
- (2) These fees are payable to Tippi Toes and all such fees are nonrefundable.
- (3) Prior to the transfer of a franchise, you must pay a \$10,000 transfer fee to Tippi Toes.
- (4) Your royalty fees will be calculated based on your total monthly Gross Sales. The term “Gross Sales”, as used in this Disclosure Document, means the total selling price of all services and products and all income of every other kind and nature related to your Tippi Toes business, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” shall not include sales taxes that you collect from customers. Royalty payments are required during each month throughout the term of the Franchise Agreement, even if your Tippi Toes business does not generate any revenue during some months. The minimum monthly royalty payment obligations are described in the table above.
- (5) We require you to purchase and use the Dance Studio Pro online system to manage all of your customer accounts. You must set up an account directly with Dance Studio Pro (“DSP”) and pay them directly for their services. You will be required give us access (including log-in information and credentials) to your DSP account. You are also required to use our technology services are called “Centerstage” and include an Intranet system for franchise owners, Intranet system for all Tippi Toes staff members, website management and your Tippi Toes e-mail address. The cost to use the Centerstage System is currently \$199 per month. All fees are payable directly to us via Quickbooks.
- (6) We require that you use the Centerstage System to manage all of your customer accounts. The Centerstage System is used for online enrollment, online payments, mass & individual emails, reports, management of customer information and the online merchandise store. Tippi Toes has modeled the system to work well with your needs and we have a model created within the system so a framework is already prepared for you to simply modify with your specific class information. We have access to the information that is processed by the Centerstage System.
- (7) We require that you are licensed with ASCAP (American Society of Composers, Authors and Publishers) as well as BMI. Since music is a vital part of dance classes, it is important that you be protected from any claim of copyright infringement. An ASCAP license authorizes performances of many millions of copyrighted musical works, and protects you from such claims. The annual fee is based on the number of students enrolled. We provide ASCAP enrollment numbers annually for each location; the fee is paid directly to ASCAP upon receipt of their invoice.

## **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 (1)	\$49,500	Lump Sum or Finance. See Item 10.	At signing of Franchise Agreement	Tippi Toes
Uniforms	\$100 - \$500	Lump Sum	As incurred	Tippi Toes
Training Travel Costs and Expenses (2)	\$1,500 - \$3,000	Lump Sum	As incurred	Independent vendors
Insurance (3)	\$1,000 - \$1,500	As Incurred	As Incurred	Insurance Provider
Real Estate and Improvements, Furniture and Fixtures (4)	\$0	Not Applicable	Not Applicable	Not Applicable
Merchandise Inventory to Begin Operating (5) (No Inventory Required)	\$0 – \$600	Not Applicable	Not Applicable	Not Applicable
Miscellaneous Opening Costs, Deposits, Licenses and Professional fees (6)	\$1,000 - \$2,500	As Incurred	As Incurred	Independent Vendors
Equipment & Computer Systems (7)	\$2,000 – \$3,500	As Incurred	As Incurred	Independent Vendors
Rent (8)	\$0 - \$3,000	As Incurred	As Incurred	Independent Vendors
Additional Funds (9) (to cover working capital needs for a startup period of 3 months)	\$12,000 - \$20,000	As Incurred	As Incurred	Independent Vendors
<b>TOTALS (10)</b>	<b>\$67,100 - \$84,100</b>			

**NOTES:**

1. You may pay an initial franchise fee of \$49,500 when you sign the Franchise Agreement. The initial franchise fee is nonrefundable under the terms of the Franchise Agreement. Additional fees will apply if you purchase multiple territories.
2. This is an estimate of travel expenses you will incur for training.
3. Insurance. You are required to carry the following insurance:

General Liability	Limits:
Each Occurrence	\$ 100,000
Damage to Rental Premises (Each occurrence)	\$ 10,000

Medical Expense (any one person)	\$ 5,000
Personal Injury	\$ 10,000
General Aggregate	\$2,000,000
Product Liability	\$ 10,000

You are required to submit a Certificate of Insurance to us, and to inform us of any changes. Franchisor must be name as additional insured on your insurance policy. The estimate in the table is for the first three months.

4. Tippi Toes does not require that you purchase, rent or lease office space, equipment, furniture, fixtures, etc.
5. There is no inventory required for a Tippi Toes business. Products sold by our franchisees are ordered by parents of students and delivered upon receipt so that there is no need to carry inventory.
6. Miscellaneous opening costs may include deposits, incorporation fees, advertising costs, etc., which are relative to the start-up of your business.
7. You must at all times maintain a high-speed Internet connection and use such connection to operate your Tippi Toes business. If you do not already own a computer and printer, you are required to purchase a laptop or desktop computer that meets specifications for data management, on-line enrollment, collections, etc. in order to connect with the Centerstage System. You must also purchase and maintain a sound system/speakers meeting our standards and specifications for your Tippi Toes business. You will also be required to purchase music approved by us from iTunes or other on-line provider approved by us.
8. You conduct dance classes at churches, schools, day care centers, community centers, etc. Most of the places where dance classes are conducted are rent free; however, based on our experience, some facilities do charge rent and we estimate that rent for your first 3 months of operation could be up to \$3,000.
9. We recommend that you begin operations with additional initial working capital to provide for operating cash and miscellaneous costs during the first three months after starting your new business. Some vendors and tradesmen require payment of fees and deposits prior to providing services, such as sales tax deposits, business license fees, advertising costs, etc. We have based this estimate on our experience in operating a company-owned Tippi Toes dance studio. Your actual costs will depend upon many factors such as your management skills, experience and business acumen, the local market for our product, etc.
10. This total is an estimate based on our experience with our company-owned Tippi Toes dance studio.

#### **Item 8: Restrictions on Sources of Products and Services**

You are obligated to purchase or lease some items or services from us, our designed suppliers, or from suppliers approved by us under our specifications as follows:

After you begin operating your franchise, you are required to purchase costumes and apparel, certain music, etc. from us as required for the operation of your franchised business.

The Franchise Agreement provides that you shall not purchase any Tippi Toes-branded products or services, including but not limited to dance costumes, apparel, music, books, etc. from any person or entity other than Tippi Toes, any predecessor or successor of Tippi Toes or an authorized affiliate of Tippi Toes, without the express written consent of Tippi Toes. We are the only approved supplier for Tippi Toes-branded products and services.

### **Designated Suppliers**

Computer Systems – you must purchase the POS system and CRM system (online enrollment system) meeting our standards and specifications from our designated vendor, Dance Studio Pro, which is based in Alabama.

Branded Items – we require that you purchase all Tippi Toes branded items (including, but not limited to, teacher/student shirts, teacher bags, etc.) only from our affiliate, Lyric by Tippi Toes, LLC.

Marketing Materials – We reserve the right to require you to use our designated marketing vendor for the purchase of all marketing materials.

Website – You must use only our Centerstage website in connection with your franchised business, which includes our Backstage intranet system. Unless authorized in writing by us, you may not use an individual website to offer or sell any services or products related to Tippi Toes.

Insurance – You are required to obtain and maintain certain minimum insurance policies as further described in the Franchise Agreement, and we must be named as an additional insured on each of these policies. You must obtain and maintain the required insurance policies protecting you, us, our affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them, against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Tippi Toes dance studio. These policies must be written by a responsible insurance carrier or carriers rated “A” or better by the A.M. Best Company, Inc. and that are acceptable to us.

You are required to secure a sales tax resale certificate from your state and submit it to us within sixty (60) days following the full execution of this franchise agreement. Your sales tax resale certificate is required to be continued and effective for the life of this franchise agreement. Failure to comply with this requirement within the time-period specified and/or to continue the effectiveness of the sales tax resale certificate in your state will constitute a material default under your Franchise Agreement and could result, at our option, in the termination of your Franchise Agreement without any refund of any deposits/fees paid.

Except for the list of designated and approved suppliers listed above in this item 8, there are currently no alternative or approved suppliers, but we reserve the right to establish and amend a list of approved suppliers from time to time that must be used for purchases of products and



services by our franchisees. If we establish approved suppliers (including manufacturers, distributors and other sources) for any equipment, supplies, materials, fixtures, furnishings, computer systems and other products used or offered for sale at the franchised business, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Tippi Toes franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening your franchised business (and from time to time as needed during operation of your franchised business), you must purchase from designated or approved suppliers certain items required for the operation of a your franchised business.

If we require that an item be purchased from an approved or designated supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and, if requested, will be made available to franchisees.

There are currently no criteria describing how the franchisor grants or revokes approval of alternative suppliers.

You are required to comply with all the Franchisor's standards and specifications relating to the products and services used or sold at the franchised business or at any Tippi Toes on location dance classes. These standards are listed in our Training and Operations Manual.

It is estimated that 100% of the franchisee's purchased products are required to be purchased from our affiliate or our designated or approved suppliers for the establishment and ongoing operation of the franchised business.

We do not derive revenue or other material consideration from select required purchases by franchisees.

During the fiscal year ended December 31, 2022, our affiliate, Lyric by Tippi Toes LLC, received revenues of \$43,052.39 from purchases by our franchisees Lyric by Tippi Toes LLC's fiscal year end audit. Lyric by Tippi Toes LLC, is owned by Sarah Nuse, Adam Nuse and Megan Reilly, the owners of Tippi Toes, Inc.

We currently do not have arrangements with any suppliers in which we receive payments as a result of, or in connection with, purchases by our franchisees, but we reserve the right to establish such arrangements in the future.

Except for ownership interests in us and our affiliate, Lyric by Tippi Toes, LLC, there are no designated or approved suppliers in which our officers own an interest.

There are no purchasing or distribution cooperatives.

We do not negotiate purchase arrangements for the benefit of franchisees.

We do not provide any material benefits to our franchisees based on the franchisee's purchases of particular products or services or use of designated or approved suppliers or leases from other suppliers by franchisees.

#### **Item 9: Franchisee's Obligations**

### **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 included in this disclosure document.**

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/ lease	None	None
b. Pre-Opening purchases/ leases	None	None
c. Site Development and other pre-opening requirements	VI	11
d. Initial and ongoing training	VI, XI	11
e. Opening	VI	11
f. Fees	III, IV, VI, XIII, XIV	5,6,7
g. Compliance with standards and policies/ operating manual	V	14
h. Trademarks and proprietary information	X, XI	13,14
i. Restrictions on products/ services offered	VI	8,16
j. Warranty and customer service requirements	Not Applicable	Not Applicable

Obligation	Section in Agreement	Disclosure Document Item
k. Territorial development and sales quotas	IV	12
l. Ongoing product/service purchases	Not Applicable	Not Applicable
m. Maintenance, appearance, and remodeling requirements	None	None
n. Insurance	VI	7
o. Advertising	XIII	6
p. Indemnification	X	6
q. Owner's participation / management/ staffing	VI, VIII	15
r. Records/reports	V	6
s. Inspections and audits	V	6
t. Transfer	XIV	6,7,17
u. Renewal	II	6,17
v. Post-termination obligations	XIV, XV	17
w. Non-competition covenants	VIII	17
x. Dispute resolution	XVI	17
y. Royalties	V	6
z. Training	VII	11

### **Item 10: Financing**

We do not offer direct or indirect financing, and we do not guarantee your notes, leases or other obligations.

### **Item 11: Franchisor's Assistance, Advertising, Computer Systems, and Training**

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

#### **Pre-Opening Assistance**

Before you begin your business, we will:

- (1) Designate your protected territory (Franchise Agreement Section IV, Exhibit B-2)
- (2) Provide you access to our operations manuals(Franchise Agreement Section VII), including a training manual, and other items listed in Exhibit B-1 to the Franchise Agreement. Such access may be limited to electronic copies, in our sole discretion.
- (3) There are no site, location, or premises requirements. Most franchisees set up a space in their homes to act as an office for their business (approximately 100 square feet).
- (4) Provide initial training during the first 30 days and ongoing training thereafter. (See Section VII of the Franchise Agreement).

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the franchise and the opening of the franchisee's business is approximately one to three month. The franchisee should be able to complete all initial training, establish contracts with organizations to facilitate classes and begin registering children within this time frame. You must operate the Tippi Toes studio in accordance with the Franchise Agreement throughout the entire term of the Franchise Agreement, provided that your initial activities during the first month after signing the agreement may not actually involve conducting dance classes.

### **Post-Opening Assistance**

After you begin your business, we will provide assistance in the following manner:

- (1) We will conduct training camps for all new franchise owners. This designated time will be used to educate and train our franchise owners to have the tools to build their business at their established franchise location. We host regular training camps, and you will be assigned to the one that fits with your location start-up date. This initial training field trip will not be provided if you have previously opened or operated another Tippi Toes franchised businesses. (Franchise Agreement Section VII) We will work with you in the areas of marketing, advertising ideas, selling, help you develop your Business and Marketing plan.
- (2) We will send you updated information on training, products, services, announcements, and meetings via mail, email, or conference call.
- (3) We will hold monthly phone training conferences for all Franchise Owners and managers. Also, our Backstage online community is there to answer questions and provide current information will be provided by e-mail.

See Section VII of the Franchise Agreement for Franchisor's Obligations.

### **Advertising**

Tippi Toes does not currently have any required advertising fund programs to which our franchisees must contribute; however, we reserve the right to implement a marketing fund (the "Marketing Cooperative Fund" or "Fund") upon 30 days' prior notice to you. If implemented, you will be required to make monthly contributions to the Marketing Cooperative Fund of up to 2%, of your monthly Gross Sales.

We or someone we designate will separately administer the Fund. The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund. We will direct all programs financed by the Fund, including the creative concepts, materials, endorsements, and the geographic market and media placement and allocation thereof. We may use the Fund to satisfy the costs of producing video, audio and written advertising materials; administering regional and multi-regional advertising programs; developing and maintaining an Internet website; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contributions

or to ensure that any particular franchisee benefits directly or in proportion to its contributions to the Fund. Except for any portion of the Fund spent on website development and maintenance (a portion of which may include soliciting the sale of franchises using our website or websites primarily focused on franchise growth), the Fund is not used to solicit the sale of franchises. Any Tippi Toes businesses owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard Tippi Toes franchise agreement.

Presently, we anticipate that Fund advertising will be conducted primarily through electronic or print media on a regional basis, and that the majority of our advertising will initially be developed in-house. We may use the Fund to directly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable salaries, administrative costs, travel expenses and overhead that we may incur in administering the Fund and its programs. We will prepare an annual statement of the Fund's operations and will make it available to you if you request it. Any amounts in the Fund that are not spent in the fiscal year in which they accrue will be applied toward advertising activities or our expenses incurred in administering the Fund and its programs in the following fiscal year. We are not required to have the Fund's statements audited.

We may terminate the Fund at any time on 30 days prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Article XIII)

The Fund has not been established, so no amounts were contributed to the Fund in the last fiscal year.

You may use your own advertising material if it meets our brand standards and specifications; however, all advertising must be approved in writing by Tippi Toes before you use it.

There is no advertising council composed of franchisees that advises Tippi Toes on advertising policies.

There is no local or regional advertising cooperative that franchisees must participate in.

We do not currently require franchisees to spend any minimum amount on local advertising in their market, but we reserve the right to implement such a requirement in the future.

## **Brand Fund**

You are required to contribute to the Brand Fund up to 2%, currently 1% of monthly Gross Revenue generated by your Franchised Business. Your Brand Fund contribution is collected at the same time and in the same manner as your Royalty. Each Tippi Toes outlet operated by our affiliate or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so.

The Brand Fund is administered by us. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Brand Fund contributions to pay our costs (including salaries of our personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Brand Fund.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions. The Brand Fund and its earnings shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the territory where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

### **Advisory Council**

We may, in our discretion, form an advisory council to work with us to improve the System, the services offered by Tippi Toes Dance studios, advertising conducted by the Fund, if implemented, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

If formed, an advisory council will be comprised of our representatives and franchisee representatives. Franchisee representatives may be selected by us or may be elected by other franchisees in the System. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

### **Computer Requirements**

We require that you have or purchase a computer, smartphone and printer meeting our minimum standards and specifications, and you must maintain a high-speed Internet connection for your computer and smartphone at all times. If you do not already own a computer and printer, you are required to purchase a laptop or desktop computer in order to connect with the Centerstage System. (Franchise Agreement Section VI paragraph C) The estimated cost of a computer, smartphone and printer is approximately \$2,000.

You must purchase, install and at all times use the required computer systems at your Tippi Toes franchised business. If the computer system is updated or modified from time to time you may be required to purchase the modified or upgraded version. You must also install and maintain at least one point-of-sale terminal that is capable of running the required software. The software is used to generate, compile, store and manage sales and other information. You must purchase this software and the related hardware from a supplier approved by us. We reserve the right to require you to pay a periodic helpdesk/maintenance services fee to an approved maintenance and support vendor in connection with maintaining and updating your POS system, but we currently do not require you to spend any minimum amount on helpdesk/maintenance services. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Tippi Toes businesses.

Except as stated above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your hardware or software. Except as stated above, there are currently no optional or required maintenance/upgrade contracts for the point of sale or computer system. The software programs and hardware used at Tippi Toes businesses are designed to enable us to have independent access to the information generated and stored by the system, and there is no contractual limitation on our access to or use of the information we obtain.

We may revise our specifications for the hardware and any software used in the Tippi Toes businesses as we deem necessary, including the designation of specific brands or models of accounting software or other software used for word processing, spreadsheets and other office functions, that you must use in the operation of your Tippi Toes businesses. In addition, you must update and upgrade the hardware and software from time to time as we require, and you must install any other hardware or software for the operation of the Tippi

Toes businesses that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The licensors of the required software may develop enhancements and upgrades for their programs that you may be required to obtain. We cannot estimate how often those licensors may develop updates, upgrades or enhancements, or whether we will require you to obtain them, or their cost to you. There are, however, no limitations on the frequency and cost of the updates, upgrades or enhancements.

### **Operating Manual or “Playbook”**

Tippi Toes provides franchisees with Training/Operations Manuals in the form of a Playbook which must be followed in the operation of your Tippi Toes business. The Training/Operations Manual or “Playbook” is a living document on our Backstage Online Community and the Table of Contents for the Playbook is included at the end of this Item 11.

### **Training**

The initial training program includes:

#### **TRAINING PROGRAM**

Subject	Hours of Classroom/Online Training	Location
Brand Immersion – People and Culture	2	In person or Web training via protected internet site; telephone conferences.
Building Your Business	3	In person or Web training via protected internet site; telephone conferences.
Operations	4	In person or Web training via protected internet site; telephone conferences.
Class Demonstration	2	In person or Web training via protected internet site and by telephone conferences.
Sales and Marketing	7	In person or Web training via protected internet site and by telephone conferences.
Business Management	5	In person or Web training via protected internet site and by telephone conferences.
<b>TOTAL</b>	<b>19</b>	

Tippi Toes initial training is held on a regular basis. You must schedule your training prior to opening your Tippi Toes business. We do not charge a fee for the initial training of the Franchisee or his/her sales personnel. The initial training program is included in the franchise fee. Your successful completion of the Tippi Toes training program (to our satisfaction) is mandatory before beginning operation of your Tippi Toes business.

Training is conducted by a Tippi Toes certified trainer under the supervision of Sarah Nuse and/or Megan Reilly (or a designated trainer approved by us). Sarah is the Chief Executive Officer and President of Tippi Toes and has taught Tippi Toes dance classes since 1999. Megan is the Chief Operating Officer of Tippi Toes and has taught Tippi Toes dance



classes since 2002. They each have additionally gained experience training franchisees and their teachers in every aspect of Tippi Toes operations including sales, marketing and all other areas of the Tippi Toes business since 2009.

Initial training will take place at our Tippi Toes designated training area. After that is complete our Tippi Toes training/operations manuals will need to be followed.

Basic Management training begins with orientation to Tippi Toes including our history, mission and goals.

Additional training: At your request, Tippi Toes may provide training to additional members of your personnel (after the initial training) for a fee of \$250 per person, per day plus reimbursement for our travel, lodging, meals and other expenses related to such additional training. Each onsite training session will be 2 days.

There is no fee, except as outlined above, for ongoing training (after the initial training). Ongoing training will be held periodically during the year. These sessions are available to franchisees, managers, teachers and any other of the Franchisee's employees. The Franchisee will be responsible for all travel and related expenses to attend these training sessions.

Training is subject to modification at any time at the discretion of Tippi Toes.

Training & Operations Manual  
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## **Item 12: Territory**

You will receive a protected territory which is determined before you sign your Franchise Agreement (as described in Exhibit B-2 to your Franchise Agreement) and includes a population of up to 200,000 people. The boundaries of your protected territory may be defined by zip codes or and/or a territory map we provide. There would be a \$0.25 per additional person overage to any population greater than 200,000 according to the mapping technology software. During the term of your Franchise Agreement, we will not operate, or grant franchises for the operation of, a Tippi Toes business within your territory as long as you remain in compliance with your Franchise Agreement. We do not have any prescribed conditions by which we would approve or disapprove the relocation of a franchisee's business.

The territorial rights granted to you under the Franchise Agreement are not dependent on the achievement of a certain sales volume, market penetration or other contingency factors, except that you are required to pay us minimum monthly royalty fees as described in Item 6 above. If you fail to pay such minimum royalty fees we will have the right, at our option, to terminate your Franchise Agreement.

There are no options, rights of first refusal or similar rights to acquire additional franchises

We reserve all rights not expressly granted to you in your Franchise Agreement, including but not limited to, the right to operate, and grant franchises for the operation of, Tippi Toes businesses at any location outside your protected territory and the right to use any other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales of any products or services at any location, including within your protected territory, including products and services offered under our principal trademarks or other trademarks in our sole discretion.

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.

You may not solicit or accept orders from consumers outside of your protected territory unless you have expressed written consent from our corporate office. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales inside or outside of your protected territory.

## **Item 13: Trademarks**

The Franchise Agreement gives you a license to operate a Tippi Toes business under the mark "Tippi Toes" and to use any future Marks we authorize.

Our affiliate, TTAG, LLC ("TTAG"), has registered, or applied for registration of, the following Marks with the U. S. Patent and Trademark Office ("USPTO") on the Principal Register. At the appropriate times, TTAG intends to renew the registrations and to file all appropriate affidavits.

Mark	Serial Number	Application Date	Registration Number	Registration Date	Register
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TIPPI TOES	77266209	8/28/2007	3426225	5/13/2008	Principal
TIPPI TOES logo	88119659	9/17/2018	5906510	11/12/2019	Principal

There is no presently effective determination of the U.S. Patent and Trademark Office, the trademark trial and appeal board, the trademark administrator of any state or any court, nor any pending infringement, opposition, or cancellation proceeding, nor any pending material litigation involving the Marks which is relevant to their ownership, use or licensing.

We know of no superior prior rights or infringing use that could materially affect your use of the Marks, and we know of no agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

Our rights to the Marks and the proprietary Tippi Toes System know-how are derived from a nonexclusive perpetual license (the “Intercompany License”) between us and our affiliate, TTAG. The Intercompany License grants us the right to use the Marks and the proprietary information related to the Tippi Toes System, such as the know-how and the Manuals, for the purpose of licensing them to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License is terminable only for material breach of the Intercompany License agreement and only if we do not cure or begin to cure the breach within 90 days after notice. If the Intercompany License agreement is terminated by us or TTAG, then TTAG will permit you to continue using the Marks under your franchise agreement until the expiration or earlier termination of such franchise agreement (plus one renewal period if the agreement is set to expire and you meet all renewal criteria set forth in your Franchise Agreement). We know of no other agreements currently in effect which significantly limit our rights to use or license the use of the Marks in any manner material to you.

You may not use the Marks as a part of your corporate or another legal name. You must execute any documents we require to protect the Marks or to maintain their continued validity and enforceability.

We are not obligated to protect your rights to use the Marks or to protect you against claims of infringement or unfair competition. We are not obligated to participate in your defense and/or indemnify you for expenses or damages if you are party to an administrative or judicial proceeding involving the Marks if the proceeding is resolved unfavorable to you. The license to use the Marks granted in the Franchise Agreement is not exclusive to you. We have and retain all rights in the Marks.

You must immediately notify us of any infringement or apparent infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your owners must agree not to communicate with any person other than us, our designated affiliate, and our or their counsel about any infringement, challenge or claim. We or our affiliates have sole discretion to take any action we deem appropriate and the right to exclusively control any litigation, or Patent and Trademark Office (or other) proceeding, from any infringement, challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests

or those of our affiliates in any litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks.

We are not obligated by the Franchise Agreement to protect any rights granted to you to use the Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Marks or your right to use them, as a matter of corporate policy, we intend to defend the Marks vigorously.

You may not use any of the Marks as part of your corporate or other name. You must also follow our instructions for identifying yourself as a franchisee and for filing and maintaining the requisite trade name or fictitious name registrations. You must sign any documents we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your owners may take any action that would prejudice or interfere with the validity of our rights with respect to the Marks and may not contest the validity of our interest in the Marks or assist others to do so.

We have the right to substitute different trade names, service marks, trademarks and indicia of origin for the Marks if the Marks can no longer be used, or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to discontinue or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

#### **Item 14: Patents, Copyrights and Proprietary Information**

Patents: We do not own any patents, and do not have any pending patent applications, that are material to the franchise.

Copyrights:

We have obtained the following copyrights issued by the U.S. Copyright office:

U.S. Copyright Registration No. 408-677 for “Tippi Toes” effective as of July 6, 2007. The copyright extends to July 6, 2102.

U.S. Copyright Registration No. 6-594-703 for “PINK BALLET SHOES” effective date of July 2, 2007. The copyright extends to July 2, 2102.

U.S. Copyright Registration No. VA 1-419-480 for “TIPPI THE TURTLE” effective July 3, 2007. The copyright extends to July 3, 2102.

We intend to renew all of the above copyrights.

We claim common-law copyright protection for our manuals and related materials, although these copyrights have not been registered with the United States Copyright Office. The operations manuals and related materials are considered confidential and proprietary and are considered our property. You may use them only in the operation of your franchise as provided in the Franchise Agreement. You may not use our confidential and proprietary

information in any unauthorized manner and must take reasonable steps to prevent its disclosure to others.

There are currently no effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements in effect that significantly limit our right to use or license the use of the copyrighted materials. Finally, there are no cases of infringement actually known to us that could materially affect your use of the copyrighted materials in any state.

We are not obligated by the Franchise Agreement, or otherwise, to protect any rights you have to use the copyrights, although we intend to do so when we determine that such action is in the best interest of our system. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the copyrights.

You and your owners and employees must agree not to communicate or use our confidential information for the benefit of anyone else during and after the term of the Franchise Agreement. You and your owners and employees must maintain the confidentiality of all information contained in the Manual and other information that we consider confidential, proprietary, or trade secret information. Our “confidential information” means all trade secrets and other elements of our System; information contained in the Manuals; training techniques; curriculum; teaching techniques, methods and programs, financial information; customer information; vendor information; marketing strategies and data; and all other knowledge, trade secrets, or know-how concerning the operation of a Tippi Toes business which may be communicated to you by virtue of operating under the terms of the Franchise Agreement, and all other information that we designate as confidential (collectively “Confidential Information”). You and your owners and employees must also agree not to use our Confidential Information at all after the Franchise Agreement terminates or expires. You and your owners can give this Confidential Information only to your employees who need it to operate your Tippi Toes business. You must have your general manager and assistant managers and any of your other personnel who have received or will have access to our Confidential Information, sign similar covenants.

If you or your employees or owners develop any new concept, process or improvement in the operation or promotion of your Tippi Toes business, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes, or improvements will become our exclusive property, and we may use or disclose them to other franchisees, as we determine appropriate.

#### **Item 15: Obligation to Participate in the Operation of the Franchise Business**

You must at all times directly supervise the operation of the business or you may employ a manager for this purpose who will serve as the Operating Principal under the Franchise Agreement.

The person designated as the Operating Principal must meet the standards set forth by us for this position, as provided in the Manuals or other written instructions. The Operating

Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement.

The person designated must comply with all of our standards and specifications relating to the services and products used or sold at the Tippi Toes business.

The person designated as the Operating Principal must sell or offer all products and services in the manner and style required by us and must supervise and oversee all employees and their training. You may not deviate from our standards and specifications without first obtaining written consent from us.

The Operating Principal must maintain and protect our trade secrets and confidential information and abide by the covenants not to compete set forth in the Franchise Agreement. The Operating Principal shall ensure compliance with all requirements of federal, state and local laws, rules, regulations, and orders.

Each of your owners (whether partners, shareholders, members, etc.) must sign a personal guaranty in the form attached as Exhibit A to the Franchise Agreement. If applicable, your spouse must also personally guaranty your performance under the Franchise Agreement. Each of your owners (whether partners, shareholders, members, etc.) will also be required to enter into a confidentiality agreement and a non-competition agreement.

#### **Item 16: Restrictions on What the Franchisee May Sell**

You must offer and sell all of the services and products required by us, and you may not offer or sell any products or services not authorized by us. We have the right to add new services and products and to delete present services and products at our discretion from time to time. You agree to sell or offer products and services in the manner and style required by us; you agree not to deviate from the standards and specifications without first obtaining written consent from us.

We have the right to change products and services offered by you at any time, and there are no limits on our right to make changes. At least thirty (30) days' notice of any such changes will be given to you. You are required to use Tippi Toes products and materials, exclusively, for sale to clients (unless other material is approved in writing by us in advance).

You are not restricted regarding the types of customers you may market and sell to, but you may not offer services within the territory of another Tippi Toes franchisee.

You are required to register all new clients monthly (including name, address, phone numbers, etc.) with us. This information is to be sent, on the form provided by us, along with the monthly royalty report, and we own all rights to all customer and client information.

You may decide the prices you wish to charge your customers; however, we reserve the right, to the fullest extent allowed by applicable law, to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services offered through your Tippi Toes business.

We may make available to you and may require you to purchase from us for resale to your customers certain merchandise, like clothing or other promotional items, in amounts necessary to meet your customer demand.

You may only install and offer at your Tippi Toes business such equipment and machines as we have expressly approved in the Manual or otherwise in writing.

You may only sell retail products that are expressly approved by us in writing (and only through channels approved by us in writing), and you may not sell any products at wholesale for any reason or sell products to any purchaser whom you know (or have reasonable grounds to suspect) intends to resell the products unless you receive our prior written consent to such sale. Any sale must be conducted in accordance with our System standards.



## Item 17: Renewal, Termination, Transfer and Dispute Resolution

### THE FRANCHISE RELATIONSHIP

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

Provision	Section in franchise or other Agreement	Summary
a. Length of the franchise term	II.A.	Initial term of 10 years
b. Renewal or extension of the term	II.B.	Your Franchise may be renewed for two 5-year successor terms subject to any or all of the conditions outlined in the Franchise Agreement.
c. Requirements for franchisee to renew or extend	II.B.	<ol style="list-style-type: none"> <li>1. Notify us of your intent to renew</li> <li>2. Not be in violation or default of terms of Franchise Agreement</li> <li>3. When renewing, you may be asked to sign a new contract with materially different terms and conditions than your original contract. Your renewal right permits you to remain as a franchisee after the initial term of your franchise agreement expires. However, to remain a franchisee, you must meet all required conditions to renewal, including signing our then-current form of Franchise Agreement, which may contain materially different terms and conditions and different territory boundaries from your original contract.</li> </ol>
d. Termination by franchisee	XV	You may terminate if we commit a material default and fail to cure such default within 60 days after notice of default from you.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	XV	Tippi Toes can terminate if you default or for good cause.
g. "Cause" defined – curable defaults	XV	You have 30 days to cure most violation(s) under the Franchise Agreement, including nonpayment of accounts. You have 30 days to cure any defaults not otherwise specified.
h. "Cause" defined – non-curable defaults	XV	The provision in the Franchise Agreement which provides for termination upon bankruptcy may not be enforceable under Federal Bankruptcy law (11 U.S.C. Section 101 et.seq.)
i. Franchisee's obligations on termination/non-renewal	XV	You lose the right to market and sell Tippi Toes' services and products. Should you terminate your Franchise, all of your clients will be assigned and transferred to Tippi Toes or our designee at our option.

Provision	Section in franchise or other Agreement	Summary
j. Assignment of contract by franchisor	XIV	No restrictions on Tippi Toes' right to assign; however, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.
k. "Transfer" by franchisee- defined	XIV	Transfer of contract, assets or change in ownership
l. Franchisor approval of transfer by Franchisee	XIV	Transfer must be approved by Tippi Toes whether owned by an individual or a corporation; but Tippi Toes cannot unreasonably withhold consent.
m. Conditions for Franchisor approval of transfer	XIV	Transferee must be of good character, pay transfer fee, and sign the then-current form of Tippi Toes Franchise Agreement. You must pay any outstanding accounts due to Tippi Toes.
n. Franchisor's right of first refusal to acquire Franchisee's business	None	Not applicable
o. Franchisor's option to purchase Franchisee's business	XV	Upon termination or expiration we have the option to acquire the franchised location and the assets of the Tippi Toes business from you (subject to any rights of approval retained by the owner of the leasehold) at fair market value. We have the option to have the lease for the premises of the franchised business assigned or subleased to us.
p. Death or disability of franchisee	XIV	No restriction on disability or death. Your estate or representative may transfer the franchise per approval of the new Franchisee by Tippi Toes.
q. Non-competition covenants during the term of the franchise	VIII	No involvement in a competing business anywhere in the United States during the term of your Franchise Agreement.
r. Non-competition covenants after the franchise is terminated or expires	VIII	No competing with us for two years after termination of your Franchise Agreement at any location within 50 miles of any location where you, Franchisor or any of its franchisees have offered dance classes, lessons or other services.
s. Modification of the Agreement	XVI	Only terms of the franchise agreement are binding. If any part of the non-competition covenant is found to be void in a court of law, the covenant will be deemed modified so as to be enforceable. Any modifications must be made in writing and signed by you and Tippi Toes.
t. Integration / merger clause	XVI	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise

Provision	Section in franchise or other Agreement	Summary
		Agreement or in any other written agreement is intended to disclaim representations made in this franchise disclosure document.
u. Dispute resolution by mediation	None	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.  At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes, and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
v. Choice of Forum	XVI	Venue for any litigation is the applicable state or federal courts located in Oklahoma. Any dispute or action between you and us will be of our and your individual claims. None of your claims will be litigated on a class-wide basis or otherwise consolidated with any claims of any third parties.
w. Choice of Law	XVI	The Franchise Agreement is governed by the laws of the state of Oklahoma, without reference to this state's conflict of laws principles (subject to state law).

The Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of a right to a jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Franchise Agreement Section XVI. We recommend that you carefully review all of these provisions with a lawyer.

A provision in the Franchise Agreement which terminates this agreement on your bankruptcy may not be enforceable under Title 11, United States Code Section 101.

### **Item 18: Public Figures**

Tippi Toes does not use any public figures to promote its franchise.

### **Item 19: Financial Performance Representations**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are

considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

The below table represents sales achieved by our franchisees. Your location will offer the same products and services as these locations offer. You should conduct an independent investigation of the costs and expenses you will incur in operating a Tippi Toes location.

**Tippi Toes Reporting Franchisees Gross Sales per Franchise Outlet**

	2018-2019	2019-2020*	2020-2021*	2021-2022
High	\$332,237.46	\$274,586.55	\$217,468.57	\$378,935.50
Low	\$24,494.60	\$100.00	\$0.00	\$5,182.32
Median	\$100,267.76	\$71,497.55	\$48,125.37	\$132,821.57
Average	\$124,830.32	\$87,740.38	\$53,793.55	\$143,773.14
Reporting Franchises	27	32	34	33
Reporting Franchisees Exceeding Average	8	14	14	16
Percentage of Reporting Franchisees Exceeding Average	29.63%	43.75%	41.18%	48.48%
*COVID impact - many schools closed				

Tippi Toes Reporting is from August – July

**Total Student Enrollment per Month Per Franchise Outlet**

	2018-2019	2019-2020	2020-2021*	2021-04/2022
High	485	544	283	497
Low	38	14	0	11
Median	147	119	64	151
Average	189	142	74	174
Reporting Franchisees	27	32	34	33
Reporting Franchises Exceeding Average	8	14	12	14
Percentage of Reporting Franchisees Exceeding Average	29.63%	43.75%	35.29%	42.42%
*COVID impact - many schools closed				

Tippi Toes Reporting is from August – July

**Total Hours of Work per Week, Per Principle Operator, Self-Reported by Franchise Owners. Not including hours worked by staff.**

High	54*
Low	9

Median	23
Average	25
Reporting Franchisees	15
Reporting Franchises Exceeding Average	3
Percentage of Reporting Franchisees Exceeding Average	20.00%
*Franchise owner/Principle Operator teaches 20 hours of Tippi Toes classes	

The following financial data represents 8 operational franchise outlets owned by the 6 franchisees who provided us with their summary income statements for the July 2021-June 2022 reporting period. No other franchisees provided us with this information and therefore no summary income statements are available to share for those 26 franchise outlets.

We will provide written substantiation for the data we used to prepare this financial performance representation upon your reasonable request.

The information presented below has not been audited.

<b>Averages</b>				
			<b>Total</b>	
<b>Annual Number of Student Tuitions Billed</b>			<b>3347</b>	
<b><u>Revenue</u></b>			<b>7/1/21-6/30/22</b>	<b>% of Revenue</b>
	Camps		\$5,016	2.1%
	Costume Income		\$10,036	4.1%
	Merchandise Sales		\$3,401	1.4%
	Recital Tickets		\$2,191	0.9%
	Registration		\$19,037	7.8%
	Special Events		\$1,609	0.7%
	Tuition		\$201,266	83.0%
<b>Total Revenue</b>			<b>\$242,557</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>				
	<b><u>Class Expenses</u></b>			
		Location Rent	\$8,965	3.7%
		Payroll Taxes for Teachers	\$5,677	2.3%
		Studio Rent	\$4,375	1.8%
		Supplies & Materials	\$8,623	3.6%
		Teacher Wages	\$51,225	21.1%
	Merchant Fees		\$3,519	1.5%
	<b><u>Recital Expenses</u></b>		\$0	
		Costumes	\$12,064	5.0%

		Supplies & Materials	\$8,263	3.4%
		Venue	\$812	0.3%
	Recognition		\$349	0.1%
	Resale Merchandise		\$2,362	1.0%
	Special Event Supplies		\$930	0.4%
<b>Total Cost of Goods Sold</b>			<b>\$107,163</b>	<b>44.2%</b>
<b>Gross Profit</b>			<b>\$135,394</b>	<b>55.8%</b>
<b><u>Expenses</u></b>				
	Computer Services		\$573	0.2%
	Dues/Subscriptions & Licensing Fees		\$953	0.4%
	Miscellaneous (Gifts/Repairs)		\$256	0.1%
	Liability Insurance		\$1,504	0.6%
	Marketing & Advertising		\$2,486	1.0%
	Meals & Entertainment		\$1,767	0.7%
	Office Expenses		\$1,462	0.6%
	Administrative Payroll		\$5,277	2.2%
	Professional Fees		\$1,474	0.6%
	Telephone		\$805	0.3%
	Travel		\$2,237	0.9%
	Utilities		\$377	0.2%
<b>Total Expenses</b>			<b>\$19,172</b>	<b>7.9%</b>
<b><u>Royalty and Brand Fund</u></b>				
		Implied Royalty (7%)	\$17,807	7.0%
		Implied Brand Fund (1%)	\$2,426	1.0%
<b>Total Royalty and Brand Fund</b>			<b>\$20,233</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>			<b>\$95,989</b>	<b>39.6%</b>

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**=Revenue and Disclosed Expenses:**

	Franchisee 1	Franchisee 2	Franchisee 3	Franchisee 4	Franchisee 5- Franchise Outlet 1	Franchisee 5- Franchise Outlet 2	Franchisee 5- Franchise Outlet 3	Franchisee 6
Revenue	\$221,582.00	\$208,015.00	\$252,034.00	\$198,141.00	\$76,733.00	\$376,070.00	\$338,292.00	\$269,549.00
Revenue - Disclosed Expenses	\$103,903.00	\$40,838.00	\$101,389.00	\$64,956.00	\$56,602.00	\$135,855.61	\$127,498.34	\$136,868.31
Revenue - Disclosed Expenses (%)	46.9%	19.6%	40.2%	32.8%	73.7%	36.1%	37.7%	50.8%

Averages from all above:
\$242,557
\$95,989
39.6%

Below you will find the Profit and Loss Statements for the Above Franchisees

**Franchisee 1: Franchise Outlet 1**

	Total	
<b>Annual Number of Student Tuitions Billed</b>	<b>2453</b>	
<b><u>Revenue</u></b>	<b>7/1/21- 6/30/22</b>	<b>% of Revenue</b>
Camps	\$1,300	0.6%
Costume Income	\$0	0.0%
Merchandise Sales	\$18,915	8.5%
Recital Tickets	\$17,528	7.9%
Registration	\$36,120	16.3%
Special Events	\$1,718	0.8%
Tuition	\$146,001	65.9%
<b>Total Revenue</b>	<b>\$221,582</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>		
	<u>Class Expenses</u>	
Location Rent	\$5,005	2.3%
Payroll Taxes for Teachers	\$2,474	1.1%
Studio Rent	\$0	0.0%
Supplies & Materials	\$15,595	7.0%
Teacher Wages	\$35,972	16.2%
Merchant Fees	\$22	0.0%
	<u>Recital Expenses</u>	
Costumes	\$7,183	3.2%
Supplies & Materials	\$2,515	1.1%

	Venue	\$3,380	1.5%
	Recognition	\$1,089	0.5%
	Resale Merchandise	\$11,168	5.0%
	Special Event Supplies	\$1,031	0.5%
<b>Total Cost of Goods Sold</b>		<b>\$85,435</b>	<b>38.6%</b>
<b>Gross Profit</b>		<b>\$136,147</b>	<b>61.4%</b>
<b><u>Expenses</u></b>			
	Computer Services	\$840	0.4%
	Dues/Subscriptions & Licensing Fees	\$2,529	1.1%
	Miscellaneous (Gifts/Repairs)	\$118	0.1%
	Liability Insurance	\$850	0.4%
	Marketing & Advertising	\$2,842	1.3%
	Meals & Entertainment	\$3,471	1.6%
	Office Expenses	\$1,009	0.5%
	Administrative Payroll	\$0	0.0%
	Professional Fees	\$1,250	0.6%
	Telephone	\$0	0.0%
	Travel	\$75	0.0%
	Utilities	\$1,534	0.7%
<b>Total Expenses</b>		<b>\$14,517</b>	<b>6.6%</b>
<b><u>Royalty and Brand Fund</u></b>			
	Implied Royalty (7%)	\$15,511	7.0%
	Implied Brand Fund (1%)	\$2,216	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$17,727</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$103,903</b>	<b>46.9%</b>

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**Franchisee 2-Franchise Outlet 1:**

	<b>Total</b>	
<b>Annual Number of Student Tuitions Billed</b>	<b>3202</b>	
<b><u>Revenue</u></b>	<b>7/1/21-6/30/22</b>	<b>% of Revenue</b>
Camps	\$0	0.0%
Costume Income	\$5,308	2.6%
Merchandise Sales	\$0	0.0%
Recital Tickets	\$0	0.0%
Registration	\$8,305	4.0%
Special Events	\$2,100	1.0%
Tuition	\$192,302	92.4%
<b>Total Revenue</b>	<b>\$208,015</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>		
	<b><u>Class Expenses</u></b>	
	Location Rent	\$13,197 6.3%
	Payroll Taxes for Teachers	\$0 0.0%
	Studio Rent	\$0 0.0%
	Supplies & Materials	\$976 0.5%
	Teacher Wages	\$85,357 41.0%
	Merchant Fees	\$0 0.0%
	<b><u>Recital Expenses</u></b>	
	Costumes	\$9,716 4.7%
	Supplies & Materials	\$1,285 0.6%
	Venue	\$0 0.0%
	Recognition	\$0 0.0%
	Resale Merchandise	\$0 0.0%
	Special Event Supplies	\$6,409 3.1%
<b>Total Cost of Goods Sold</b>	<b>\$116,940</b>	<b>56.2%</b>
<b>Gross Profit</b>	<b>\$91,075</b>	<b>43.8%</b>
<b><u>Expenses</u></b>		
	Computer Services	\$150 0.1%
	Dues/Subscriptions & Licensing Fees	\$1,244 0.6%
	Miscellaneous (Gifts/Repairs)	\$110 0.1%
	Liability Insurance	\$1,265 0.6%
	Marketing & Advertising	\$2,434 1.2%
	Meals & Entertainment	\$1,905 0.9%
	Office Expenses	\$979 0.5%
	Administrative Payroll	\$24,465 11.8%
	Professional Fees	\$0 0.0%
	Telephone	\$1,044 0.5%

	Travel	\$0	0.0%
	Utilities	\$0	0.0%
<b>Total Expenses</b>		<b>\$33,596</b>	<b>16.2%</b>
<b><u>Royalty and Brand Fund</u></b>			
	Implied Royalty (7%)	\$14,561	7.0%
	Implied Brand Fund (1%)	\$2,080	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$16,641</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$40,838</b>	<b>19.6%</b>

### **Franchisee 3-Franchise Outlet 1:**

<b>Annual Number of Student Tuitions Billed</b>		<b>Total</b>	<b>2699</b>
<b><u>Revenue</u></b>		<b>Annualized</b>	<b>% of Revenue</b>
	Camps	\$0	0.0%
	Costume Income	\$29,393	11.7%
	Merchandise Sales	\$6,991	2.8%
	Recital Tickets	\$0	0.0%
	Registration	\$25,941	10.3%
	Special Events	\$7,510	3.0%
	Tuition	\$182,199	72.3%
<b>Total Revenue</b>		<b>\$252,034</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>			
	Class Expenses		
	Location Rent	\$8,409	3.3%
	Payroll Taxes for Teachers	\$813	0.3%
	Studio Rent	\$0	0.0%
	Supplies & Materials	\$12,300	4.9%
	Teacher Wages	\$47,605	18.9%
	Merchant Fees	\$9,279	3.7%
	Recital Expenses		
	Costumes	\$14,249	5.7%
	Supplies & Materials	\$13,496	5.4%
	Venue	\$0	0.0%
	Recognition	\$1,344	0.5%
	Resale Merchandise	\$0	0.0%
	Special Event Supplies	\$0	0.0%
<b>Total Cost of Goods Sold</b>		<b>\$107,495</b>	<b>42.7%</b>
<b>Gross Profit</b>		<b>\$144,539</b>	<b>57.3%</b>

<u>Expenses</u>		
Computer Services	\$480	0.2%
Dues/Subscriptions & Licensing Fees	\$1,014	0.4%
Miscellaneous (Gifts/Repairs)	\$0	0.0%
Liability Insurance	\$1,350	0.5%
Marketing & Advertising	\$1,403	0.6%
Meals & Entertainment	\$3,791	1.5%
Office Expenses	\$3,479	1.4%
Administrative Payroll	\$7,634	3.0%
Professional Fees	\$1,756	0.7%
Telephone	\$600	0.2%
Travel	\$0	0.0%
Utilities	\$1,481	0.6%
<b>Total Expenses</b>	<b>\$22,988</b>	<b>9.1%</b>
<u>Royalty and Brand Fund</u>		
Implied Royalty (7%)	\$17,642	7.0%
Implied Brand Fund (1%)	\$2,520	1.0%
<b>Total Royalty and Brand Fund</b>	<b>\$20,163</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>	<b>\$101,389</b>	<b>40.2%</b>

#### **Franchisee 4-Franchise Outlet 1:**

		<b>Total</b>	
<b>Annual Number of Student Tuitions Billed</b>		<b>3069</b>	
<u>Revenue</u>		<b>7/1/21-6/30/22</b>	<b>% of Revenue</b>
Camps		\$0	0.0%
Costume Income		\$0	0.0%
Merchandise Sales		\$0	0.0%
Recital Tickets		\$0	0.0%
Registration		\$0	0.0%
Special Events		\$0	0.0%
Tuition		\$198,141	100.0%
<b>Total Revenue</b>		<b>\$198,141</b>	<b>100.0%</b>
<u>Cost of Goods Sold</u>			
	<u>Class Expenses</u>		
	Location Rent	\$9,221	4.7%
	Payroll Taxes for Teachers	\$12,396	6.3%

	Studio Rent	\$0	0.0%
	Supplies & Materials	\$8,660	4.4%
	Teacher Wages	\$50,662	25.6%
	Merchant Fees	\$0	0.0%
	<u>Recital Expenses</u>		
	Costumes	\$19,792	10.0%
	Supplies & Materials	\$0	0.0%
	Venue	\$905	0.5%
	Recognition	\$0	0.0%
	Resale Merchandise	\$0	0.0%
	Special Event Expenses	\$0	0.0%
<b>Total Cost of Goods Sold</b>		<b>\$101,635</b>	<b>51.3%</b>
<b>Gross Profit</b>		<b>\$96,506</b>	<b>48.7%</b>
	<u>Expenses</u>		
	Computer Services	\$1,267	0.6%
	Dues/Subscriptions & Licensing Fees	\$0	0.0%
	Miscellaneous (Gifts/Repairs)	\$0	0.0%
	Liability Insurance	\$1,482	0.7%
	Marketing & Advertising	\$3,445	1.7%
	Meals & Entertainment	\$2,479	1.3%
	Office Expenses	\$0	0.0%
	Administrative Payroll	\$2,769	1.4%
	Professional Fees	\$1,281	0.6%
	Telephone	\$1,857	0.9%
	Travel	\$1,118	0.6%
	Utilities	\$0	0.0%
<b>Total Expenses</b>		<b>\$15,698</b>	<b>7.9%</b>
	<u>Royalty and Brand Fund</u>		<b>0.0%</b>
	Implied Royalty (7%)	\$13,870	7.0%
	Implied Brand Fund (1%)	\$1,981	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$15,851</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$64,956</b>	<b>32.8%</b>

#### Franchisee 5-Franchise Outlet 1:

<b>Annual Number of Student Tuitions Billed</b>	<b>Total</b>
	<b>1438</b>

<u>Revenue</u>	7/1/21- 6/30/22	% of Revenue
Camps	\$7,019	9.1%
Costume Income	\$5,199	6.8%
Merchandise Sales	\$0	0.0%
Recital Tickets	\$0	0.0%
Registration	\$6,066	7.9%
Special Events	\$0	0.0%
Tuition	\$58,488	76.2%
<b>Total Revenue</b>	<b>\$76,772</b>	<b>100.0%</b>
 <u>Cost of Goods Sold</u>		
<u>Class Expenses</u>		
Location Rent	\$0	0.0%
Payroll Taxes for Teachers	\$0	0.0%
Studio Rent	\$0	0.0%
Supplies & Materials	\$918	1.2%
Teacher Wages	\$0	0.0%
Merchant Fees	\$1,114	1.5%
<u>Recital Expenses</u>		
Costumes	\$1,206	1.6%
Supplies & Materials	\$616	0.8%
Venue	\$0	0.0%
Recognition	\$0	0.0%
Resale Merchandise	\$2,297	3.0%
Special Event Supplies	\$0	0.0%
<b>Total Cost of Goods Sold</b>	<b>\$6,151</b>	<b>8.0%</b>
<b>Gross Profit</b>	<b>\$70,621</b>	<b>92.0%</b>
 <u>Expenses</u>		
Computer Services	\$150	0.2%
Dues/Subscriptions & Licensing Fees	\$209	0.3%
Miscellaneous (Gifts/Repairs)	\$0	0.0%
Liability Insurance	\$0	0.0%
Marketing & Advertising	\$217	0.3%
Meals & Entertainment	\$100	0.1%
Office Expenses	\$294	0.4%
Administrative Payroll	\$0	0.0%
Professional Fees	\$0	0.0%
Telephone	\$0	0.0%
Travel	\$281	0.4%
Utilities	\$0	0.0%
<b>Total Expenses</b>	<b>\$1,251</b>	<b>1.6%</b>
 <u>Royalty and Brand Fund</u>		

	Implied Royalty (7% or \$12,000 Minimum)	\$12,000	15.6%
	Implied Brand Fund (1%)	\$768	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$12,768</b>	<b>16.6%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$56,602</b>	<b>73.7%</b>

**Franchisee 5-Franchsie Outlet 2:**

		<b>Total</b>	
<b>Annual Number of Student Tuitions Billed</b>		<b>5186</b>	
<b><u>Revenue</u></b>		<b>7/1/21-6/30/22</b>	<b>% of Revenue</b>
	Camps	\$29,758	7.9%
	Costume Income	\$22,796	6.1%
	Merchandise Sales	\$525	0.1%
	Recital Tickets	\$0	0.0%
	Registration	\$45,761	12.2%
	Special Events	\$516	0.1%
	Tuition	\$276,715	73.6%
<b>Total Revenue</b>		<b>\$376,070</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>			
	<b><u>Class Expenses</u></b>		
	Location Rent	\$13,549	3.6%
	Payroll Taxes for Teachers	\$16,643	4.4%
	Studio Rent	\$1,112	0.3%
	Supplies & Materials	\$10,422	2.8%
	Teacher Wages	\$96,647	25.7%
	Merchant Fees	\$3,351	0.9%
	<b><u>Recital Expenses</u></b>		
	Costumes	\$15,998	4.3%
	Supplies & Materials	\$25,368	6.7%
	Venue	\$2,211	0.6%
	Recognition	\$304	0.1%
	Resale Merchandise	\$5,923	1.6%
	Special Event Supplies	\$0	0.0%
<b>Total Cost of Goods Sold</b>		<b>\$191,528</b>	<b>50.9%</b>
<b>Gross Profit</b>		<b>\$184,542</b>	<b>49.1%</b>
<b><u>Expenses</u></b>			
	Computer Services	\$0	0.0%

	Dues/Subscriptions & Licensing Fees	\$647	0.2%
	Miscellaneous (Gifts/Repairs)	\$350	0.1%
	Liability Insurance	\$2,908	0.8%
	Marketing & Advertising	\$2,639	0.7%
	Meals & Entertainment	\$1,415	0.4%
	Office Expenses	\$1,878	0.5%
	Administrative Payroll	\$3,618	1.0%
	Professional Fees	\$2,338	0.6%
	Telephone	\$1,484	0.4%
	Travel	\$1,324	0.4%
	Utilities	\$0	0.0%
<b>Total Expenses</b>		<b>\$18,601</b>	<b>4.9%</b>
<b><u>Royalty and Brand Fund</u></b>			<b>0.0%</b>
	Implied Royalty (7%)	\$26,325	7.0%
	Implied Brand Fund (1%)	\$3,761	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$30,086</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$135,856</b>	<b>36.1%</b>

### Franchisee 5-Franchise Outlet 3:

	<b>Total</b>	
<b>Annual Number of Student Tuitions Billed</b>	<b>4,880</b>	
<b><u>Revenue</u></b>	<b>7/1/21-6/30/22</b>	<b>% of Revenue</b>
Camps	\$2,050	0.6%
Costume Income	\$17,591	5.2%
Merchandise Sales	\$781	0.2%
Recital Tickets	\$0	0.0%
Registration	\$30,105	8.9%
Special Events	\$1,030	0.3%
Tuition	\$286,735	84.8%
<b>Total Revenue</b>	<b>\$338,292</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>		
	<b><u>Class Expenses</u></b>	
	Location Rent	1.7%
	Payroll Taxes for Teachers	2.7%
	Studio Rent	10.0%
	Supplies & Materials	1.9%

	Teacher Wages	\$55,406	16.4%
	Merchant Fees	\$7,003	2.1%
	<u>Recital Expenses</u>		
	Costumes	\$13,254	3.9%
	Supplies & Materials	\$21,891	6.5%
	Venue	\$0	0.0%
	Recognition	\$51	0.0%
	Resale Merchandise	-\$493	-0.1%
	Special Event Supplies	\$0	0.0%
<b>Total Cost of Goods Sold</b>		<b>\$152,328</b>	<b>45.0%</b>
<b>Gross Profit</b>		<b>\$185,964</b>	<b>55.0%</b>
	<u>Expenses</u>		
	Computer Services	\$192	0.1%
	Dues/Subscriptions & Licensing Fees	\$611	0.2%
	Miscellaneous (Gifts/Repairs)	\$1,329	0.4%
	Liability Insurance	\$2,431	0.7%
	Marketing & Advertising	\$1,272	0.4%
	Meals & Entertainment	\$979	0.3%
	Office Expenses	\$1,689	0.5%
	Administrative Payroll	\$3,728	1.1%
	Professional Fees	\$3,288	1.0%
	Telephone	\$783	0.2%
	Travel	\$15,101	4.5%
	Utilities	\$0	0.0%
<b>Total Expenses</b>		<b>\$31,402</b>	<b>9.3%</b>
	<u>Royalty and Brand Fund</u>		<b>0.0%</b>
	Implied Royalty (7%)	\$23,680	7.0%
	Implied Brand Fund (1%)	\$3,383	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$27,063</b>	<b>8.0%</b>
<b>Revenue Minus Disclosed Expenses</b>		<b>\$127,498</b>	<b>37.7%</b>

#### Franchisee 6-Franchise Outlet 1:

<b>Annual Number of Student Tuitions Billed</b>	<b>Total</b>	<b>3846</b>	
<u>Revenue</u>			<b>% of Revenue</b>
Camps	\$0		0.0%
Costume Income	\$0		0.0%
Merchandise Sales	\$0		0.0%



	Recital Tickets	\$0	0.0%
	Registration	\$0	0.0%
	Special Events	\$0	0.0%
	Tuition	\$269,549	100.0%
<b>Total Revenue</b>		<b>\$269,549</b>	<b>100.0%</b>
<b><u>Cost of Goods Sold</u></b>			
	<u>Class Expenses</u>		
	Location Rent	\$16,426	6.1%
	Payroll Taxes for Teachers	\$3,971	1.5%
	Studio Rent	\$0	0.0%
	Supplies & Materials	\$13,820	5.1%
	Teacher Wages	\$38,148	14.2%
	Merchant Fees	\$7,379.24	2.7%
	<u>Recital Expenses</u>		
	Costumes	\$15,113	5.6%
	Supplies & Materials	\$934.05	0.3%
	Venue	\$0	0.0%
	Recognition	\$0	0.0%
	Resale Merchandise	\$0.00	0.0%
	Special Event Supplies	\$0	0.0%
<b>Total Cost of Goods Sold</b>		<b>\$95,792</b>	<b>35.5%</b>
<b>Gross Profit</b>		<b>\$173,757</b>	<b>64.5%</b>
<b><u>Expenses</u></b>			
	Computer Services	\$1,505	0.6%
	Dues/Subscriptions & Licensing Fees	\$1,367	0.5%
	Miscellaneous (Gifts/Repairs)	\$142	0.1%
	Liability Insurance	\$1,749	0.6%
	Marketing & Advertising	\$5,639	2.1%
	Meals & Entertainment	\$0	0.0%
	Office Expenses	\$2,370	0.9%
	Administrative Payroll	\$0	0.0%
	Professional Fees	\$1,877	0.7%
	Telephone	\$675.00	0.3%
	Travel	\$0	0.0%
	Utilities	\$0	0.0%
<b>Total Expenses</b>		<b>\$15,325</b>	<b>5.7%</b>
<b><u>Royalty and Brand Fund</u></b>			
	Implied Royalty (7%)	\$18,868	7.0%
	Implied Brand Fund (1%)	\$2,695	1.0%
<b>Total Royalty and Brand Fund</b>		<b>\$21,564</b>	<b>8.0%</b>

Revenue Minus Disclosed Expenses

\$136,868

50.8%

**These outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.**

Other than the preceding, we do not make any representations about a Franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make such representations either verbally 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 Sarah Nuse at 5921 S. Marion Place, Tulsa, Oklahoma 74135 or (270) 779-0228, the Federal Trade Commission and the appropriate state regulatory agencies.

**Item 20: Outlets and Franchisee Information**

**Table No. 1  
Systemwide Outlet Summary  
For years 2019 to 2022**

Outlet Type	Year	Outlets at the Start of Year	Outlets at the End of the Year	Net Change
Franchises <sup>1</sup>	2020	32	32	0
	2021	32	32	0
	2022	32	32	0
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	1	+1
Total Outlets	2020	32	32	0
	2021	32	32	0
	2022	32	33	+1

**Table No. 2  
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2020 to 2022**

State	Year	Number of Transfers
California	2020	0
	2021	0
	2022	0
Maryland	2020	0
	2021	0
	2022	0
Missouri	2020	0
	2021	0
	2022	0
Oklahoma	2020	0

	2021	0
	2022	0
Ohio	2020	1
	2021	0
	2022	0
Texas	2020	0
	2021	0
	2022	0
Totals	2020	1
	2021	0
	2022	0

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Arkansas	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
California	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
D.C. (District of Columbia)	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Florida	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Iowa	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
Kansas	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Kentucky	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
Maryland	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Minnesota	2020	2	0	0	1	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Missouri	2020	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	Totals	4	0	0	0	0	0	4
North Carolina	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Ohio	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Oklahoma <sup>1</sup>	2020	2	0	0	0	0	0	2
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Tennessee	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Texas	2020	11	0	0	0	0	0	11
	2021	11	0	0	0	0	1	10
	2022	10	0	1	0	0	0	9
Virginia	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Totals	2020	32	1	0	1	0	0	32
	2021	32	1	0	0	0	1	32
	2022	32	1	1	0	0	0	32

**Table No. 4  
Status of Company-Owned Outlets  
For Years 2020 to 2022**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired	Outlets Closed	Outlets sold to Franchisee	Outlets at End of the Year
AL	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1

**Table No. 5  
Projected Openings as Of December 31, 2022**

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-owned Outlets In The Next Fiscal Year
NY	0	1	0
Totals	0	1	0

The name and business address and telephone number of each of our current franchisees is attached to this Disclosure Document as Exhibit D.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed, transferred or otherwise voluntarily or involuntarily ceased to do business during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document is listed on Exhibit F to this Disclosure Document.

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

Some of our franchisees have signed confidentiality agreements during the past 3 years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Tippi Toes franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

As of the date of this Disclosure Document, there are no trademark-specific franchisee organizations associated with the Tippi Toes franchise system.

**Item 21: Financial Statements.**

Included herein are our audited financial statements (Exhibit A to this disclosure document) for the years ended December 31, 2022, 2021, 2020.

**Item 22: Contracts**

Attached as Exhibits to this disclosure document are the following contracts:

Exhibit B - Franchise Agreement

**Item 23: Receipts**

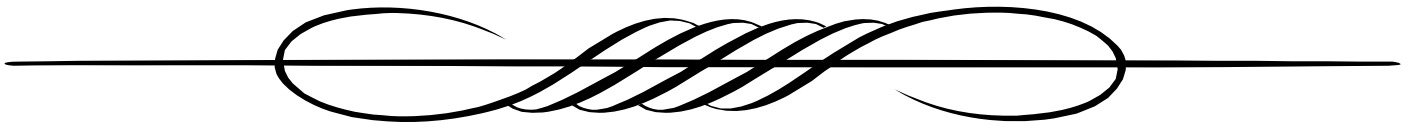
Attached as the last two pages of this Disclosure Document are duplicate Receipt pages to be signed by you. Keep one for your records and return the other one to us.

# **EXHIBIT A**

**Tippi Toes, Inc.**

## **FINANCIAL STATEMENTS**

# **TIPPI TOES, INC.**



## **Financial Statements For the Years Ended December 31, 2022 & 2021**

**Dunn & Dill CPAs, P.C.  
CPAs | Advisors**

**TIPPI TOES, INC.**  
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**CPAs | Advisors**

Members:  
American Institute of CPAs  
Texas Society of CPAs

William L. Dunn, CPA  
Julie K. Dill, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Tippi Toes, Inc.

We have audited the accompanying financial statements of Tippi Toes, Inc. (an Oklahoma S Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, as well as, the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of Tippi Toes, Inc. as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dunn & Dill CPAs PC*

Garland, Texas  
January 24, 2023

TIPPI TOES, INC.  
BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 131,888	\$ 173,621
Accounts Receivable	-	-
Notes Receivable, Net	13,197	99,487
Prepaid Expenses	6,074	12,147
Other Current Assets	10,724	24,578
Total Current Assets	161,883	309,833
Property and Equipment, Net	58	124
Other Assets		
Intangibles, Net	7,709	9,980
Total Other Assets	7,709	9,980
Total Assets	\$ 169,650	\$ 319,937
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 6,190	\$ 4,395
Credit Cards Payable and Due to Shareholders	23,942	46,655
Total Current Liabilities	30,132	51,050
Long-Term Liabilities		
Contract Liabilities	615,258	625,784
Total Long-Term Liabilities	615,258	625,784
Total Liabilities	645,390	676,834
Shareholders' Equity		
Common Stock, \$1 par value; 100,000 shares authorized; 500 shares issued and outstanding as of 2022 and 2021	500	500
Retained Earnings	(476,240)	(357,397)
Total Shareholders' Equity	(475,740)	(356,897)
Total Liabilities and Shareholders' Equity	\$ 169,650	\$ 319,937

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Sales		
Classes, Workshops, and Sales	\$ 24,780	\$ 28,827
Franchise Fee	85,527	93,494
Franchise Royalties	551,676	312,951
Note Interest	573	84
Total Revenues	662,556	435,356
Cost of Goods Sold		
Merchandise - COGS	-	14,915
Merchandise Services - COGS	354	-
Freight and Shipping - COGS	1,556	1,804
Total Cost of Goods Sold	1,910	16,719
Gross Profit	660,646	418,637
Franchising, Operating, and Administrative Expenses		
Franchising	206,144	173,236
Operating and Administrative	409,882	207,326
Total Franchising, Operating and Administrative Expenses	616,026	380,562
Operating Income	44,620	38,075
Other Income (Expense)		
Late Fee Income	522	-
PPP Loan Forgiveness	-	27,800
Total Other Income (Expense)	522	27,800
Net Income	\$ 45,142	\$ 65,875

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2020	\$ 500	\$ (376,183)	\$ (375,683)
Distributions	-	(47,089)	(47,089)
Net Income	-	65,875	65,875
Cumulative Effect of Accounting Change (Note 1)	-	-	-
Balance, December 31, 2021	<u>500</u>	<u>(357,397)</u>	<u>(356,897)</u>
Distributions	-	(163,985)	(163,985)
Net Income	-	45,142	45,142
Balance, December 31, 2022	<u>\$ 500</u>	<u>\$ (476,240)</u>	<u>\$ (475,740)</u>

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Net Cash Flows from Operating Activities		
Net Income	\$ 45,142	\$ 65,875
Adjustments to Reconcile Net Income to Net Cash		
Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	2,337	2,337
Changes in Operating Assets and Liabilities, Net:		
Accounts Receivable	-	33,442
Notes Receivable, Net	86,290	57,648
Prepaid Expenses	6,073	6,074
Other Current Assets	13,854	(24,578)
Undeposited Funds	-	5,663
Accounts Payable and Accrued Liabilities	1,795	(14,179)
Credit Card Payable and Due to Shareholders	(22,713)	(15,159)
Contract Liabilities	(10,526)	(53,746)
Net Cash Provided by (Used In) from Operating Activities	122,252	63,377
Cash Flows from Financing Activities:		
Distributions to Shareholders	(163,985)	(47,089)
Other Current Year Increase (Decrease)	-	(7,117)
PPP Loan Proceeds	-	27,800
PPP Loan Forgiveness	-	(27,800)
Net Cash Provided by (Used In) from Financing Activities	(163,985)	(54,206)
Net Increase (Decrease) in Cash	(41,733)	9,171
Cash at Beginning of Year	173,621	164,450
Cash at End of Year	\$ 131,888	\$ 173,621

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Tippi Toes, Inc. (hereinafter “the Company”) is an Oklahoma based S Corporation, with operations in Oklahoma, Texas, and Kentucky. Since 1999, the Company has been offering ballet, tap, jazz, and hip-hop classes to preschools, day care centers, play groups, and various other after school programs.

In 2009, the Company, also began selling franchises. Under the terms of its franchise agreements, the Company provides initial training and continuing business consulting and marketing support to its franchises.

Significant Accounting Policies

Management selects accounting principles generally accepted in the United States of America and adopts methods of their application. The summary of significant accounting policies selected by the Company’s management is presented to assist in understanding the financial statements.

*a) Basis of Accounting*

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in accordance with generally accepted accounting principles.

*b) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results, in some circumstances, could differ from previously estimated amounts. Key accounting policies that include significant judgments and estimates include useful lives of equipment and furnishings and useful lives of intangible assets.

*c) Cash and Cash Equivalents*

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*d) Accounts Receivable, Notes Receivable, and Allowance for Doubtful Accounts*

Monthly royalties due from the franchises are accrued for in accounts receivable. Management reviews accounts and notes receivables on a periodic basis and records a provision based on the past history of the number of days past due. Specific reserves may also be established. The Company's policy is to charge-off uncollectible accounts receivable when it is determined that the receivable will not be collected.

*e) Inventory*

On January 1, 2018, a new entity was formed to operate the sale of products. All inventory items were moved to the new entity, resulting in the Company solely selling franchises.

*f) Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair costs are expenses as incurred. Renewals and betterments are capitalized. The Company's capitalization policy is \$5,000. The cost of assets sold or retired, as well as any accumulated depreciation, is removed from the accounts at the time of disposal and any resulting gain or loss is included in the results of operations.

Depreciation, which is recorded on the straight-line method, is based upon the estimated useful lives of the respective assets, ranging from 3 to 5 years.

*g) Intangible Assets*

The Company currently amortizes both a website and an internally developed video that is available for use by the franchisees in order to assist them in doing business. These intangible assets are amortized over five years using the straight-line method.

*h) Revenue and Cost Recognition*

The Company's revenue consists of franchise fees, royalties, and training fees.

Revenue is recognized in accordance with *Accounting Standards Updated (ASU) 606*.

Franchise fees are recognized over the term of the franchise agreement. Franchise agreements give the franchises the right to operate for ten to twenty-five years. Royalties represent ten percent of the franchise's gross revenue. Royalties are charged and earned on a monthly basis. Training fees are charged and earned upon completion of training.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Revenue and Cost Recognition (continued)*

Costs are recognized as incurred.

*i) Expenses*

Expenses are recognized on the accrual basis and recorded in the period for which they occur.

*j) Advertising Costs*

Advertising costs are charged to operations when incurred. During the years ended December 31, 2022 and 2021, the Company spent \$43,914 and \$14,208, respectively on advertising and marketing.

*k) Income Taxes*

The Company, with consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements at December 31, 2022 and 2021. The previous three tax years remain subject to examination by tax jurisdictions.

*l) Financial Instruments*

The amounts reflected in the balance sheets for cash, accounts receivables, and accounts payable approximate fair value due to the short maturity of those instruments.

*m) Recent Accounting Pronouncements*

The accounting principles governing the reported amounts, presentations, and disclosures in our financial statements are subject to change from time to time based on the issuance of new pronouncements of various standard-setting bodies. New pronouncements are in effect as of December 31, 2022 and 2021 and will have a material effect on this audit's financial statements balance sheets, statements of income, statements of changes in shareholders' equity, and statements of cash flows.



**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Recent Accounting Pronouncements (continued)*

*Adoption of New Revenue Recognition Standard*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which updates revenue recognition guidance relating to contracts with customers. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018 and shall be applied either retrospectively (Full retrospective approach) to each period presented or as a cumulative-effect adjustment (Modified retrospective approach) as of the date of adoption. Effective January 1, 2019, the Company adopted ASU 2014-09 and its related amendments (collectively known as "ASC 606") using the modified retrospective approach. The adoption of this standard resulted in changes to the Company's accounting policies, results of operations, and cash flows. The Company applied the modified retrospective approach. Therefore, prior period financial statements were not recast, but a cumulative effect adjustment was made to retained earnings.

*n) Reclassifications*

Certain prior year amounts have been reclassified in order to be consistent with the current year presentation.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The U.S. Federal Deposit Insurance Corporation (FDIC) insures amounts for up to \$250,000, per depositor. At December 31, 2022 and 2021, there were no accounts with deposits over the FDIC limit.

**NOTE 3 – NOTES RECEIVABLE**

The Company has provided financing to franchisees in support of the development of the Company. These notes bear interest and are due upon maturity. The notes receivable, before reserves, totaled \$13,197 and \$99,487 at December 31, 2022 and 2021, respectively. Interest income earned for notes receivable in 2022 and 2021 was \$573 and \$84, respectively.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 3 – NOTES RECEIVABLE – (Continued)**

The allowance for uncollectible accounts is an amount estimated by management to be adequate to absorb possible losses. Management’s estimated allowance for uncollectible accounts is \$-0- and \$-0-, as of December 31, 2022 and 2021, respectively.

**NOTE 4 – RELATED PARTY RECEIVABLE**

For the year ended December 31, 2022 and 2021, \$-0- and \$-0- is due from a commonly owned entity. The receivables bear no interest and are due on demand.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment and Furnishings	\$ 3,833	\$ 3,833
	3,833	3,833
Less: Accumulated Depreciation	(3,775)	(3,709)
	\$ 58	\$ 124

The Company recognized depreciation expense in the amount of \$66 and \$66 for the years ended December 31, 2022 and 2021.

**NOTE 6 – INTANGIBLE ASSETS**

In October 2013, the Company launched a franchise-based website for use by the Company’s franchisees. In March 2016, the Company completed the production of a dance video that will be used by the Company’s franchisees. The website was updated in February 2017 and again in April 2018, and the related expenditures were capitalized. The cost of these intangibles is amortized over five years using the straight-line method.

Amortization expense recognized for the years ended December 31, 2022 and 2021 was \$2,271 and \$2,271, respectively.

As of December 31, 2022, the aggregate estimated amortization expense has been amortized in full over their respective years.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 7 – FRANCHISES**

The Company began offering franchising opportunities in 2009. The initial franchise is \$32,000. The Company also receives royalty fees on a monthly basis from franchisees. Royalty fees are based on the number of students enrolled each month and a percentage of net sales, depending on the individual franchisee contracts. Under the terms of its franchise agreements, the Company provides initial training and continuing business consulting and marketing support to its franchisees. The initial training fee is \$3,000. Franchise fees and training fees are generally payable upon the opening of the franchisee’s center and are payable on or before the 15<sup>th</sup> day of each month. The Company reserves the right to waive a portion or all of the franchise, training, and royalty fees.

Revenues from franchise sales are recognized when the Company has performed substantially all of the initial services required under a franchise agreement, which include initial training, manuals, written advice, and marketing supplies. In situations where revenue from a sale is collectible over an extended period of time, a down payment is not sufficient or collectability is not reasonably certain, revenue is recognized on the installment method as amounts are collected. Revenue from franchise royalties are generally recognized when earned. Interest on franchise notes receivable is recognized when due and collectability is reasonably certain.

The following is a reconciliation of the number of franchises in operation:

	<u><b>2022</b></u>	<u><b>2021</b></u>
Franchises at January 1	16	17
Franchises Sold During the Year	1	1
Franchises Cancelled or Terminated During the Year	1	-
Active at December 31	<u>14</u>	<u>16</u>
Franchised Outlets in Operation	14	16
Franchisor-Owned Outlets in Operation	-	-
Total	<u>14</u>	<u>16</u>

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 8 – CONTRACT LIABILITIES AND DEFERRED REVENUE**

The contract liabilities are comprised of unamortized franchise fees received from franchisees when the franchise agreement was executed. A summary of the significant changes to the contract liability balance during 2022 is presented below:

Balance at January 1, 2022	\$	625,784
Current year revenue recognized that was included in franchise fees received from franchises at the beginning of the period		(85,527)
Increase for franchise fees from franchise agreements that became effective during the current period		35,000
Balance at December 31, 2022		\$ 575,258

The Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2023	\$	82,652	
2024		77,402	
2025		66,927	
2026		54,977	
Thereafter		293,301	
	\$	575,258	

**NOTE 9 – LITIGATION**

The Company is currently involved in an open legal situation with a franchise owner in Austin, Texas. The situation is in regard to the franchise owner opening their own dance company, which is in direct violation with the Company’s no compete clause and contract. The Company had to take legal action in May 2021 due to the franchise owner no longer complying with the Company’s requests. The situation is still pending as completion of this audit.

**NOTE 10 – SUBSEQUENT EVENTS**

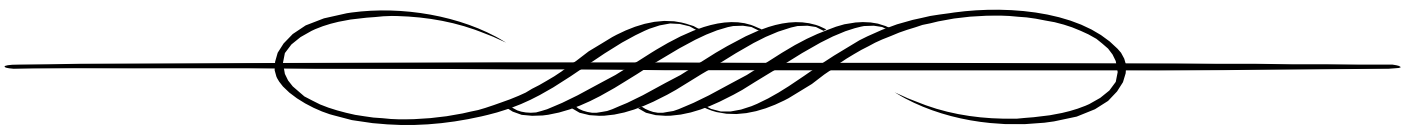
Management has evaluated subsequent events through January 24, 2023, which is the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements at Decembers 31, 2022 and 2021.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 10 – SUBSEQUENT EVENTS – (Continued)**

Due to COVID-19, we have considered the Company’s financial situation as of January 24, 2023, however, the Company is responsible for considering their unique circumstances and risk exposures when analyzing their financial statements during recent and future events during the pandemic. For the year ended December 31, 2022, the Company hosted a Legacy event for owners who had been with the Company for two years or more to help refresh them on the brand, mission, vision, and core values of the Company. For the year ended December 31, 2021, the Company did not collect full royalties from their franchise owners.

# **TIPPI TOES, INC.**



## **Financial Statements For the Years Ended December 31, 2021 & 2020**

**Dunn & Dill CPAs, P.C.  
CPAs | Advisors**

**TIPPI TOES, INC.**  
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Statements of Changes in Shareholders' Equity	4
Statements of Cash Flows	5
Notes to the Financial Statements	6



**CPAs | Advisors**

Members:  
American Institute of CPAs  
Texas Society of CPAs

William L. Dunn, CPA  
Julie K. Dill, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Tippi Toes, Inc.

We have audited the accompanying financial statements of Tippi Toes, Inc. (an Oklahoma S Corporation), which comprise the balance sheets as of December 31, 2021 and 2020, as well as, the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of Tippi Toes, Inc. as of December 31, 2021, and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dunn & Dill CPAs PC*

Garland, Texas  
June 7, 2022



TIPPI TOES, INC.  
BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 173,621	\$ 164,450
Accounts Receivable	-	33,442
Notes Receivable, Net	99,487	157,135
Prepaid Expenses	12,147	18,221
Other Current Assets	24,578	-
Undeposited Funds	-	5,663
Total Current Assets	309,833	378,911
Property and Equipment, Net	124	190
Other Assets		
Intangibles, Net	9,980	12,252
Total Other Assets	9,980	12,252
Total Assets	\$ 319,937	\$ 391,353
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 4,395	\$ 18,574
Credit Cards Payable and Due to Shareholders	46,655	61,814
Total Current Liabilities	51,050	80,388
Long-Term Liabilities		
Contract Liabilities	625,784	679,530
Total Long-Term Liabilities	625,784	679,530
Total Liabilities	676,834	759,918
Shareholders' Equity		
Common Stock, \$1 par value; 100,000 shares authorized; 500 shares issued and outstanding as of 2021 and 2020	500	500
Retained Earnings	(357,397)	(230,611)
Total Shareholders' Equity	(356,897)	(230,111)
Total Liabilities and Shareholders' Equity	\$ 319,937	\$ 529,807

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Sales		
Classes, Workshops, and Sales	\$ 28,827	\$ 22,820
Franchise Fee	93,494	85,086
Franchise Royalties	312,951	196,120
Note Interest	84	5,672
Total Revenues	435,356	309,698
Cost of Goods Sold		
Merchandise - COGS	14,915	-
Freight and Shipping - COGS	1,804	-
Total Cost of Goods Sold	16,719	-
Gross Profit	418,637	309,698
Franchising, Operating, and Administrative Expenses		
Franchising	173,236	147,874
Operating and Administrative	207,326	252,386
Total Franchising, Operating and Administrative Expenses	380,562	400,260
Operating Income	38,075	(90,562)
Other Income (Expense)		
PPP Loan Forgiveness	27,800	26,500
Total Other Income (Expense)	27,800	26,500
Net Income	\$ 65,875	\$ (64,062)

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TIPPI TOES, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Stock	Retained Earnings	Total
Balance, December 31, 2019	\$ 500	\$ (230,611)	\$ (230,111)
Distributions	-	(74,392)	(74,392)
Net Income	-	(64,062)	(64,062)
Cumulative Effect of Accounting Change (Note 1)	-	(7,118)	(7,118)
Balance, December 31, 2020	500	(376,183)	(375,683)
Distributions	-	(47,089)	(47,089)
Net Income	-	65,875	65,875
Balance, December 31, 2021	\$ 500	\$ (357,397)	\$ (356,897)

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Net Cash Flows from Operating Activities		
Net Income	\$ 65,875	\$ (64,062)
Adjustments to Reconcile Net Income to Net Cash		
Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	2,337	13,798
Changes in Operating Assets and Liabilities, Net:		
Accounts Receivable	33,442	(6,672)
Notes Receivable, Net	57,648	(59,454)
Related Party Receivable, Net	-	45,540
Prepaid Expenses	6,074	(18,221)
Other Current Assets	(24,578)	-
Undeposited Funds	5,663	556
Accounts Payable and Accrued Liabilities	(14,179)	230
Credit Card Payable and Due to Shareholders	(15,159)	18,919
Contract Liabilities	(53,746)	237,765
Net Cash Provided by (Used In) from Operating Activities	63,377	168,399
Cash Flows from Financing Activities:		
Distributions to Shareholders	(47,089)	(74,392)
Other Current Year Increase (Decrease)	(7,117)	-
PPP Loan Proceeds	27,800	26,500
PPP Loan Forgiveness	(27,800)	(26,500)
Net Cash Provided by (Used In) from Financing Activities	(54,206)	(74,392)
Net Increase (Decrease) in Cash	9,171	116,640
Cash at Beginning of Year	164,450	47,810
Cash at End of Year	\$ 173,621	\$ 164,450

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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Nature of Activities

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For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
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**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Revenue and Cost Recognition (continued)*

Costs are recognized as incurred.

*i) Expenses*

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*j) Advertising Costs*

Advertising costs are charged to operations when incurred. During the years ended December 31, 2021 and 2020, the Company spent \$14,208 and \$62,681, respectively on advertising and marketing.

*k) Income Taxes*

The Company, with consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements at December 31, 2021 and 2020. The previous three tax years remain subject to examination by tax jurisdictions.

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The amounts reflected in the balance sheets for cash, accounts receivables, and accounts payable approximate fair value due to the short maturity of those instruments.

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**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Recent Accounting Pronouncements (continued)*

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*n) Reclassifications*

Certain prior year amounts have been reclassified in order to be consistent with the current year presentation.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The U.S. Federal Deposit Insurance Corporation (FDIC) insures amounts for up to \$250,000, per depositor. At December 31, 2021 and 2020, there were no accounts with deposits over the FDIC limit.

**NOTE 3 – NOTES RECEIVABLE**

The Company has provided financing to franchisees in support of the development of the Company. These notes bear interest and are due upon maturity. The notes receivable, before reserves, totaled \$99,487 and \$157,135 at December 31, 2021 and 2020, respectively. Interest income earned for notes receivable in 2021 and 2020 was \$84 and \$5,672, respectively.



**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3 – NOTES RECEIVABLE – (Continued)**

The allowance for uncollectible accounts is an amount estimated by management to be adequate to absorb possible losses. Management’s estimated allowance for uncollectible accounts is \$-0- and \$-0-, as of December 31, 2021 and 2020, respectively.

**NOTE 4 – RELATED PARTY RECEIVABLE**

For the year ended December 31, 2021 and 2020, \$-0- and \$-0- is due from a commonly owned entity. The receivables bear no interest and are due on demand.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2021</u>	<u>2020</u>
Equipment and Furnishings	\$ 3,833	\$ 3,833
	3,833	3,833
Less: Accumulated Depreciation	(3,709)	(3,643)
	\$ 124	\$ 190

The Company recognized depreciation expense in the amount of \$66 and \$459 for the years ended December 31, 2021 and 2020.

**NOTE 6 – INTANGIBLE ASSETS**

In October 2013, the Company launched a franchise-based website for use by the Company’s franchisees. In March 2016, the Company completed the production of a dance video that will be used by the Company’s franchisees. The website was updated in February 2017 and again in April 2018, and the related expenditures were capitalized. The cost of these intangibles is amortized over five years using the straight-line method.

Amortization expense recognized for the years ended December 31, 2021 and 2020 was \$2,271 and \$13,339, respectively.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6 – INTANGIBLE ASSETS – (Continued)**

The aggregate estimated amortization expense on the intangible assets for the next two fiscal years is as follows:

<u>Year Ending</u>		
2022	\$	5,135
2023		-0-
	<u>\$</u>	<u>5,135</u>

**NOTE 7 – FRANCHISES**

The Company began offering franchising opportunities in 2009. The initial franchise is \$32,000. The Company also receives royalty fees on a monthly basis from franchisees. Royalty fees are based on the number of students enrolled each month and a percentage of net sales, depending on the individual franchisee contracts. Under the terms of its franchise agreements, the Company provides initial training and continuing business consulting and marketing support to its franchisees. The initial training fee is \$3,000. Franchise fees and training fees are generally payable upon the opening of the franchisee’s center and are payable on or before the 15<sup>th</sup> day of each month. The Company reserves the right to waive a portion or all of the franchise, training, and royalty fees.

Revenues from franchise sales are recognized when the Company has performed substantially all of the initial services required under a franchise agreement, which include initial training, manuals, written advice, and marketing supplies. In situations where revenue from a sale is collectible over an extended period of time, a down payment is not sufficient or collectability is not reasonably certain, revenue is recognized on the installment method as amounts are collected. Revenue from franchise royalties are generally recognized when earned. Interest on franchise notes receivable is recognized when due and collectability is reasonably certain.

The following is a reconciliation of the number of franchises in operation:

	<u>2021</u>	<u>2020</u>
Franchises at January 1	17	21
Franchises Sold During the Year	1	3
Franchises Cancelled or Terminated During the Year	-	1
Active at December 31	<u>16</u>	<u>17</u>
Franchised Outlets in Operation	16	17
Franchisor-Owned Outlets in Operation	-	-
Total	<u>16</u>	<u>17</u>

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 8 – CONTRACT LIABILITIES AND DEFERRED REVENUE**

The contract liabilities are comprised of unamortized franchise fees received from franchisees when the franchise agreement was executed. A summary of the significant changes to the contract liability balance during 2021 is presented below:

Balance at January 1, 2021	\$	679,530
Current year revenue recognized that was included in franchise fees received from franchises at the beginning of the period		(85,994)
Increase for franchise fees from franchise agreements that became effective during the current period		32,248
Balance at December 31, 2021		\$ 625,784

The Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2022	85,235
2023	79,152
2024	73,902
2025	63,427
Thereafter	324,069
	\$ 625,784

**NOTE 9 – LITIGATION**

The Company is currently involved in an open legal situation with a franchise owner in Austin, Texas. The situation is in regard to the franchise owner opening their own dance company, which is in direct violation with the Company’s no compete clause and contract. The Company had to take legal action in May 2021 due to the franchise owner no longer complying with the Company’s requests. The situation is still pending as completion of this audit.

**NOTE 10 – SUBSEQUENT EVENTS**

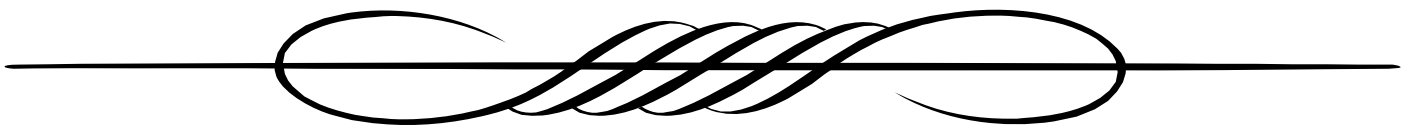
Management has evaluated subsequent events through June 7, 2022, which is the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements at Decembers 31, 2021 and 2020.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 10 – SUBSEQUENT EVENTS – (Continued)**

Due to COVID-19, we have considered the Company's financial situation as of June 7, 2022, however, the Company is responsible for considering their unique circumstances and risk exposures when analyzing their financial statements during recent and future events during the pandemic. For the year ended December 31, 2021, the Company did not collect full royalties from their franchise owners.

# **TIPPI TOES, INC.**



## **Financial Statements For the Years Ended December 31, 2020 & 2019**

**Dunn & Dill CPAs, P.C.  
CPAs | Advisors**

**TIPPI TOES, INC.**  
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**CPAs | Advisors**

Members:  
American Institute of CPAs  
Texas Society of CPAs

William L. Dunn, CPA  
Julie K. Dill, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Tippi Toes, Inc.

We have audited the accompanying financial statements of Tippi Toes, Inc. (an Oklahoma S Corporation), which comprise the balance sheets as of December 31, 2020 and 2019, as well as, the related statements of income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of Tippi Toes, Inc. as of December 31, 2020, and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Dunn & Dill CPAs PC*

Garland, Texas  
July 13, 2020

TIPPI TOES, INC.  
BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash	\$ 164,450	\$ 47,810
Accounts Receivable	33,442	49,403
Notes Receivable, Net	157,135	97,681
Related Party Receivable, Net	-	45,540
Prepaid Expenses	18,221	-
Undeposited Funds	5,663	6,219
Total Current Assets	378,911	246,653
Property and Equipment, Net	190	649
Other Assets		
Intangibles, Net	12,252	25,591
Total Other Assets	12,252	25,591
Total Assets	\$ 391,353	\$ 272,893
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 18,574	\$ 18,344
Credit Cards Payable and Due to Shareholders	61,814	42,895
Total Current Liabilities	80,388	61,239
Long-Term Liabilities		
Contract Liabilities	679,530	441,765
Total Long-Term Liabilities	679,530	441,765
Total Liabilities	759,918	503,004
Shareholders' Equity		
Common Stock, \$1 par value; 100,000 shares authorized; 500 shares issued and outstanding as of 2020 and 2019	500	500
Retained Earnings	(369,065)	(230,611)
Total Shareholders' Equity	(368,565)	(230,111)
Total Liabilities and Shareholders' Equity	\$ 391,353	\$ 272,893

The independent auditor's report and notes to the financial statements are an integral part of the financial statements



TIPPI TOES, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Sales		
Classes, Workshops, and Sales	\$ 22,820	\$ 26,485
Franchise Fee	85,086	91,697
Franchise Training	-	3,000
Franchise Royalties	196,120	400,851
Note Interest	5,672	13,031
Total Revenues	309,698	535,064
Gross Profit	309,698	535,064
Franchising, Operating, and Administrative Expenses		
Franchising	147,874	196,427
Operating and Administrative	252,386	305,620
Total Franchising, Operating and Administrative Expenses	400,260	502,047
Operating Income	(90,562)	33,017
Other Income (Expense)		
PPP Loan Forgiveness	26,500	-
Total Other Income (Expense)	26,500	-
Net Income	\$ (64,062)	\$ 33,017

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2018	\$ 500	\$ 204,400	\$ 204,900
Distributions	-	(86,566)	(86,566)
Net Income	-	33,017	33,017
Cumulative Effect of Accounting Change (Note 1)	-	(381,462)	(381,462)
Balance, December 31, 2019	<u>500</u>	<u>(230,611)</u>	<u>(230,111)</u>
Distributions		(74,392)	(74,392)
Net Income		(64,062)	(64,062)
Balance, December 31, 2020	<u>\$ 500</u>	<u>\$ (369,065)</u>	<u>\$ (368,565)</u>

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

TIPPI TOES, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Net Cash Flows from Operating Activities		
Net Income	\$ (64,062)	\$ 33,017
Adjustments to Reconcile Net Income to Net Cash		
Cash Provided by (Used In) Operating Activities:		
Depreciation and Amortization	13,798	14,054
Changes in Operating Assets and Liabilities, Net:		
Accounts Receivable	15,961	(6,672)
Notes Receivable, Net	(59,454)	(38,417)
Related Party Receivable, Net	45,540	8,054
Prepaid Expenses	(18,221)	-
Undeposited Funds	556	(4,606)
Accounts Payable and Accrued Liabilities	230	61,423
Credit Card Payable and Due to Shareholders	18,919	2,389
Contract Liabilities	237,765	-
Net Cash Provided by (Used In) from Operating Activities	191,032	69,242
Cash Flows from Financing Activities:		
Distributions to Shareholders	(74,392)	(86,566)
PPP Loan Proceeds	26,500	-
PPP Loan Forgiveness	(26,500)	-
Net Cash Provided by (Used In) from Financing Activities	(74,392)	(86,566)
Net Increase (Decrease) in Cash	116,640	(17,324)
Cash at Beginning of Year	47,810	65,134
Cash at End of Year	\$ 164,450	\$ 47,810

The independent auditor's report and notes to the financial statements are an integral part of the financial statements

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Tippi Toes, Inc. (hereinafter “the Company”) is an Oklahoma based S Corporation, with operations in Oklahoma, Texas, and Kentucky. Since 1999, the Company has been offering ballet, tap, jazz, and hip-hop classes to preschools, day care centers, play groups, and various other after school programs.

In 2009, the Company, also began selling franchises. Under the terms of its franchise agreements, the Company provides initial training and continuing business consulting and marketing support to its franchises.

Significant Accounting Policies

Management selects accounting principles generally accepted in the United States of America and adopts methods of their application. The summary of significant accounting policies selected by the Company’s management is presented to assist in understanding the financial statements.

*a) Basis of Accounting*

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in accordance with generally accepted accounting principles.

*b) Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results, in some circumstances, could differ from previously estimated amounts. Key accounting policies that include significant judgments and estimates include useful lives of equipment and furnishings and useful lives of intangible assets.

*c) Cash and Cash Equivalents*

For purposes of the Statements of Cash Flows, the Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*d) Accounts Receivable, Notes Receivable, and Allowance for Doubtful Accounts*

Monthly royalties due from the franchises are accrued for in accounts receivable. Management reviews accounts and notes receivables on a periodic basis and records a provision based on the past history of the number of days past due. Specific reserves may also be established. The Company's policy is to charge-off uncollectible accounts receivable when it is determined that the receivable will not be collected.

*e) Inventory*

On January 1, 2018, a new entity was formed to operate the sale of products. All inventory items were moved to the new entity, resulting in the Company solely selling franchises.

*f) Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair costs are expenses as incurred. Renewals and betterments are capitalized. The Company's capitalization policy is \$5,000. The cost of assets sold or retired, as well as any accumulated depreciation, is removed from the accounts at the time of disposal and any resulting gain or loss is included in the results of operations.

Depreciation, which is recorded on the straight-line method, is based upon the estimated useful lives of the respective assets, ranging from 3 to 5 years.

*g) Intangible Assets*

The Company currently amortizes both a website and an internally developed video that is available for use by the franchisees in order to assist them in doing business. These intangible assets are amortized over five years using the straight-line method.

*h) Revenue and Cost Recognition*

The Company's revenue consists of franchise fees, royalties, and training fees.

Revenue is recognized in accordance with *Accounting Standards Updated (ASU) 606*.

Franchise fees are recognized over the term of the franchise agreement. Franchise agreements give the franchises the right to operate for ten to twenty five years. Royalties represent ten percent of the franchise's gross revenue. Royalties are charged and earned on a monthly basis. Training fees are charged and earned upon completion of training.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Revenue and Cost Recognition (continued)*

Costs are recognized as incurred.

*i) Expenses*

Expenses are recognized on the accrual basis and recorded in the period for which they occur.

*j) Advertising Costs*

Advertising costs are charged to operations when incurred. During the years ended December 31, 2020 and 2019, the Company spent \$62,681 and \$16,028, respectively on advertising and marketing.

*k) Income Taxes*

The Company, with consent of its shareholders, has elected under the Internal Revenue Code to be an S Corporation. In lieu of corporate income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements at December 31, 2020 and 2019. The previous three tax years remain subject to examination by tax jurisdictions.

*l) Financial Instruments*

The amounts reflected in the balance sheets for cash, accounts receivables, and accounts payable approximate fair value due to the short maturity of those instruments.

*m) Recent Accounting Pronouncements*

The accounting principles governing the reported amounts, presentations, and disclosures in our financial statements are subject to change from time to time based on the issuance of new pronouncements of various standard-setting bodies. New pronouncements are in effect as of December 31, 2020 and 2019 and will have a material effect on this audit's financial statements balance sheets, statements of income, statements of changes in shareholders' equity, and statements of cash flows.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –  
(Continued)**

*Recent Accounting Pronouncements (continued)*

*Adoption of New Revenue Recognition Standard*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which updates revenue recognition guidance relating to contracts with customers. The new revenue recognition standard provides a five-step analysis of transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2018 and shall be applied either retrospectively (Full retrospective approach) to each period presented or as a cumulative-effect adjustment (Modified retrospective approach) as of the date of adoption. Effective January 1, 2019, the Company adopted ASU 2014-09 and its related amendments (collectively known as "ASC 606") using the modified retrospective approach. The adoption of this standard resulted in changes to the Company's accounting policies, results of operations, and cash flows. The Company applied the modified retrospective approach. Therefore, prior period financial statements were not recast, but a cumulative effect adjustment was made to retained earnings at December 31, 2019, upon adoption in the amount of \$381,462.

*n) Reclassifications*

Certain prior year amounts have been reclassified in order to be consistent with the current year presentation.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The U.S. Federal Deposit Insurance Corporation (FDIC) insures amounts for up to \$250,000, per depositor. At December 31, 2020 and 2019, there were no accounts with deposits over the FDIC limit.

**NOTE 3 – NOTES RECEIVABLE**

The Company has provided financing to franchisees in support of the development of the Company. These notes bear interest and are due upon maturity. The notes receivable, before reserves, totaled \$157,135 and \$97,681 at December 31, 2020 and 2019, respectively. Interest income earned for notes receivable in 2020 and 2019 was \$5,672 and \$13,031, respectively.

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 3 – NOTES RECEIVABLE – (Continued)**

The allowance for uncollectible accounts is an amount estimated by management to be adequate to absorb possible losses. Management’s estimated allowance for uncollectible accounts is \$-0- and \$-0-, as of December 31, 2020 and 2019, respectively.

**NOTE 4 – RELATED PARTY RECEIVABLE**

For the year ended December 31, 2020 and 2019, \$-0- and \$45,540 is due from a commonly owned entity. The receivables bear no interest and are due on demand.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Equipment and Furnishings	\$ 3,833	\$ 3,833
	3,833	3,833
Less: Accumulated Depreciation	(3,643)	(3,184)
	\$ 190	\$ 649

The Company recognized depreciation expense in the amount of \$459 and \$715 for the years ended December 31, 2020 and 2019.

**NOTE 6 – INTANGIBLE ASSETS**

In October 2013, the Company launched a franchise-based website for use by the Company’s franchisees. In March 2016, the Company completed the production of a dance video that will be used by the Company’s franchisees. The website was updated in February 2017 and again in April 2018, and the related expenditures were capitalized. The cost of these intangibles is amortized over five years using the straight-line method.

Amortization expense recognized for the years ended December 31, 2020 and 2019 was \$13,339 and \$13,339, respectively.



**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 6 – INTANGIBLE ASSETS – (Continued)**

The aggregate estimated amortization expense on the intangible assets for the next three fiscal years is as follows:

<u>Year Ending</u>		
2021	\$	5,849
2022		5,135
2023		-0-
	<u>\$</u>	<u>10,984</u>

**NOTE 7 – FRANCHISES**

The Company began offering franchising opportunities in 2009. The initial franchise is \$32,000. The Company also receives royalty fees on a monthly basis from franchisees. Royalty fees are based on the number of students enrolled each month and a percentage of net sales, depending on the individual franchisee contracts. Under the terms of its franchise agreements, the Company provides initial training and continuing business consulting and marketing support to its franchisees. The initial training fee is \$3,000. Franchise fees and training fees are generally payable upon the opening of the franchisee’s center and are payable on or before the 15<sup>th</sup> day of each month. The Company reserves the right to waive a portion or all of the franchise, training, and royalty fees.

Revenues from franchise sales are recognized when the Company has performed substantially all of the initial services required under a franchise agreement, which include initial training, manuals, written advice, and marketing supplies. In situations where revenue from a sale is collectible over an extended period of time, a down payment is not sufficient or collectability is not reasonably certain, revenue is recognized on the installment method as amounts are collected. Revenue from franchise royalties are generally recognized when earned. Interest on franchise notes receivable is recognized when due and collectability is reasonably certain.

The following is a reconciliation of the number of franchises in operation:

	<u>2020</u>	<u>2019</u>
Franchises at January 1	21	30
Franchises Sold During the Year	3	8
Franchises Cancelled or Terminated During the Year	1	1
Active at December 31	<u>17</u>	<u>21</u>
Franchised Outlets in Operation	17	21
Franchisor-Owned Outlets in Operation	-	-
Total	<u>17</u>	<u>21</u>

**TIPPI TOES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

**NOTE 8 – CONTRACT LIABILITIES AND DEFERRED REVENUE**

The contract liabilities are comprised of unamortized franchise fees received from franchisees when the franchise agreement was executed. A summary of the significant changes to the contract liability balance during 2020 is presented below:

Balance at January 1, 2020	\$	441,765
Current year revenue recognized that was included in franchise fees received from franchisees at the beginning of the period		(85,085)
Increase for franchise fees from franchise agreements that became effective during the current period		322,850
Balance at December 31, 2020		\$ 679,530

The Company expects to recognize contract liabilities as revenue over the remaining term of the associated franchise agreements as follows:

2021		83,994
2022		83,235
2023		77,152
2024		71,902
Thereafter		363,247
	\$	679,530

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 13, 2021, which is the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements at Decembers 31, 2020 and 2019.

Due to COVID-19, we have considered the Company’s financial situation as of July 13, 2021, however, the Company is responsible for considering their unique circumstances and risk exposures when analyzing their financial statements during recent and future events during the pandemic.

# **EXHIBIT B**

## **Tippi Toes Franchise Agreement**

**TIPPI TOES  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this “Agreement”) is made and entered into on \_\_\_\_\_ (the “Effective Date”), by and between Tippi Toes, Inc., an Oklahoma corporation (“Franchisor”, “Tippi Toes”, “we,” “us,” or “our”), and \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business located at \_\_\_\_\_ and \_\_\_\_\_’s principals \_\_\_\_\_, an individual residing at \_\_\_\_\_ and \_\_\_\_\_, an individual residing at \_\_\_\_\_ (“Principal(s)”). \_\_\_\_\_ and Principal(s) shall be collectively referred to in this Agreement as the “Franchisee”.

**RECITALS OF FACT**

We have the right to use and license the use of a business system developed by us over many years (the “System”) for the establishment and operation of dance studio businesses specializing in dance programs and instruction for children and the offer of related products and services.

Tippi Toes dance studios operate under our business system and are identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin owned by us or our affiliates (the “Proprietary Marks,” as further defined below).

You wish to obtain a franchise to establish and operate a Tippi Toes dance studio using the Proprietary Marks and the System within a Franchisor-approved territory pursuant to this Agreement.

We are willing to grant you a franchise to do so upon the terms and conditions set forth in this Agreement in reliance on your application and your representations made in the application and in this Agreement.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, you and we agree as follows:

**1. DEFINITIONS**

(a) "Proprietary Marks" shall mean the name "Tippi Toes" and the initials “TT”, all of which are trademarks of Franchisor, as well as all other trademarks, trade names, services marks, logos or other commercial symbols of Franchisor.

(b) "Franchisor's Services" shall include those items listed from time to time in Franchisor's most current confidential price list, as well as any items hereafter designated by Franchisor to be sold through its Franchisees.

## I. GRANT

- A. **Grant of Franchise.** Franchisor hereby grants to Franchisee, upon the terms and conditions in this Agreement, the right and license, and Franchisee hereby accepts the right and undertakes the obligation, to operate a Tippi Toes dance studio under the Marks and the System in accordance with this Agreement. Franchisee hereby represents to Franchisor that it has entered this Agreement with the intention to comply fully with the obligation to operate a Tippi Toes dance studio under this Agreement and acknowledges that Franchisor has granted such rights in reliance on the representations, business skill, financial capacity, personal character of, and expectations of performance hereunder by Franchisee.
- B. **Reservation of Rights by Franchisor.** The rights granted to you under this Agreement are nonexclusive, and we and our affiliates have and retain all rights within and outside the Protected Territory except those expressly granted to you under this Agreement. Accordingly, we, our affiliates, and any other authorized person or entity will have the right, among others, (i) to operate, and license others to operate, Tippi Toes dance studios at any location outside the Protected Territory, including locations that are adjacent to or surrounded by the Protected Territory; (ii) within and outside the Protected Territory to develop and establish other business systems (including systems that distribute products or services similar to those offered at Tippi Toes dance studios) using other names or marks and to grant licenses to use those systems; (iii) to advertise and promote the System in the Protected Territory; (iv) to acquire, or be acquired by, any competing system or other third party, including a competing system that has one or more units located within your Protected Territory; and (v) except for the restriction in Section IV. of this Agreement against the establishment of another Tippi Toes dance studio in the Protected Territory, to engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, license and sale of any and all similar or dissimilar services and products, under the Marks or under other names or marks, within and outside the Protected Territory, through any other method of distribution, including, but not limited to, mail order catalogs and the Internet, regardless of the competitive impact on your Tippi Toes dance studio.

## II. TERM AND RENEWAL

A. Unless sooner terminated in accordance with the provisions set forth in this Agreement, the term of this Agreement shall begin on the Effective Date and shall continue until the ten (10) year anniversary of the Effective Date.

B. Franchisee may, at its option, renew its franchise rights for two additional term of five (5) years each, subject to any or all of the following conditions which must, in Franchisor's discretion, be met prior to and at the time of renewal:

(1) Franchisee shall provide written notice of its intent to renew to Franchisor at least six (6) months, but not more than nine (9) months, prior to this Agreement's scheduled expiration date;

(2) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor or its affiliates;

(3) Franchisee shall comply with Franchisor's then-current qualification and training requirements;

(4) Franchisee must refurbish, repair or replace, at its expense, all equipment, computer systems, signs, interior and exterior decor items, fixtures, furnishings, supplies and other items required for the operation of the Tippi Toes dance studio as Franchisor may reasonably require and must otherwise upgrade the franchised business to reflect the then-current standards and image of the System;

(5) Franchisee must not be in default of this Agreement, neither you nor your affiliates may be in default of any other agreement with us or any of our affiliates; and you and your affiliates shall have substantially and timely complied with the terms and conditions of such agreements during their respective terms;

(6) Franchisee pay the renewal fee, currently ten thousand dollars (\$10,000) and must execute our then-current form of renewal franchise agreement which will supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement; and

(7) Franchisee and its owners must execute a general release of any and all claims against us, our affiliates, and our and their respective officers, directors, shareholders, partners, members, agents, representatives, independent contractors, servants and employees, past and present, in their corporate and individual capacities, including, without limitation, claims arising under this Agreement or under federal, state or local laws, rules, regulations or orders.

### **III. INITIAL FEES**

A. Franchisee shall pay to Franchisor an initial franchise fee of Forty Nine Thousand Five Hundred Dollars (\$49,500), which shall be paid upon the execution of this Agreement. The amount of the initial franchise fee when and as paid shall be deemed fully earned and nonrefundable in consideration of the assistance and services provided by the Franchisor prior to the start of the business, and for its lost or deferred opportunity to grant such franchise to any other party.

For franchisees awarded multiple units or existing franchisees in good standing who decide to purchase additional territories, the Initial Franchise Fee will be as follows:

<b>Number of Tippi Toes Units</b>	<b>Franchise Fee</b>	<b>Total Fee</b>
1	\$49,500 (For unit 1)	\$49,500
2	\$42,000 (For unit 2)	\$91,500
3	\$38,000 (For unit 3)	\$129,500
4	\$34,000 (For unit 4)	\$163,500
5	\$30,000 (For unit 5)	\$193,500
6	\$30,000 (For unit 6)	\$223,500
7	\$30,000 (for unit 7)	\$253,500
8	\$28,000 (For unit 8)	\$281,500
9	\$28,000 (For unit 9)	\$309,500
10	\$28,000 (for unit 10)	\$337,500

#### **IV. TERRITORY**

This Agreement grants you the right to operate a single Tippi Toes franchised business within the “Protected Territory” described in Attachment 3 to this Agreement. During the term of this Agreement, we will not operate, or grant franchises for the operation of, a Tippi Toes business within your Protected Territory as long as you remain in compliance with this Agreement. We reserve all rights not expressly granted to you in this Agreement, including but not limited to, the right to operate, and grant franchises for the operation of, Tippi Toes businesses at any location outside your Protected Territory and to use any other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales of any products or services at any location, including within your Protected Territory, including products and services offered under our principal trademarks or other trademarks in our sole discretion.

#### **V. ROYALTIES**

A. **Monthly Royalty Fee.** Franchisee agrees to pay Franchisor monthly royalty fees as set forth below on or before the 15<sup>th</sup> day of each month throughout the Term of this Agreement. The monthly royalty fees shall commence the first month following the parties’ execution of this Agreement and continue during the entire term of this Agreement. The royalty fees will be an amount equal to the greater of (a) seven percent (7%) of the Franchisee’s Gross Sales during the prior month or (b) the applicable minimum royalty amount set forth below in Section V.A(3). Franchisee shall pay royalty fees on a monthly basis by the fifteenth (15<sup>th</sup>) day of each month, based on the Franchisee’s Gross Sales during the preceding month. A statement of the relevant Gross Sales (in a royalty report in the form prescribed Franchisor) must be delivered electronically by email or in another format designated by Franchisor no later than the 8<sup>th</sup> day of the month for the preceding month’s activity. Such reports shall include all information and documents that Franchisor may reasonably require from time to time.

Franchisee must timely submit royalty payments to Franchisor via Quickbooks Online, bank transfer ACH or other methods designated by Franchisor from time to time.

(1) The term “Gross Sales”, as used in this Agreement, means the total selling price of all services and products and all income of every other kind and nature related to the Tippi Toes business, whether for cash or credit and regardless of collection in the case of credit. “Gross Sales” shall not include sales taxes that Franchisee collects from customers.

(2) Franchisee agrees to keep full and complete records of its business operations, particularly sales. Every month Franchisee shall report the previous month's Gross Sales to Franchisor. Franchisee agrees that Franchisor may release Franchisee's sales results and other financial performance information from Franchisee's business to prospective franchisees. Such periodic reports shall be submitted to the attention of Franchisor's franchise department no later than the 8<sup>th</sup> business day of the next month. At the end of each year, Franchisee shall submit to Franchisor at Franchisor's request, an audited annual certified report of Gross Sales and royalties or a certified copy of your tax return. Franchisee shall allow representatives of Franchisor to inspect Franchisee's books and records at all reasonable times in order to verify sales that Franchisee reports as well. If an inspection reveals that Gross Sales, as herein defined, reported by Franchisee to Franchisor are less than actual Gross Sales, Franchisee shall immediately pay to Franchisor all royalty fees based on the correct Gross Sales. All inspections shall be at the expense of Franchisor; provided, however, if the inspection results in a discovery of a discrepancy in the Gross Sales reported by Franchisee of 2% or more, then Franchisee shall pay or reimburse Franchisor for any and all reasonable expenses incurred by Franchisor in connection with the inspection including, but not limited to, legal and accounting fees, as well as interest on the amounts owed at the highest legal rates allowed from the date payment was due.

(3) Minimum Royalties. Notwithstanding anything to the contrary in this Agreement, in no event shall the monthly royalty fees paid to Franchisor be less than:

Months 1-6: None

Months 7-18: \$500 per month, per territory

Months 19+: \$1000 per month per territory

**B. Late Payments and Remedies.** Any Monthly Royalty Fee or any other fee or payment owing to Tippi Toes that is more than ten (10) days late shall incur a late fee of Fifty Dollars (\$50.00), or the maximum allowed by law, whichever is less. There shall be a \$35.00 charge for each payment by check, draft or electronic transfer that is returned for lack of sufficient funds. In addition, any amount owed to Tippi Toes that is outstanding more than thirty (30) days shall incur interest at 18% APR, or the maximum allowed by law, whichever is less. Nothing in this Agreement shall be construed to mean that Franchisee is to pay, or has contracted to pay, any sum in excess of that which may lawfully be charged or contracted for under any applicable law. The intention of the parties is to conform strictly to applicable usury laws and it is agreed that if an excess is inadvertently collected it shall be applied to reduce the amount owed. No claim by Franchisee that Tippi Toes is in default under any provision hereof shall be a



defense to a claim by Tippi Toes for any amounts owing hereunder. Franchisee agrees that it will not, on the grounds of the alleged non-performance by Tippi Toes of any of its obligations hereunder, withhold payment of any amounts due to Tippi Toes.

C. **Payment.** All payments required to be made to Tippi Toes under this Agreement shall be made through Quickbooks Online service and paid by free bank transfer ACH. There shall be a \$35.00 charge for each check, draft or electronic transfer that is returned for lack of sufficient funds.

D. **Failure to Deliver Gross Sales Reports.** If your monthly financial report (including Gross Sales figures) required by us is not timely received by us, then the royalty payment owed to us will be equal to 120% of your average royalty payment during the past 12 months (or shorter payment period as applicable if you have not paid royalties for each of the last 12 months). Nevertheless, you must deliver any past due Gross Sales reports to us as soon as possible, and we shall be entitled to receive any unpaid portion of the applicable royalty payment(s) if we later determine that the correct royalty payment(s) for applicable month(s) was more than the payment required under this Section V.D.

## **VI. FRANCHISEE'S OBLIGATIONS:**

A. Franchisee agrees to the following:

(1) To operate the Tippi Toes dance studio in accordance with this Agreement and Franchisor's operations manuals throughout the entire term of this Agreement and designate and retain at all times an individual to serve as the "Operating Principal" under this Agreement. The Franchisee may serve in that position. Franchisee (and the Operating Principal if different) must successfully complete Franchisor's initial training program before beginning operation of the Tippi Toes business. The Operating Principal may, at his/her option, and subject to the Franchisor's approval, designate an individual to perform the duties and obligations of the Operating Principal described in the Agreements. The Operating Principal (or his/her designee, if applicable) must be approved by Franchisor, must complete all training required by Franchisor, and must devote his/her full time and best efforts to the supervision and performance of the Franchise under this Agreement.

(2) The person designated as the Operating Principal must meet the standards set forth for this position, as provided in the Manuals or other written instructions of Franchisor. The Operating Principal (or his designee) must satisfy the training requirements stated in this Agreement.

(3) To use the "Tippi Toes" name for its Franchise and for all signage, advertising, stationary, business cards, etc., in accordance with Franchisor's standards for such use.

(4) To register all new clients monthly (including name, address, phone numbers, e-mail address, etc.) with Tippi Toes. This information is to be sent, on the form provided by Tippi Toes, along with the monthly royalty report.

(5) Franchisee acknowledges and agrees that all clients served by Franchisee, and all information related to such clients, shall at all times be the sole and exclusive property of Franchisor, that Franchisee's only right regarding such clients is the right to provide them authorized services and products pursuant to this Agreement while this Agreement remains in effect, and that all client information is included in the definition of "Confidential Information" as described in this Agreement.

(6) To supply client feedback on a monthly basis in the form recommended by Franchisor.

(7) Comply with all of the Franchisor's standards and specifications relating to the services performed and the products used or sold at the Tippi Toes dance studio or at Tippi Toes on location dance classes;

(8) To sell or offer for sale products and services, in the manner and style required by the Franchisor. Franchisee agrees not to deviate from the standards and specifications without first obtaining written consent from the Franchisor. Franchisor shall have the right to change products and services offered by Franchisee at any time, and there are no limits on our right to make those changes.

(9) Sales, use and other taxes. You agree to obtain, complete, and provide us with the necessary sales and use tax exemption certificate from the state in which you reside. You acknowledge and agree that you are responsible for collecting any and all state sales and use taxes from your customers and remitting same to the appropriate state agency in a timely manner.

(10) Records and reports. Franchisee agrees to submit to the Franchisor a monthly operations statement, in the format prescribed by us (or reasonably similar) within twenty (20) days of the close of each calendar month. You also agree to submit a copy of your annual tax return to us within ninety (90) days of the close of each calendar year.

(11) To comply with the instructions in the Operations Manual regarding the use of the Proprietary Marks.

B. Franchisee may decide the prices to be charged to its customers; but Franchisor may, to the extent permitted under applicable law, establish mandatory or suggested pricing based in whole or in part on Franchisor's standard pricing schedule for services and/or products.

C. Franchisee is not required to purchase any specific type of computer. You are required to use the Centerstage System, which, among other things, helps you manage your website (provided that any website related to your franchised business must be approved by Franchisor in writing and in advance) and access the Tippi Toes Intranet. The current fees payable to Franchisor for the Centerstage system equal \$199 per month, but we reserve the right to increase these fees at our discretion from time to time upon 30 days' prior written notice to you.

D. Franchisee covenants and agrees that it shall use its full-time best efforts to operate the franchised business so as to achieve optimum sales.

E. If Franchisee is a corporation or partnership, Franchisee represents, warrants, and covenants that:

(1) Franchisee is duly organized and validly existing under the state law of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's corporate power, if Franchisee is a corporation, or if Franchisee is a partnership or limited liability company or other entity, permitted under Franchisee's written partnership, LLC Operating Agreement, etc. and have been duly authorized by Franchisee;

F. Franchisee shall at all times comply with all requirements of federal, state and local laws, rules, regulations, and orders.

G. Franchisee shall at all times comply with all other requirements and perform such other obligations as provided for in this Agreement.

H. Insurance. You are required to carry the following insurance at all times, and we must be named as an additional insured on each of these policies:

General Liability	Limits:
Each Occurrence	\$ 100,000
Damage to Rental Premises (Each occurrence)	\$ 10,000
Medical Expense (any one person)	\$ 5,000
Personal Injury	\$ 10,000
General Aggregate	\$2,000,000
Product Liability	\$ 10,000

You are required to promptly submit a Certificate of Insurance to us for each insurance policy required above, and you must immediately inform us of any changes to such insurance policies. You must obtain and maintain the above-listed insurance policies protecting you, us, our affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them, against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Tippi Toes dance studio. These policies must be written by a responsible insurance carrier or carriers rated "A" or better by the A.M. Best Company, Inc. and that are acceptable to us.

I. Unless otherwise agreed in writing by us, you must cause the spouse of each of your owners to execute the Spousal Guaranty attached as Attachment 1 to this Agreement. You must also cause each of your owners to execute a Confidentiality and Non-compete Agreement in a form acceptable to Franchisor, a copy of which is attached as Attachment 4 to this Agreement.

## **VII. FRANCHISOR'S OBLIGATIONS**

Franchisor agrees to provide the following:

(1) One (1) set of Confidential Operations Manuals and such other manuals and written materials as Franchisor shall have developed for use in the business.

(2) Advice and written materials concerning techniques for operating the business from time to time, if and when developed by Franchisor.

(3) To provide initial training for Franchisee and ongoing training as deemed necessary by Franchisor in its sole discretion.

(4) To conduct a two and half (2-1/2) day training Field Trip within thirty (30) days of the time that you start your business (except that this initial training field trip will not be provided if you have previously opened or operated another Tippi Toes franchised businesses). We will cover:

- a. Marketing;
- b. Advertising Ideas;
- c. Selling;
- d. Helping you find places to hold dance classes;
- e. Help you develop your Business and Marketing Plan.

(5) Miscellaneous marketing supplies, if and when developed by Franchisor.

## **VIII. CONFIDENTIALITY AND NONCOMPETITION COVENANTS**

(a) It is understood and agreed that Franchisor has created substantial good-will throughout the areas in which its services are distributed and sold. It is further understood and agreed that all of the services made available to Franchisee are copyrighted and that no person, firm, corporation or organization, including Franchisee, has any right whatsoever to reproduce, copy or imitate any portion or part of any of Franchisor's services, nor any right to aid or assist others in reproducing, copying or imitating any portion or part of any of Franchisor's services.

(b) Franchisee understands and agrees that he/she/it will be granted access to certain of Franchisor's proprietary information and trade secrets concerning the manner in which it conducts business (collectively, "Confidential Information" as further described below), including, but not necessarily limited to: all franchisee information; all material contained in the Franchisor's sales training and management training manuals; all dance class procedures, protocols, techniques and

program materials, music, teaching methods, etc.; all customer lists and customer information; Franchisor's operations manuals and materials whether or not marked or labeled as trademarked or trade secrets; and all proprietary and confidential information relating to the establishment and operation of Tippi Toes dance studios, including, without limitation: (i) our standards and specifications, including equipment, product, and supplier standards and specifications; (ii) site selection criteria; (iii) dance classes and instruction techniques and any other processes, procedures and techniques used in operating Tippi Toes dance studios; (iv) advertising and marketing plans and programs; (v) research, development and test programs for products, services and operations; (vi) the contents of our manuals; (vii) knowledge of the operating and financial results of Tippi Toes dance studios, other than your Tippi Toes dance studio; (viii) computer programs and systems, including electronic data files and passwords, and (ix) all improvements to the System, including those improvements developed by you or other franchisees. All such Confidential Information and trade secrets must be kept confidential at all times by you and your owners and employees. Throughout the term of this Agreement and following termination of this Agreement, Franchisee will not use, sell, share, disclose, teach, train or disseminate in any manner to any other person, firm, corporation, association or other third party any portion of the Confidential Information, and Franchisee will not allow its owners, employees or other third parties to do so. We will disclose to you those parts of our Confidential Information we deem necessary or advisable from time to time for the establishment and operation of the Tippi Toes dance studio. You agree that you and your owners will not acquire any interest in the Confidential Information, other than the right to use the Confidential Information disclosed to you in operating your Tippi Toes dance studio during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business would constitute an unfair method of competition. You agree to disclose the Confidential Information to your owners and employees only to the extent reasonably necessary for the operation of the Tippi Toes dance studio pursuant to this Agreement. Our Confidential Information is proprietary, includes trade secrets owned by us and our affiliates, and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you: (i) will not use the Confidential Information in any other business or capacity; (ii) will maintain the confidentiality of the Confidential Information during and after the term of this Agreement; (iii) will not make unauthorized copies of any portion of the Confidential Information; and (iv) will adopt and implement all reasonable procedures that we prescribe from time to time to prevent the unauthorized use or disclosure of the Confidential Information, including, without limitation, restrictions on disclosure of the Confidential Information to Tippi Toes dance studio personnel and others. These covenants shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon you and each of your owners.

(c) The agreements, covenants and conditions contained in this Section VIII are critical components of this Agreement, and Franchisor would not agree to grant you franchise rights in the absence of such agreements, covenants and conditions. In consideration of the agreements, covenants and conditions of this Section VIII made by Franchisee, Franchisor agrees to train Franchisee in the use of the methods which it has developed at much expense for operating a Franchise and entrust to Franchisee the Franchisor's trade secrets and confidential information pertaining to the business of Franchisor. Franchisee expressly agrees that utilization of such training and such information in competition against Franchisor during the term of this Agreement, and for a

reasonable period thereafter, would be unfair to Franchisor and would result in irreparable damage to Franchisor. Franchisee expressly agrees that it shall not compete with Franchisor (i.e. will not offer any dance classes, dance lessons or other dance-related services or products, or aid others in doing so or induce or attempt to induce any of Franchisor's franchisees, employees, sales representatives or sales directors to terminate their association with Franchisor or its franchisees for any reason whatsoever) at any location in the United States of America during the term of this Agreement. Franchisee further covenants and agrees that upon termination, transfer or expiration of this Agreement, for any reason, Franchisee will not, for a period of two (2) years thereafter, directly or indirectly, do any of the following acts within 50 miles of any location where Franchisee, Franchisor or any of its franchisees have offered dance classes, lessons or other services:

(i) Sell or offer for sale any dance classes, dance lessons or other dance-related services or products; nor shall Franchisee aid or assist others in doing so.

(ii) Induce or attempt to induce any of Franchisor's franchisees, employees, sales representatives or sales directors to terminate their association with Franchisor or its franchisees for any reason whatsoever.

(iii). After termination, you shall immediately cease using all Confidential Information, including, but not limited to, any client information related to any person who has purchased or used your services at any time.

(d) You agree that each of the foregoing covenants contain reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect Franchisor's goodwill or other business interests. Each covenant shall be construed as independent of any other covenant or provision of this Agreement. In the event that all or any portion of the non-competition covenants contained in this Section VIII are held by any court or other constituted legal authority to be void or otherwise unenforceable, you and your owners expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section VIII. You and your owners acknowledge that we will have the right, in our sole discretion, to reduce the scope of any covenant set forth in this Section VIII without your or their consent, effective immediately upon notice to you; and you and your owners agree to promptly comply with any covenant as modified. You and your owners expressly agree that the existence of any claims you or they may have against us, whether arising under this Agreement or otherwise, shall not constitute a defense to the enforcement by us of the covenants in this Section VIII, and that the 2-year non-competition period shall be tolled during any periods of non-compliance and shall be extended for a time period equal to the duration of the non-compliance.

(e) Franchisee agrees that the non-competition covenants contained in this Section VIII shall be assignable by Franchisor to any person, firm, corporation, organization or other third party.

(f) You and your owners acknowledge that any failure to comply with the requirements of this Section VIII shall constitute a material event of default under this Agreement and further acknowledge that such a violation would result in irreparable injury to us for which no adequate remedy at law may be available. You and your owners accordingly consent to the issuance of an injunction prohibiting any conduct by you or them in violation of the terms of this Section VIII, without the requirement that we post a bond. You and your owners agree to pay all court costs and reasonable attorneys' fees and costs that we incur in connection with the enforcement of this Section VIII, including all costs and expenses for obtaining specific

performance, or an injunction against the violation, of the requirements of this Section VIII, or any part of it.

## **IX. FRANCHISEE ACTIVITY AND FRANCHISOR'S POLICY CONCERNING FINANCIAL PERFORMANCE REPRESENTATIONS**

(a) It is Franchisor's policy not to make financial performance representations of any nature to prospective Franchisees except via Item 19 of its Franchise Disclosure Document. **BY EXECUTION OF THIS AGREEMENT, FRANCHISEE ACKNOWLEDGES AND AGREES THAT NO FINANCIAL PERFORMANCE REPRESENTATIONS OF ANY NATURE HAVE BEEN MADE TO FRANCHISEE OR ITS OWNERS BY FRANCHISOR OTHER THAN IN ITEM 19 OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT.**

(b) **Franchisee represents and warrants:**

(i) **that the Franchisor has not made any representations, whether verbal or written (except in Item 19 of its Franchise Disclosure Document), related to the historical results of its franchisees or the projected results of those franchises or Franchisee's future Tippi Toes business, and has not stated or implied that its franchisees are uniformly successful or profitable;**

(ii) that the Franchisor has fully explained the degree of effort required to operate the Franchise; and

(iii) that he or she is in good health and able to devote his or her full-time best efforts and energy to the operation of this Franchise.

**FRANCHISEE'S INITIALS:** \_\_\_\_\_

## **X. RELATIONSHIP OF PARTIES AND INDEMNIFICATION**

(a) Franchisee is not and shall not be deemed to be the agent or legal representative of Franchisor or any subsidiary of Franchisor for any purpose whatsoever and shall for all purposes be deemed an independent contractor. Franchisee shall have no authority to create or assume in the name of Franchisor, or any subsidiary of Franchisor, any obligation of any nature whatsoever, expressed or implied. Franchisor shall have no authority to act as agent for Franchisee for any purpose whatsoever. Franchisee shall not accept payments from any party upon any obligation due to Franchisor or any subsidiary of Franchisor.

(b) Franchisee assumes full responsibility and liability for all sales and distributions of Franchisor's products through Franchisee. Franchisee assumes all responsibility and liability for collection and payment of sales and/or use taxes on sales made by Franchisee and agrees to indemnify and hold Franchisor, its officers, directors, employees, agents and affiliates harmless from any claim or liability for such taxes. Franchisee assumes full responsibility for the placement and payment to the Franchisor for all orders for products, sales promotion and training materials.

(c) Franchisee agrees that it is responsible for payment of any and all state and federal taxes applicable to the franchised business (i.e., income tax, franchise tax, sales and use tax, etc., that are applicable to Franchisee or its operations).

(d) **Indemnification.** You agree to indemnify, defend and hold harmless us, our affiliates, and our and their respective shareholders, directors, officers, employees, agents, successors and assignees (the “Indemnified Parties”) against, and to reimburse any one or more of the Indemnified Parties for, any and all claims, and liabilities directly or indirectly arising out of the operation of your Tippi Toes franchised business or your breach of this Agreement, without limitation and without regard to the cause or causes thereof or the negligence (whether such negligence be sole, joint or concurrent, or active or passive) or strict liability of us or any other party or parties in connection therewith. Notwithstanding the foregoing, this indemnity shall not apply to any liability arising from our gross negligence or willful misconduct, except to the extent that joint liability is involved, in which event the indemnification provided herein shall extend to any finding of comparative or contributory negligence attributable to you, your owners, officers, directors, employees, independent contractors or affiliates. For purposes of this indemnification, “claims” includes all obligations, damages (actual, consequential, exemplary or other) and costs reasonably incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, accountants’, mediators’, arbitrators’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you. The terms of this Section X.(d) shall survive the termination, expiration or transfer of this Agreement or any interest herein.

## **XI. MARKS**

A. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications.

B. Franchisee expressly understands and acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the owner of all right, title and interest in and to the Marks and the goodwill associated with and the symbolized by them.

(2) Franchisee shall not take any action that would prejudice or interfere with the validity of Franchisor’s rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any of Franchisor’s service marks, trademarks, trade names, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the business and only at or from its approved location.



(3) Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the Franchise herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Franchisor reserves the right to substitute different Marks for use in identifying the System and the business if Franchisor's current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks.

C. With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(1) Unless otherwise authorized or required by Franchisor, Franchisee shall identify, operate and advertise the business exclusively under the name "Tippi Toes" in accordance with the System and related standards and specifications. Franchisee shall not use the Marks as part of its corporate or legal name, and shall obtain the Franchisor's approval of such corporate or legal name prior to filing it with the applicable state authority.

(2) During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as the owner of the business in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the business as Franchisor may designate in writing.

D. Franchisee shall immediately notify Franchisor in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee shall not communicate with any person other than Franchisor or any designated person in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, or to delegate control to any of its affiliates of, any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any affiliate in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. If Franchisee has complied with all terms and provisions under this Agreement and immediately notifies Franchisor of any apparent infringement of or challenge to Franchisee's use of any Mark, then Franchisor will indemnify Franchisee against and reimburse Franchisee for all damages for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Marks (including settlement amounts), provided that the conduct of Franchisee with

respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

## **XII. DEBTS, TAXES AND GOVERNMENT REGULATIONS**

A. Franchisee shall promptly pay when due all taxes, levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the business under this Agreement. This does not apply to legitimately disputed taxes.

B. Franchisee shall comply with federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the franchised business.

C. Franchisee shall notify Franchisor in writing within five (5) days of the commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation or financial condition of the franchised business.

## **XIII. ADVERTISING**

- A. It is acknowledged by Franchisee that any advertising that Franchisee may use will affect the value and acceptance of the Proprietary Marks and Franchisor's products. Accordingly, Franchisee agrees that only those Proprietary Marks reflected in Section XI of this Agreement will be used in any Franchisee advertising, and that such use will be made only in the manner specified in Section XI of this Agreement. Franchisor assumes no responsibility for any advertisement made by Franchisee. Franchisee agrees to abide by all ordinances, laws, statutes, and government regulations applicable to Franchisee's advertising. Franchisee will indemnify and hold Franchisor, its officers, directors, employees, agents and affiliates harmless from any and all claims or demands in any way associated with any Franchisee advertising, including all costs and expenses of defending such claims, including reasonable attorney's fees.
- B. You agree that any advertising, promotion and marketing you conduct, whether required by this Agreement or voluntarily undertaken by you, will be completely clear and factual and not misleading and will conform to the highest standards of ethical marketing and the promotion policies that we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted to us for approval at least twenty (20) days before you use them or deliver them to a third party for use in any advertisement. If you do not receive written approval within fifteen (15) days after our receipt of such materials, we will be deemed to have disapproved such materials. You may not use any advertising or promotional materials that we have disapproved. Our approval of any advertising material may be withdrawn in our sole discretion at any time.

C. Marketing Cooperative Fund. We may, at our option, establish a marketing program fund (the “Marketing Cooperative Fund” or “Fund”). If we establish a Fund, you must make monthly contributions to the Fund of up to two percent (2%) of your Gross Sales. In our sole discretion, we may establish the Fund upon not less than thirty (30) days’ written notice to you. Your required contributions to the Fund are in addition to amounts you spend for local advertising. Fund contributions will be due and payable at the same time and in the same manner that royalty fee payments are due and payable.

(1) We will direct all programs financed by the Fund, with sole discretion over the creative concepts, materials and endorsements, and the geographic, market and media placement and allocation thereof. You agree that the Fund may be used to pay the costs of preparing and producing video, audio and written advertising materials; administering national, regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies; the cost of developing and maintaining an internet website; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities.

(2) The Fund will be accounted for separately from our other funds and will not be used to defray any of our general operating expenses, except for such reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Fund and its programs, including, without limitation, conducting market research; preparing advertising, promotion and marketing materials; and collecting and accounting for contributions to the Fund. We may spend, on behalf of the Fund, in any fiscal year an amount greater or less than the aggregate contribution of all Tippi Toes studios to the Fund in that year, and the Fund may borrow from us or others to cover deficits or invest any surplus for future use. All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended. If requested, we will prepare an annual unaudited statement of monies collected and costs incurred by the Fund and furnish the statement to you upon written request. We have the right to cause the Fund to be incorporated or operated through a separate entity at such time as we deem appropriate, and such successor entity will have all of the rights and duties specified herein. Tippi Toes studios owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard franchise agreement for a Tippi Toes studio.

(3) You acknowledge that the Fund is intended to maximize recognition of the Marks and patronage of Tippi Toes studios. Although we will endeavor to utilize the Fund to develop advertising and marketing materials and programs that will benefit all Tippi Toes studios, we have no obligation to ensure that expenditures by the Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Fund by Tippi Toes studios operating in that geographic area or that any Tippi Toes studio will benefit directly or in proportion to its contribution to the Fund from the development of advertising and marketing materials or the placement of advertising. We may use a portion of the monies contained in the Fund to establish regional marketing funds and/or to establish and maintain a website for Tippi Toes studios. Except as expressly provided in this Section, we assume no direct or indirect

liability or obligation to you with respect to collecting amounts due to, or maintaining, directing or administering, the Fund.

(4) We reserve the right, upon thirty (30) days' prior written notice to you, to defer, reduce or suspend contributions to (and, if suspended, deferred or reduced, to reinstate such contributions) and to suspend operations of, the Fund for one or more periods of any length and to terminate (and, if terminated, to reinstate) the Fund. If the Fund is terminated, all unspent monies on the date of termination will be distributed to the contributors to the Fund in proportion to their respective contributions to the Fund during the preceding twelve (12) month period.

(5) We may, in our discretion and business judgment, use the Fund to directly or indirectly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market.

D. Brand Fund. Franchisor has established a national fund on behalf of the System for national advertising, marketing, and brand development (the "Brand Fund"). Franchisee is required to contribute an amount currently equal to one percent (1%), of the Gross Sales generated monthly by Franchisee's Franchised Business to the Brand Fund ("Brand Fund Contribution"). Franchisor reserves the right, in Franchisor's sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed to two percent (2%) of the Gross Sales. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Sales, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Sales are reported.

(1) Franchisor shall direct the Brand Fund and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

(2) Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Tippi Toes outlets operated by Franchisor or Franchisor's affiliates.

(3) Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and

maintaining the Website; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Brand Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating “Franchises Available.”

(4) The Brand Fund will not be used to defray any of Franchisor’s general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant to the Brand Fund and its earnings shall not otherwise inure to Franchisor’s benefit except that any resulting technology and intellectual property shall be deemed the property of Franchisor.

(5) Franchisor will prepare an unaudited annual statement of the Brand Fund’s operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee’s contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

(6) Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

#### **XIV. TRANSFER OF FRANCHISE**

(a) Franchisee shall have the right to sell or assign all or any portion of this Franchise only with the prior written approval of Franchisor, which will not be unreasonably withheld. If Franchisee desires to sell or assign all or any portion of this Franchise, Franchisee will so notify Franchisor in writing at least thirty (30) days prior to the date of the intended sale or assignment. Franchisee agrees to comply with any and all ordinances, statutes, laws, and/or government regulations applicable to the sale, transfer or assignment of this Franchise. Any proposed transfer shall be further subject to the satisfaction of the following conditions:

(i) Any such transfer shall be conditional upon the transferee being of good moral character and reputation, satisfactory credit rating, in possession of competent business qualifications, and otherwise qualified to be a Tippi Toes franchisee in Franchisor’s reasonable discretion.

(ii) Prior to the time of transfer, Franchisee must pay to Franchisor a \$10,000 transfer fee, plus any applicable commission.

(iii) Transferee must execute a new Franchise Agreement with the Franchisor in the then-current standard form being used by Franchisor at the time of transfer for this particular franchise.

(iv) Such transfer shall be conditioned upon Franchisee having fully paid and satisfied all financial obligations to Franchisor.

(b) Franchisor shall have the right to sell, transfer or assign all or any portion of its interest in this Franchise at any time.

(c) If Franchisee is a corporation or partnership, any proposed material change in the ownership of the Franchisee shall be reported immediately in writing to Franchisor, which shall have the right to approve such change in ownership before it becomes effective. If such change of ownership is more than a five percent (5%) change in ownership, the Franchisor may charge a transfer fee of \$10,000. The approval by Franchisor of such change of ownership shall not be unreasonably withheld.

(d) Upon death or incapacity of Franchisee, Franchisee's estate or representative may transfer the Franchise subject to the provisions of this Section XIV, or Franchisee's designated successor may continue to operate the Franchise subject to Franchisor's approval of such successor as a transferee pursuant to the terms of this Section XIV.

(e) While Franchisor agrees not to unreasonably withhold its consent to a sale, assignment or transfer by Franchisee hereunder, consent to such transfer may be refused unless all debts of Franchisee to Franchisor or Franchisor's affiliates are paid in full.

(f) Franchisor will have the right to transfer or assign this Agreement and all or any part of its rights or obligations under this Agreement to any person or legal entity without your consent, and upon such transfer or assignment, the transferee or assignee shall be solely responsible for all our obligations arising subsequent to the transfer or assignment. Without limitation of the foregoing, Franchisor may sell its assets to a third party; may offer its securities privately or publicly; may merge with or, acquire other corporations, or may be acquired by another corporation or entity; and may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring.

## **XV. DEFAULT AND TERMINATION**

(a) Franchisee shall have the right to terminate this Agreement upon sixty (60) days' written notice to Franchisor only if Franchisor has committed a material breach of this Agreement and has failed to cure such material breach within 60 days after receipt of written notice specifying such breach. However, Franchisee acknowledges and agrees that no portion of the fees paid by Franchisee to Franchisor under this Agreement are refundable. Furthermore, Franchisor will have no obligation to repurchase any of Franchisee's inventory or equipment in the event of termination.

(b) Franchisor shall have the right to terminate this Agreement for a violation of any terms or provisions hereof by Franchisee after notifying Franchisee in writing of the violations if Franchisee fails to cure the violation within thirty (30) days of the written notice of violation to Franchisee, provided that if Franchisee's violation is not capable of a cure satisfactory to Franchisor then Franchisor may terminate this Agreement immediately upon written notice to Franchisee. After delivery of two default notices to Franchisee in any consecutive twelve month period (with respect to the same or different violations of this Agreement) Franchisor shall have the right to terminate this Agreement immediately upon the third occurrence of any violation of this Agreement within such twelve month period.

(c) Franchisor shall have the right to terminate this Agreement after notifying Franchisee in writing of nonpayment of accounts owed to Franchisor by Franchisee, if Franchisee fails to pay any outstanding accounts owed to Franchisor within thirty (30) days of the notice of

nonpayment to Franchisee by Franchisor. After two such notices, in any consecutive twelve month period within respect to the same of nonpayment to Franchisee by Franchisor, Franchisor shall have the right to terminate this Agreement immediately upon the third occurrence of any nonpayment of accounts owed to Franchisor by Franchisee.

(d) Franchisor shall have the right to terminate this Agreement for any of the following violations of the Agreement:

(i) Any adjudication of bankruptcy, appointment of a receiver, assignment for the benefit of creditors, or levy of execution directly involving Franchisee.

(ii) Conviction (or plea of no contest) for or violation of any state, federal or other governmental law, statute, rule or regulation which negatively impacts Franchisee's reputation, Franchisor's goodwill or materially affects Franchisee's ability to do business.

(e) Franchisor shall not be limited to termination for only those reasons specifically described in this Section XV, but termination for a reason or reasons other than those specified in this Section XV must be for good cause and shall be effective after thirty (30) days written notice to Franchisee.

(f) Any termination pursuant to the terms of this Section XV shall be considered effective as of the date specified in the notice of termination.

(g) Termination of this Agreement shall not extinguish any rights or release any obligations of either party under the terms of this Agreement before the effective date of such termination. In the event of termination, Franchisee expressly acknowledges and agrees that the provisions of Section XV of this Agreement will remain in effect.

(h) Franchisee acknowledges and agrees that termination of this Agreement by Franchisor or by the Franchisee will create no obligation for Franchisor to refund all or any part of the fees paid by Franchisee to Franchisor under this Franchise and that Franchisor will not be obligated to repurchase any of Franchisor's products in the possession of Franchisee at the time of termination.

(i) **Liquidated Damages. Upon any unauthorized closure of the Tippi Toes business by you or any termination of this Agreement in connection with a breach by you, you will be required to promptly pay us liquidated damages in an amount equal to the greater of: royalty fees and marketing fund contributions for the lesser of (i) 2 years or (ii) the remaining months of the franchise term.**

(j) **Our Post-Termination Options.** Upon the termination or expiration of this Agreement for any reason, we shall have the following options:

(1) The option, exercisable by giving written notice to you within thirty (30) days from the date of such termination or expiration, as applicable, to take over the operation of the Tippi Toes business and begin immediately servicing the Tippi Toes business' clients, and to acquire the franchise location (to the extent you have a leased or purchased location) via assignment, sublease or otherwise at no cost to us other than assuming your monthly lease payment obligations, and to acquire all or an portion of the assets related to the franchised business from you (subject to any rights of approval retained by the owner of the leasehold). The date on which we notify you whether or not we are exercising our option is referred to as the "Notification Date." We will have the unrestricted right to assign this option and we or our assignee will be entitled to all customary warranties and representations in connection with the asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; and a general release.

We may assign our options under this subsection (j)(1) to any person or entity without your consent.

(2) If we exercise our option under subsection (j)(1) to purchase the assets of the Tippi Toes business from you, the purchase price for the assets will be their fair market value, determined in a manner consistent with reasonable depreciation of the Tippi Toes business leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies. The age and condition of the improvements, equipment, fixtures, furnishings, decor, and signs of the Tippi Toes business will also be considered in determining the fair market value. We may exclude from the assets we elect to purchase cash or its equivalent and any leasehold improvements, equipment, fixtures, furnishings, signs, materials and supplies that are not necessary or appropriate (in function or quality) to the Tippi Toes business' operation or that we have not approved as meeting the standards for Tippi Toes businesses, and the purchase price will reflect such exclusions.

## XVI. MISCELLANEOUS

(a) To ensure full compliance with the terms of this Agreement, Franchisor or its representatives shall have the right, at any reasonable business hour, to visit Franchisee's place of business, to monitor any sales or promotional efforts by Franchisee, to inspect Franchisee's books and records pertaining to any aspect of the Franchise and to contact customers of Franchisee to ascertain information concerning Franchisor's products and related services provided by Franchisee.

(b) Your "Protected Territory" is described in Attachment 3 attached to this Agreement.

(c) Any notices required to be given under this Agreement must be in writing. Such notices shall be deemed to have been given and received when the letter containing such notice, with postage prepaid, is deposited in the United States mail or reputable delivery service or sent via electronic mail to the e-mail address listed below. Such notices shall be given to the parties to this Agreement at the following addresses:

To Franchisor: Tippi Toes, Inc.  
5921 S. Marion Place  
Tulsa, Oklahoma 74135  
Attention: President  
[franchise@tippitoesdance.com](mailto:franchise@tippitoesdance.com)

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

Either party to this Agreement may, by giving five (5) days written notice to the other party, designate any other address or e-mail address in substitution of the foregoing addresses to which such notice shall be given.

(e) This Agreement shall be severable, and if any portion hereof shall be held invalid or unenforceable for any reason, the remainder shall not be thereby invalidated, but shall remain in full force and effect.



(f) Failure of either party at any time to require performance of the other party of any provision hereof shall not be deemed a continuing waiver of that provision or a waiver of any other provision of this Agreement.

(g) This Agreement, and the attachments hereto, which are incorporated herein by reference, constitute the entire, full and complete agreement between the parties hereto concerning the subject matter hereof, and they supersede any and all prior negotiations, understandings, representations and agreements; **provided, however, that nothing in this or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document that we furnished to you.** You acknowledge and agree that no other representations by us or any third party have induced you to execute this Agreement.

(h) This Agreement may not be modified or amended except in a writing signed by both Franchisor and Franchisee.

(i) In the event of war, government restrictions, strikes, fires, failure or shortage of any materials, or any other conditions beyond the control of parties to this Agreement shall prevent any party from performing the obligations under this Agreement; such party is hereby released from such performance during the course of any such conditions.

(j) Descriptive headings used in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

(k) **LITIGATION. WITH RESPECT TO ANY CONTROVERSIES, DISPUTES OR CLAIMS WHICH ARE NOT FINALLY RESOLVED THROUGH INFORMAL NEGOTIATIONS AMONG THE PARTIES HERETO, THE PARTIES IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF DALLAS COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS AND HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. YOU AND WE AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. YOU AND WE FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DALLAS COUNTY, TEXAS.**

(l) **GOVERNING LAW. EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. SECTIONS 1051 ET SEQ.) OR OTHER FEDERAL LAW, THIS AGREEMENT, THE FRANCHISE AND ALL CLAIMS ARISING FROM THE RELATIONSHIP BETWEEN US AND YOU WILL BE GOVERNED BY AND INTERPRETED AND CONSTRUED UNDER TEXAS LAW (EXCEPT FOR TEXAS CONFLICT OF LAW RULES).**

(m) **PARTIES' ACKNOWLEDGMENTS. YOU AND WE ACKNOWLEDGE THAT THE AGREEMENTS REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH ABOVE PROVIDE EACH OF US WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS**

**AGREEMENT. YOU AND WE FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT.**

**(n) WAIVER OF PUNITIVE DAMAGES. EXCEPT WITH RESPECT TO YOUR OBLIGATION TO INDEMNIFY US PURSUANT TO ARTICLE X.(d) OF THIS AGREEMENT AND CLAIMS WE BRING AGAINST YOU FOR YOUR UNAUTHORIZED USE OF THE MARKS OR UNAUTHORIZED USE OR DISCLOSURE OF ANY CONFIDENTIAL INFORMATION, WE AND YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.**

**(o) LIMITATIONS OF CLAIMS. EXCEPT FOR CLAIMS WE BRING WITH REGARD TO YOUR OBLIGATIONS TO INDEMNIFY US PURSUANT TO ARTICLE X.(d) OF THIS AGREEMENT ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE RELATIONSHIP BETWEEN YOU AND US PURSUANT TO THIS AGREEMENT WILL BE BARRED UNLESS AN ACTION IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED, OR ONE (1) YEAR FROM THE DATE ON WHICH YOU OR WE KNEW OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIMS, WHICHEVER OCCURS FIRST.**

**(p) JURY WAIVER. YOU AND WE HEREBY UNCONDITIONALLY AND IRREVOCABLY WAIVE ANY RIGHT TO A JURY TRIAL IN ANY ACTION ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT, THE RELATIONSHIP CREATED BY THIS AGREEMENT, OR ANY OTHER AGREEMENTS BETWEEN YOU AND US OR YOUR AND OUR RESPECTIVE AFFILIATES. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS WRITTEN CONSENT TO A TRIAL BY THE COURT.**

**(q) NO CONSOLIDATION OR CLASS ACTIONS. YOU AGREE THAT ANY DISPUTE OR ACTION BETWEEN YOU AND US WILL BE OF OUR AND YOUR INDIVIDUAL CLAIMS. NONE OF YOUR CLAIMS WILL BE LITIGATED ON A CLASSWIDE BASIS OR OTHERWISE CONSOLIDATED WITH ANY CLAIMS OF ANY THIRD PARTIES.**

**(r) COSTS AND ATTORNEYS' FEES. IF WE INCUR EXPENSES IN CONNECTION WITH YOUR FAILURE TO PAY WHEN DUE AMOUNTS OWED TO US, OR TO SUBMIT WHEN DUE ANY REPORTS, INFORMATION OR SUPPORTING RECORDS, OR OTHERWISE TO COMPLY WITH THIS AGREEMENT, YOU AGREE**

**TO REIMBURSE US FOR ANY OF THE COSTS AND EXPENSES WHICH WE INCUR, INCLUDING, WITHOUT LIMITATION, COURT COSTS AND ATTORNEYS' FEES.**

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date indicated below.

**FRANCHISOR:**

**TIPPI TOES, INC.,**  
an Oklahoma corporation

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

Name: Sarah Nuse

Title: Chief Executive Officer

**FRANCHISEE:**

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name, Title)

**PRINCIPAL:**

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**PRINCIPAL:**

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

**ATTACHMENT 1**

**GUARANTY**

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on \_\_\_\_\_ to Tippi Toes, Inc., an Oklahoma Corporation (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated of even date herewith (the “Franchise Agreement”) with \_\_\_\_\_, a(n) \_\_\_\_\_ and \_\_\_\_\_ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty are in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections VI, VII and VIII of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor's rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

**GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:**

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

## **ATTACHMENT 2 TO FRANCHISE AGREEMENT**

### *BUSINESS START-UP PACKAGE*

- Welcome package which includes teaching shirts, sweatshirt and Tippi Toes music CDs
- Start-up marketing package which includes 250 business cards, 10 posters and 100 brochures
- Training Manual
- Start-up Document outlining initial steps for new franchisees
- USB thumb drive with hundreds of various files pertinent to conducting Tippi Toes business
- Choreography and lesson plans for class curriculum
- One phone meeting (minimum) introducing technology (Centerstage) and outlining unlimited support from Tippi Toes
- Two-training sessions for the Centerstage System with Custom Management System (MindBody)
- Access to hundreds of online videos including live class demonstrations, recitals, camps and events plus every dance in the Tippi Toes library is available online or on an app for viewing

**ATTACHMENT 3 TO FRANCHISE AGREEMENT**

**PROTECTED TERRITORY**

YOUR "PROTECTED TERRITORY" IS:

## ATTACHMENT 4

### CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), a franchisee of Tippi Toes, Inc., an Oklahoma corporation (“Franchisor”), and \_\_\_\_\_, an individual (“Covenantor”) in connection with a Franchise Agreement dated.

**WHEREAS**, Franchisee and Franchisor are parties to a franchise agreement dated \_\_\_\_\_ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain trademarks, including, the registered trademarks and design mark, and certain proprietary products, services, promotions and methods (the “System”) for the establishment and operation of a Tippi Toes franchise (the “Franchised Business”);

**WHEREAS**, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the confidential information, knowledge, know-how, techniques, contents of the Tippi Toes operations manual and other materials used in or related to the System and/or concerning the methods of operation of the System (collectively referred to as “Confidential Information”);

**WHEREAS**, the Confidential Information provides economic advantages to Franchisor and licensed users of the System, including Franchisee;

**WHEREAS**, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Confidential Information and further protecting the System against unfair competition; and

**WHEREAS**, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

#### **1. Confidentiality Agreement.**

**a.** Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Franchised Business under the Franchise Agreement.

**b.** Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor’s express written permission.

**c.** Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of the Franchised Business.

**d.** Covenantor shall surrender any material containing some or all of the Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.



e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the System.

f. Covenantor agrees that no Confidential Information may be reproduced, in whole or in part, without written consent.

## **2. Covenants Not to Compete.**

a. In order to protect the goodwill and unique qualities of the System, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business, customer or referral source of the Franchised Business or of other Tippi Toes franchisees in the System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any dance studio business substantially similar to the System.

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the System, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

(i) divert, or attempt to divert, any business, customer or referral source of the Franchised Business or of other franchisees in the Tippi Toes System to any competitor, by direct or indirect inducement or otherwise,

(ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any real estate and property imagery business within the within fifty (50) miles outside of the boundaries of the Franchisee's Territory or within fifty miles(50) miles of any Tippi Toes office location.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

## **3. General.**

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a

breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

**c.** Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

**d.** Any failure Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

**e.** THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OKLAHOMA. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF OKLAHOMA. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY THE LAWS OF SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN THE STATE OF OKLAHOMA, PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

**f.** The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

**g.** Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

**h.** This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

**i.** All notices and demands required to be given hereunder shall be in writing and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

\_\_\_\_\_  
\_\_\_\_\_

If directed to Covenantor:

\_\_\_\_\_  
\_\_\_\_\_

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

**j.** Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

**k.** The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

\_\_\_\_\_

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

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

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

COVENANTOR:

\_\_\_\_\_

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

## ATTACHMENT 5

### **INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT**

**THIS INTERNET ADVERTISING, SOCIAL MEDIA AND TELEPHONE ACCOUNT AGREEMENT** (the “Agreement”) is made and entered into this day of \_\_\_\_\_ (the “Effective Date”) by and between Tippi Toes, Inc., an Oklahoma (the “Franchisor”), and \_\_\_\_\_, a \_\_\_\_\_ (the “Franchisee”).

**WHEREAS**, Franchisee desires to enter into a franchise agreement with Franchisor for a Tippi Toes business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, and use telephone listings linked to the Tippi Toes brand.

**WHEREAS**, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

**NOW, THEREFORE**, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### 1. **Definitions**

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

#### 2. **Internet Advertising and Telephone Accounts**

2.1 **Interest in Websites, Social Media Accounts and Other Electronic Listings.** Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 **Interest in Telephone Numbers and Listings.** Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 **Transfer.** On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising: (i) to transfer all of Franchisee’s interest in such Electronic Advertising to Franchisor; and (ii) to execute such documents and take such actions as may be necessary

to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising or will take such other actions with respect to the Electronic Advertising as Franchisor directs; and

2.3.2 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

### 3. Miscellaneous

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Agreement shall survive the Termination of the Franchise Agreement.

3.8 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Oklahoma, without regard to the application of Oklahoma conflict of law rules.

-Remainder of Page Intentionally Blank-

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

Tippi Toes, Inc

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_  
(Print Name, Title)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)





## EXHIBIT C

### List of State Administrators

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8222 Phone	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

## EXHIBIT D

TIPPI TOES, INC.  
Active Franchises  
As of December 31, 2022

<p><b>Alabama</b></p> <p>Tippi Toes – Birmingham Penn Pals, LLC 5018 Applecross Rd Birmingham, AL 35242 (205) 547-0647 Contact: Vallie Pate</p>	<p><b>Arkansas</b></p> <p>Tippi Toes – Northwest Arkansas Britney Fox &amp; Laura Teal 2601 McLeod Meadows Dr. Rogers, AR 72758 (479) 310-6634 Contact: Britney Fox or Laura Teal</p>
<p><b>California</b></p> <p>Tippi Toes – Orange County Andrea Kennedy 919 S Western Ave #1 Anaheim, CA 92804 (714) 855-0554 Contact: Andrea Kennedy</p> <p>Tippi Toes – West San Gabriel Valley Jeanine Carr 1458 Star Ridge Drive Monterey Park, CA 91754 (626) 863-7863 Contact: Jeanine Carr</p>	<p><b>DC</b></p> <p>Tippi Toes – D.C. Cresse Enterprises LLC 218 South Carolina Ave SE Washington DC 20003 (703) 966-4208 Contact: Claire Portolese</p>
<p><b>Iowa</b></p> <p>Tippi Toes – Burlington Kaylee Hanf 1709 S 15<sup>th</sup> Street Burlington, Iowa (913) 731-7424</p> <p>Tippi Toes – Des Moines Kaylee Hanf 350 SW 2nd St, Apt. 311 Des Moines, Iowa 50309 (515) 423-0644</p>	<p><b>Florida</b></p> <p>Tippi Toes – Daytona Beach Shannon Campbell 203 S Orchard St #5C Ormond Beach, FL 32174 (386) 846-2596 Contact: Shannon Campbell</p> <p>Tippi Toes- Broward County 5941 SW 16<sup>th</sup> St Plantation, FL 33317 Contact: Catie Delahanty (754) 400-0407</p>
<p><b>Kansas</b></p> <p>Tippi Toes – Wichita Jensen Holmes and Tracy Genheimer 300 Hanover Drive Edmond, Oklahoma 73034 (316) 247-2127 Contact: Tracy Genheimer</p>	<p><b>Kentucky</b></p> <p>Tippi Toes – Bowling Green Nikyias Tiny Tribe Dance LLC Christina Kyleen Baptiste 127 Kelsey Circle Russellville, KY 42276 (270) 883-1797 Contact: Kyleen Baptiste</p>

	<p>Tippi Toes of the Bluegrass  Tippi Toes Dance of the Bluegrass, LLC  311 Curtin Dr., Lexington, KY 40503  859-429-0760  Heather@TippiToesDance.com  Contact: Heather Mullins</p>
<p><b>Maryland</b></p> <p>Tippi Toes – Annapolis  Cresse Enterprises LLC  302 South Carolina Ave SE  Washington DC 20003  (703) 966-4208  Contact: Claire Portolese</p> <p>Tippi Toes Montgomery County  Cresse Enterprises LLC  302 South Carolina Ave SE  Washington D.C. 20003  (703) 966-4208  Contact: Claire Portolese</p>	<p><b>Minnesota</b></p> <p>Tippi Toes – Minneapolis  Ducka Dance Company  6353 Kingsview Lane  Maple Grove, MN 55311  (612) 232-5578  Contact: Jessi Rustad</p>
<p><b>Missouri</b></p> <p>Tippi Toes – Kansas City  Christi Coffey  4124 Campbell St  Kansas City, MO 64110  (417) 321-3472  Contact: Christi Coffey</p> <p>Tippi Toes – St. Louis  Jessica Eike  9840 Whitcomb Lane  St. Louis, MO 63123  (314) 485-9730  Contact: Jess Eike</p>	<p><b>North Carolina</b></p> <p>Tippi Toes – Wilmington  Contact: Michael Goldberg</p>
<p><b>Oklahoma</b></p> <p>Tippi Toes – OKC/Edmond  Tracy Genheimer  300 Hanover Drive  Edmond, OK 73034  (405) 361-3620  Contact: Tracy Genheimer</p> <p>Tippi Toes – Broken Arrow/Owasso/Tulsa  Laura Teal  11120 S. Kingston Ave.  Tulsa, Oklahoma 74137  (918) 892-4012</p>	<p><b>Ohio</b></p> <p>Tippi Toes - Cincinnati  Jen Marchal  313 Chalford Ct  Franklin, TN 37069  615-866-8265  Contact: Jen Marchal</p>
<p><b>Texas</b></p> <p>Tippi Toes – North Dallas  300 Hanover Dr.</p>	<p><b>Texas cont.</b></p> <p>Tippi Toes - Katy  Christine Noah &amp; Francisco Navarro</p>

<p>Edmond, OK 73034 (405) 361-3620 <a href="mailto:tracy@tippitoesdance.com">mailto:tracy@tippitoesdance.com</a> Contact: Tracy Genheimer</p> <p>Tippi Toes Coastal Bend P.O. Box 6998 Corpus Christi, TX 78466 361/814-4307 Contact: Kasey Kelly &amp; Kelly Keller</p> <p>Tippi Toes – Houston Pretty, Pink and Pirouettes, Inc. 4618 Thistlecroft Dr. Houston, TX 77084 (832) 677-2576 (Kasey) or (713) 835-0968 Kelly Contacts: Kasey Keller &amp; Kelly Keller</p> <p>Tippi Toes – Corpus Christi &amp; Surrounding Area The Sisters Dance Company P.O. Box 6998 Corpus Christi, TX 77084 (361) 814-4307 Contacts: Kasey Keller &amp; Kelly Keller</p> <p>Tippi Toes - Denton 300 Hanover Dr. Edmond, OK 73034 (405) 361-3620 Contact: Tracy Genheimer</p>	<p>10122 Winding Creek Lane Brookshire, TX 77423 (281) 705-3273 Contact: Christine Noah</p> <p>Tippi Toes – Kingwood Katie Haines and Sara Miniutti 26869 Armor Oaks Drive Kingwood, Texas 77339 (832) 598-5009</p> <p>Tippi Toes – Sugar Land Kasey Pazdernik and Kelly Keller 4618 Thistlecroft Drive Houston, Texas 77084 (832) 513-3939</p>
<p><b>Tennessee</b></p> <p>Tippi Toes – Nashville Jennie Marchal 313 Chalford Court Franklin, TN 37069 (615) 866-8265</p>	<p><b>Virginia</b></p> <p>Tippi Toes - Virginia Cresse Enterprises LLC 4445 Corporation Lane STE 264 Virginia Beach, VA 23462 (703) 966-4208 Contact: Claire Portolese</p>

**EXHIBIT E**

Tippi Toes, Inc.  
List of Company-owned Studios  
As of December 31, 2022

NONE

## **EXHIBIT F**

**Tippi Toes, Inc.  
Franchisees Who Have Left the System in the Last 12 Months  
As of December 31, 2022**

Tippi Toes – South Austin  
Kristen Robinson  
1877 Flint Rock Loop  
Driftwood, TX 78619  
(512) 593-8813  
Contact: Kris Robinson

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

**Exhibit G to the Tippi Toes, Inc. Disclosure Document  
STATE SPECIFIC ADDENDA**

**ADDENDUM TO THE TIPPI TOES, INC.  
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE  
STATE OF CALIFORNIA**

**CALIFORNIA APPENDIX**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 *et seq.*).
3. The Franchise Agreement and contain covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
6. The Franchise Agreement and requires application of the laws of Oklahoma. This provision may not be enforceable under California law.
7. **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.**
8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
9. The appropriate sections of the Franchise Agreement and are amended to state that the highest interest rate allowed under California law is 10% per annum.
- 10 Registration of this franchise does not constitute approval, recommendation, or endorsement by the commissioner.**
11. **OUR WEBSITE, [www.tippitoesdance.com](http://www.tippitoesdance.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).**



FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF ILLINOIS**

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

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF INDIANA**

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.

2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 18 of the Franchise Agreement.

5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF MARYLAND**

The amendments to the Disclosure Document included in this addendum have been agreed to by the parties.

1. The provision contained in Item 17 may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The Tippi Toes Acknowledgement Statement is amended to state all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Item 17 of the Franchise Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF MICHIGAN**

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

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division  
Attn: Marilyn McEwen  
525 W. Ottawa Street, 6<sup>th</sup> Floor  
Lansing, Michigan 48933  
(517) 373-7117

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF MICHIGAN**

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

2. Item 17 is amended to state:

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

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J),

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application

for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

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

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

You may terminate the agreement on any grounds available by law.

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



However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FRANCHISOR:

Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_

(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF NORTH DAKOTA**

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* ("NDFIL"). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06.
2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.
3. Any requirement that you consent to liquidated damages or termination penalties shall not apply to the extent prohibited by the NDFIL;

4. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;
5. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extent prohibited by the NDFIL;
6. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.
7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE**  
**STATE OF VIRGINIA**

The following statements are added to Item 17.h.

**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. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.**

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the

Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

FRANCHISOR:  
Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_, \_\_\_\_\_

(Print Name, Title)

**ADDENDUM TO THE TIPPI TOES, INC.**  
**DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY 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

The parties hereto have duly executed this Washington Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:

Tippi Toes, Inc.

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

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

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

FRANCHISEE:

\_\_\_\_\_

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

\_\_\_\_\_,  
(Print Name, Title)

**NOT FOR USE IN CALIFORNIA**  
**EXHIBIT H**  
**TIPPI TOES ACKNOWLEDGEMENT STATEMENT**

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

**No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.**

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

\_\_\_\_\_  
Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

\_\_\_\_\_  
Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

\_\_\_\_\_  
Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit

Development Agreement) or the documents incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

\_\_\_\_\_  
Initial

7. Franchisee (or Developer) acknowledges that it has received the Tippi Toes, Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

\_\_\_\_\_  
Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

\_\_\_\_\_  
Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

\_\_\_\_\_  
Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

\_\_\_\_\_  
Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

\_\_\_\_\_  
Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE TIPPI TOES, INC., AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

\_\_\_\_\_  
Initial

FRANCHISEE:

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Print Name, Title)

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

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

PRINCIPAL:

\_\_\_\_\_

\_\_\_\_\_  
(Print Name)

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

## STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	February 1, 2023
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.



## Receipt

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Tippi Toes, Inc. offers you a franchise, it must provide this disclosure document to you at least fourteen (14) calendar days before you sign a binding agreement with, or make a payment to the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Tippi Toes 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, DC 20580 and the state agency listed on Exhibit C.

Our sales agent for this offering is Sarah Nuse, who can be reached at 5921 S. Marion Place, Tulsa, Oklahoma 74135 or (270) 779-0228.

Issuance Date: **March 15, 2023**

I received a Franchise Disclosure Document dated **March 15, 2023**, that included the following Exhibits:

- Exhibit A - Financial Statements
- Exhibit B - Franchise Agreement
- Exhibit C - List of State Administrators and Agents for Service of Process
- Exhibit D - List of Current Franchisees
- Exhibit E- List of Current Company-owned Outlets
- Exhibit F - List of Franchisees who have Left the System within the Past 12 Months
- Exhibit G- State Specific Addendum to Disclosure Document
- Exhibit H- Tippi Toes Acknowledgement Statement

Date Received: \_\_\_\_\_  
(If other than date signed)

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

\_\_\_\_\_  
(Printed name of recipient)

\_\_\_\_\_  
Legal residence address

**[Keep this copy for your files]**

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(If other than date signed)

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Signature of recipient)

\_\_\_\_\_  
(Printed name of recipient)

\_\_\_\_\_  
Legal residence address

**[Please return this copy to Tippi Toes, Inc.]**