

## FRANCHISE DISCLOSURE DOCUMENT



Tutu School Franchises, LLC  
An Illinois limited liability company  
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Tutu School Franchises, LLC franchises the Tutu School system of dance and movement programs for children. The total investment necessary to begin operations of a Tutu School franchise is \$89,100 - \$158,300. This includes \$42,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operations of a Tutu School franchise as an area developer is \$87,800 - \$163,300 (based on the purchase of two units). This includes \$40,700 - \$47,000 that must be paid to the franchisor or affiliate (based on the purchase of two units).

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

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact Genevieve C. Weeks at 4212 N. Damen Ave., Chicago, IL 60618 and (415) 734-8840.

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

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

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

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## How to Use This Franchise Disclosure Document

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

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

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This Franchise*

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

**Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. 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 California than in your own state.

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

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

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

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

To simplify the language, this disclosure document uses "we" or "us" to mean Tutu School Franchises LLC, the franchisor. "You" means the individual, corporation, or other entity that buys a Tutu School franchise.

**Franchisor and Affiliates**

We conduct our business under the name Tutu School. Our principal business address is 4212 N. Damen Avenue, Chicago, IL 60618. We are an Illinois limited liability company originally formed on August 1, 2011 in California and converted to an Illinois entity in 2018. We have had no change in ownership. We began offering Tutu School franchises for the first time in 2012. We do not conduct business under any other name, and we do not operate a business of the type described in this FDD, or offer franchises in any other line of business.

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

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

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

**Agent for Service of Process**

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

**Prior Experience**

We were formed in 2011 by Genevieve Custer Weeks who is the founder of the Tutu School concept and we began operating in 2012. Genevieve opened the first Tutu School in San Francisco in February 2008 and has operated a Tutu School continuously since that time.

**The Business We Offer**

Your Tutu School franchise will offer dance and movement instruction to children, with an emphasis on ballet. You may sell a limited selection of clothing and related merchandise including our retail line of ballet-related items, but at present you are not required to offer these. A Tutu School franchise is operated out of a commercial space, typically in a strip mall or urban street front commercial space. The majority of the students in a Tutu School franchise are between 18 months and eight years old. The focus of Tutu School classes is on early ballet and

movement concepts and encouraging children to have fun while engaging their creativity and imagination. Tutu School does not offer formal ballet training for older children, teens or adults.

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

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

If you and we agree that you will open more than one Tutu School location, you will sign an Area Development Agreement with us. Under an Area Development Agreement, you will agree to open a specific number of Tutu School locations within a specified period of time in a particular geographic area. You and we will both agree on the number of locations, the time period, and the geographic area before you sign the Area Development Agreement. At the time you begin developing each individual Tutu School location, you will sign the then-current franchise agreement for that location. That franchise agreement may differ from the franchise agreement included in this Franchise Disclosure Document. Unless you and we agree otherwise, you will sign the franchise agreement included in this Franchise Disclosure Document for your first Tutu School location to be developed under the Area Development Agreement.

### **Applicable Regulations**

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

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

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

## **ITEM 2 BUSINESS EXPERIENCE**

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

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

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

Mr. Weeks has been the Vice President of Tutu School Franchises, LLC since August 2011. From August 2003 to the present, he has also worked as a professional wedding, family and lifestyle photographer through Andrew Weeks Photography.

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

Ms. Chwae has been our Director of Brand Studios and Director of Franchise Training and Support since February 1, 2023. Prior to that, her title was Franchise Coordinator and Director of Corporate Locations since June 2021, and she was the Creative and Administrative Coordinator of Tutu School Franchises, LLC from June 2019 to June 2021. She previously served as Tutu School Support Specialist starting in May 2018, and before that she worked for Tutu School LLC as a Tutu School teacher and Site Manager at Tutu School Chicago since 2017. Since 2016, Ms. Chwae has also worked for Design Dance as a Teaching Artist, first in Pulaski Park from 2016 to 2017, and since 2017 at Sherwood Park in Chicago.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

## **ITEM 5 INITIAL FEES**

You must pay an initial franchise fee in the lump sum of \$42,000 when you sign a franchise agreement. This payment is not refundable unless you do not complete training to our satisfaction, or you are unable to find a location for your Tutu School franchise that meets our



standards. If you request a refund on the basis that you cannot find a location, we have the right to identify an acceptable location within your territory. If you choose not to lease that location, the initial fee is not refundable.

If you wish to develop and operate more than one Tutu School franchise and we agree to license you to open multiple locations, you will sign an area development agreement (“Area Development Agreement”). If you are an existing franchisee owner in our system and you enter into an Area Development Agreement with us, you will agree to pay \$35,700 for each Tutu School franchise you agree to open under that agreement. If you are not already an existing franchisee owner, you will agree to pay us \$42,000 for the first franchise you agree to open, and \$35,700 for each additional unit.

At the time you sign the Area Development Agreement, you must pay an initial fee in the lump sum of \$5,000 per location you agree to open. At the time you sign the Franchise Agreement for each individual Tutu School, you will pay the remainder of the initial franchise fee to us. For example, if you agree to open three Tutu Schools, you will pay us \$15,000 at the time you sign the Area Development Agreement. Each \$5,000 deposit will be credited toward the initial franchise fee you pay when you sign the Franchise Agreement for that unit. The initial fee that you pay us upon signing an Area Development Agreement is not refundable.

**ITEM 6  
OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty	5% of gross programming sales per month	Payable monthly, no later than the 15 <sup>th</sup> of the month (Note 1)	Gross programming sales include all revenue generated by your location for programming (Note 2)
Royalty – Retail	4% of gross retail sales per month	Payable monthly, no later than 15 <sup>th</sup> of the month (Note 1)	Gross retail sales include all revenue generated by your location for retail (Note 2)
National Advertising & Technology Fund (Note 3)	1% of gross programming sales per month (but we have discretion to raise this as high as 3% in the future)	Payable monthly, no later than the 15 <sup>th</sup> of the month (Note 1)	Gross programming sales include all revenue generated by your location for programming (Note 2)
Additional Training (Note 4)	\$200 per person per day	Prior to the start of training	Initial training is free for you and one instructor

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Audit	Cost of audit, plus maximum legal interest on late payments	At conclusion of audit	This fee is only charged if our audit reveals that you have underreported and underpaid your monthly obligations to us by 2% or more.
Transfer	\$10,000	Prior to transfer	This fee is only charged if you transfer your interest to a new owner. (Note 5)
Renewal	\$10,000	Prior to renewal	You must be in good standing in order to qualify for renewal.

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

Note 1: If you do not pay periodic fees when due, we charge interest on the unpaid amount at a rate of prime plus 3% interest (or the highest rate permitted by law, if that is lower). We also impose a late fee of \$50 every 30 days the late payment is not made.

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

Note 3: The National Advertising & Technology Fund is used by us, in our discretion, on franchise-wide meetings, website maintenance, branding consultants, designing advertising materials we make available to you, on national or regional promotional campaigns, music licenses on your behalf, and on other marketing and advertising expenses including reasonable administration costs. We currently collect 1% of gross programming sales for the National Advertising & Technology Fund, but have discretion to increase this up to 3% total. We do not require you to advertise at any particular level in your local territory, but if you choose to do so your expenses will be in addition to the National Advertising & Technology Fund requirement.

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

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

**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial franchise fee	\$35,700 - \$42,000 (Note 1)	Lump sum	At signing of franchise agreement	Tutu School Franchises
Premises Investments & Improvements	\$10,000 to \$40,000 (Note 2)	As incurred	Prior to opening	Landlord and/or third party vendors
1 <sup>st</sup> month's rent & security deposits	\$2,800 to \$12,000	As incurred	Prior to opening	Landlord
Signs	\$500 to \$2,500	Lump sum	Prior to opening	Third party vendors
Furniture, Fixtures & Equipment	\$5,500 (Note 3)	As incurred	Prior to opening	Third party vendors
Décor package	\$7,000 (Note 4)	Lump sum	Prior to opening	Third party vendors
Business Licenses, Permits, Utility Deposits & other prepaid expenses	\$300 to \$800	As incurred	Prior to opening	Third party vendors
Insurance	\$2,000 (Note 5)	Lump sum or as incurred (see Note 4)	Prior to opening	Third party vendor
Opening supply inventory	\$2,500 (Note 6)	As incurred	Prior to opening	Third party vendors
Costs to attend training	\$1,000 to \$2,000 (Note 7)	As incurred	Prior to opening	Third party vendors
Opening local advertising	\$1,500 to \$2,000 (Note 8)	Lump sum	Prior to opening	Third party vendors
Wages	\$3,000 to \$11,000 (Note 9)	As incurred	As incurred	Employees

<b>Type of Expenditure</b>	<b>Amount</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Professional Expenses	\$4,000 to \$13,000 (Note 10)	As incurred	As incurred	Third party vendors
Additional funds (first 3 months)	\$7,000 to \$16,000 (Note 11)	As incurred	As incurred	Third party vendors
<b>TOTAL</b>	<b>\$89,100 - \$158,300</b> (Note 12)			

Note 1: The amount of the initial franchise fee depends on the number of units you are opening. If you open a single unit, you will pay \$42,000. If you open multiple units, your first unit will still be \$42,000, but subsequent units will be \$35,700. We do not finance your initial franchise fee or any other portion of your initial investment.

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

Note 3: Our estimate includes all of the required furniture, computer equipment and reusable classroom props we require.

Note 4: Our estimate includes all of the wall art, window dressings and other décor we require as part of our Tutu School brand image.

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

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

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

Note 8: We recommend that you have postcards printed to help promote your business during your opening weeks, and that you run digital marketing campaigns to help attract attention

during your Grand Opening. You may elect to engage in a larger opening promotional campaign, in which case your expenses could exceed our estimate.

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

Note 10: Our estimate for professional expenses is for hiring an attorney, accountant or other professionals. For example, you may retain an attorney to help you set up a legal entity to own your business, and you may hire a bookkeeper or accountant to help you with financial aspects of running your business. If you do not hire any professionals as part of starting your franchise business, you will not incur these expenses.

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

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

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

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial franchise fee (Note 1)	\$40,700 - \$47,000 (Note 1)	Lump sum	At signing of franchise agreement	Tutu School Franchises
All other expenses as listed in the prior table, except the initial franchise fee	\$47,100 - \$116,300	As specified in the prior table	As specified in the prior table	As specified in the prior table
<b>TOTAL</b> (Note 2)	<b>\$87,800 - \$163,300</b>			

Note 1: As explained in Item 5, you will pay us \$5,000 for each franchise you intend to open under the Area Development Agreement, and when you sign each franchise agreement you will pay the balance of the initial fee that you owe to us. If you sign an Area Development for two franchises and sign the first franchise agreement, this is the total initial fee you will pay to us at that time. Our low end estimate applies to existing franchisee owners in our system who will qualify for the discount on both units. For new franchisees who are signing an Area Development Agreement, they will pay the higher end of this estimate.

Note 2: This estimate shows your estimated initial cost for entering into an Area Development Agreement with us for two units and opening the first of those two units. It does not include your costs to open the second unit.

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

### **Required Purchases**

We require you to use certain classical music in your curriculum for our classes. We provide the ASCAP, BMI and SESAC licenses (described more in Item 11, below) required for you to use this music in connection with your Tutu School franchise business.

We require you to purchase specific tutus and certain props used by the children in the classes.

We also require you to purchase specific furniture items in order to dress your Tutu School business according to our brand image.

We are rolling out a retail component in 2023, which will allow you to sell children's dancewear and related items at your Tutu School franchise. We are the only approved supplier of these items. You are not currently required to purchase and sell these items, but we reserve the right to require you to carry a limited supply of merchandise in the future. At present, if you would like to carry retail items at your Tutu School franchise, you may do so as long as we have approved both the items and the vendors.

### **Required and Approved Suppliers**

We require you to purchase certain products, including tutus, props, furniture and decor, from our approved suppliers, which are listed in our operations manual.

If you are incorporating retail sales into your Tutu School franchise, you may only sell items we approve from vendors we approve.

### **Approval of Alternate Suppliers**

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

### **Revenue from Franchisee Purchases**

In 2023, we began selling retail merchandise to franchisees. As of the date of this disclosure document, we have not collected any revenue from these sales yet.

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

### **Cooperatives**

We do not have any purchasing or distribution cooperatives.

### **Negotiated Prices**

We do not yet have any negotiated or bulk purchase price arrangements with any suppliers. As our business grows, we intend to negotiate discounted pricing structures.

Franchisees do not receive any material benefit or inducement from the Franchisor or its Affiliate for using designated or approved suppliers.

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

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

This includes specifications, recommendations, requirements, and limitations on the type of space you rent, the amount of insurance you obtain, the advertising you place, the background checks you perform on employees, as well as, the décor, fixtures, and props you buy. These purchases will comprise almost 100% of your expenditures to establish the business other than what you spend on payroll, rent, utilities and miscellaneous professional services. On an ongoing basis, you should estimate that at least ninety percent (90%) of your purchases will be subject to some requirement in our Operations Manual, although we may not require you to purchase from any specific vendor except with respect to a few items constituting less than ten percent (10%) of your routine expenses.

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

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

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

	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN AREA DEVELOPMENT AGREEMENT</b>	<b>Disclosure Document Item</b>
a.	Site selection & acquisition/lease	5.1 - 5.3	2.1, 6.1	Item 11
b.	Pre-opening purchases/leases	5.3, 6.1, 6.3	2.1, 3.1, 6.1	Items 7 & 8
c.	Site development & other pre-opening requirements	5.1, 5.5	2.1, 3.2, 6.1	Items 7 & 11
d.	Initial & ongoing training	4.1 - 4.3	Not Applicable	Item 11
e.	Opening	6.1	Not Applicable	Item 11
f.	Fees	8.1 - 8.3	5.1	Items 5 & 6
g.	Compliance with standards & policies/operating manual	2.2, 4.5, 6.6	Not applicable	Items 8 & 11
h.	Trademark & proprietary information	3.1 - 3.5	Not Applicable	Items 13 & 14
i.	Restrictions on products/services offered	2.2, 6.5 - 6.6	Not Applicable	Items 8 & 16
j.	Warranty & customer service requirements	6.8	Not Applicable	Not Applicable
k.	Territorial development & sales quotas	6.11(c)	2.1	Items 11 & 12
l.	Ongoing product/service purchases	6.5	Not Applicable	Item 8
m.	Maintenance, appearance & remodeling requirements	5.5 - 5.7, 12.2	Not Applicable	Item 11
n.	Insurance	14.3	Not Applicable	Items 7 & 8
o.	Advertising	9.1 - 9.3	3.1	Items 6 & 11
p.	Indemnification	14.1 - 14.2	12.2	Not Applicable
q.	Owner's participation management/staffing	6.11	Not Applicable	Item 15
r.	Records/reports	8.2 - 8.4	12.15	Not Applicable
s.	Inspections/audits	8.4	Not Applicable	Item 6
t.	Transfer	11.3 - 11.6	7.1 - 7.4	Item 17
u.	Renewal	12.2	4.2	Item 17
v.	Post termination obligations	13.1 - 13.2	9.3	Item 17



	<b>OBLIGATION</b>	<b>SECTION IN FRANCHISE AGREEMENT</b>	<b>SECTION IN AREA DEVELOPMENT AGREEMENT</b>	<b>Disclosure Document Item</b>
w.	Noncompetition covenant	10.4	8.1	Items 12 & 17
x.	Dispute resolution	15.8	Not Applicable	Item 17

**ITEM 10  
FINANCING**

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

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

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

**Pre-Opening Assistance**

Before you open the business, we will:

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

2. Review your proposed business site, which must be within your protected territory. We approve locations based on a variety of factors including density of population, population characteristics, traffic patterns, access factors, cost and size and availability of space, cost of construction of leasehold improvements, availability, parking, and other factors. We will not provide a nonstructural floor plan for the planning, designing and construction of improvements to the Premises. The Franchisor makes no representations, guarantees or warranties, either express or implied, regarding the profitable operation of your Tutu School as a result of any site selection advice.

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

We require franchisees to identify a proposed business site within six months of signing a franchise agreement and open for business within 12 months of signing a franchise agreement.

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

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

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

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

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

### **Post-Opening Assistance**

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

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

2. Check in with you at least once per quarter to discuss your operations and provide advice regarding any questions you may have. (Franchise Agreement - Section 4.4)

3. Maintain the company website which will include a link to a site-specific page for your franchised business, including the classes you offer, their times, instructor information, your business address and other information we approve. If you elect to use a portion of your local store advertising fund contributions to pay for the registration, we will also register and maintain a URL that includes our marks and a reference to your city (such as “tutuschoolsanfrancisco.com”) that links to your site-specific page on our site. (Franchise Agreement - Section 6.10)

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

5. We have held an annual franchisee conference the last several years and intend to continue doing so in the future. We may charge a conference fee and you will be responsible for all of your travel and living expenses during the conference. Attendance will be encouraged but will not be mandatory for the annual conference.

6. We require you to have enrolled at least 50 students by the end of your first year of operation. If you believe that you will not meet this requirement based on your enrollments in the first six months or more of your operations, we will consult with you, at your request, and provide recommendations for you to implement to try to increase your enrollment. It will be up to you to implement any advice we provide, in your discretion.

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

## **Advertising**

We provide certain advertising materials and advertising support to you through our National Advertising & Technology Fund. We use the National Advertising & Technology Fund for graphic design for marketing collateral, expenses related to tutuschool.com’s development and maintenance and the development and maintenance of related software used by franchisee, social media support, subscription fees and set-up expenses for design and learning platforms, helping to cover the cost of music licensing, and the expenses of future franchise system-wide meetings.

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

You may only use advertising, marketing and promotional materials (including communications in print, broadcast, on the Internet and in other media or form) that are either supplied by us or that we pre-approve. As noted above, you must use our Web site and may not establish or maintain any other web site for the Franchised Business.

We do not have the contractual right to form or require you to join advertising cooperatives, or to change, dissolve or merge any advertising cooperatives.

We administer the National Advertising & Technology Fund and have exclusive discretion over its expenditures. The National Advertising & Technology Fund is not audited, but we make a statement of our use of the National Advertising & Technology Fund available annually to franchisees. We do not use the National Advertising & Technology Fund to sell additional franchises.

We do not currently have an "Advertising Council."

We collect the National Advertising & Technology Fund contributions at the same rate from all Tutu School franchises, but not from the locations owned and operated by our affiliate, Tutu School, LLC, and identified as corporate-owned locations in this FDD. However, those corporate-owned units spend the same amount of money on local store advertising as we require you to spend on local store advertising.

In the future, we may increase your required contribution to the National Advertising & Technology Fund, in our sole discretion if we determine that it will help the brand, up to a total of 3%.

In 2022, the amount collected by the National Advertising & Technology Fund was \$116,121, and we spent \$113,600 of that as follows:

17.1%	Proprietary software and website development and maintenance
25.3%	Music licensing fees
9.3%	Digital marketing consulting, including website and brand review and guidance and strategic planning
19.6%	Subscription fees for our proprietary software for franchisees
18.5%	Social media content development
10.2%	Summit expenses

The balance was rolled forward to be spent in 2023. The above are not the only amounts that were spent on the above items, but this is how we allocated the money in this fund.

### **Computer Requirements**

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

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

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

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

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

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

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

## TRAINING PROGRAM

Day	Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
1	<ul style="list-style-type: none"> <li>-Orientation &amp; Introduction</li> <li>-Outline Franchise and Faculty Training &amp; Support</li> <li>-Pre-Opening Requirements</li> <li>-Overview of Programs: <i>Classes, Ballet Birthday Parties, and Tutu Camp</i></li> <li>-Setting Up Your Tutu School</li> <li>-Review Décor Guide</li> <li>-Review Template &amp; Style Guide</li> </ul>	5	0	Chicago, IL
2	<ul style="list-style-type: none"> <li>-Class Curriculum: <i>Divisions &amp; Levels, Class Objectives, Class Structure, Classroom Philosophy, Tutu School Terms &amp; Technique, Class Content</i></li> </ul>	2	3	Chicago, IL
3	<ul style="list-style-type: none"> <li>-Daily/Weekly/Monthly Operating Procedures</li> <li>-Class Curriculum &amp; Teacher Training</li> </ul>	2	3	Chicago, IL
4	<ul style="list-style-type: none"> <li>-Ballet Birthday Parties: <i>Set-up &amp; Event Execution</i></li> <li>-Tutu Camp: <i>Program Outline &amp; Operation</i></li> <li>-Class Curriculum &amp; Teacher Training</li> <li>-Website, Email, and Content Management System</li> <li>-Marketing, Advertising, and Public Relations</li> <li>-Class Curriculum &amp; Teacher Training</li> </ul>	4	3	Chicago, IL

Day	Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
5	-Special Programs & Events -Grand Opening -Forms, Reports, & Sample Drafts -Pricing Suggestions -Frequently Asked Questions -Class Curriculum & Teacher Training -Summary -Final Q &A -Final Written Exam -Final Teaching Exam	4	5	Chicago, IL
	Total Hours	17	14	

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

Currently, our training staff includes Genevieve Weeks and Taylor Chwae, although our roster of instructors is subject to change. Your training staff will be dictated by Franchise location and available trainers. Ms. Weeks has over eight years experience of operating the company-owned Tutu School and is the founder of Tutu School. She has owned and operated Tutu School first as a sole proprietorship and then as a limited liability company since February 2008. For over fifteen years (1998 - 2014), Ms. Weeks was also a freelance ballet dancer. Taylor Chwae has a degree in dance, taught as a Teaching Artist for dance programs for two years, and has worked with us since 2017. All main instructors of the Tutu School initial training program must have at least four years of dance training and have worked with Tutu School. During part of your training, we may place you into a program with a newer, but experienced, Tutu School teacher while you experience Tutu School classes.

In addition to our initial training, outlined above, we reserve the right to require you and your instructors to take an annual refresher course. If required, a Tutu School trainer will come to your franchise, and the refresher will be provided at no cost to you.

## **ITEM 12 TERRITORY**

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

You will receive a protected territory consisting of approximately 30,000 people. Depending on the density of your city, 30,000 people could correspond to an area of approximately 1-15 miles around your Tutu School franchise. We do not assign an exact radius, and will instead provide you with a description of the boundary of your protected territory. The exact dimensions of your protected territory will depend on the population density around your Tutu School. We will not grant permission for any other Tutu School Franchise to be established within your protected territory. We will not modify the size of your protected territory without your permission. You must have our approval before siting your franchise, and you must obtain our permission to relocate. Any request to relocate must be in writing, must specify the requested area for relocation with as much specificity as possible, and must state the reason for the request to relocate. We have discretion over whether or not to grant you permission to relocate, and we will respond within 14 days to any request to relocate, although our response may include a request for additional information.

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

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

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

We also reserve to ourselves and any affiliates all marketing and development rights that are not expressly contrary to the Territory rights granted to you, including the rights, at any location: (i) to own and operate or franchise any Schools or other Competitive Businesses at any locations



outside of the Territory regardless of proximity to the Territory; (ii) to own and operate businesses that are not Competitive Businesses; and (iii) to participate in trade shows, franchise trade shows, and other marketing events to promote or increase awareness of the Tutu School System and Network. A "Competitive Business" is one that offers or sells any products/services the same as or similar to the Approved Products/Services at retail or wholesale.

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

Neither we nor our affiliates plan to operate a business under a different trademark that will sell similar goods or services to those offered under the Tutu School marks.

**ITEM 13  
TRADEMARKS**

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

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

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

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

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

The Franchisor's right to use, and license others to use, the above Marks is derived from a license agreement between the Franchisor Tutu School Franchises, LLC and the Affiliate Tutu School, LLC. This is a perpetual license agreement effective August 2011.

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

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

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

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

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

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

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

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

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

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

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

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

You are required to participate personally in the direct operation of the franchise by personally managing staff, hiring and operational decisions. You are responsible for ensuring that qualified and trained instructors are present at all times and leading all classes. If the franchisee is a company or business entity, at least one of its shareholders or members must attend and pass training and serve as the manager of the Franchised School.

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

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

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

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

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

We are currently developing a retail component to sell dancewear and related merchandise at Tutu School locations. In the future, we may require you to participate by stocking and selling required items. If you want to sell clothing or other merchandise through your Tutu School now, you may do so, but we must approve the quality and type of all items you carry. Once our retail program is fully developed, we have the right to require you to adopt it.

We also have the right to periodically require you to update the décor and furniture of your Tutu School franchise, in order to maintain an appealing brand image. There are no limits on our right to change our decor, except that we will not require you to spend more than \$2,500.00 per year that you have been a franchisee on new décor or furniture. (For example, if you have been a franchisee for eight years and we have not required you to update any of your décor in that time, we may require you to undertake \$20,000 worth of remodeling.) This limit does not apply to the cost of keeping your existing Tutu School décor in good condition.

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

1. Whether you can provide offsite services under the Tutu School brand to our standards for operation outside of your Tutu School franchise location;
2. Whether you can operate your regular classes at your Tutu School franchise to our standards for operation while engaging in the offsite services; and
3. Whether the offsite services infringe on another franchisee’s protected territory, or otherwise negatively impact our brand or the rights of another franchisee.

### ITEM 17

#### RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

#### THE FRANCHISE RELATIONSHIP

	PROVISION	FA AGMT. SECTION	ADA AGMT. SECTION	SUMMARY
a.	Term of Franchise	12.1	4.1	<u>FA</u> : The initial term of the franchise is 10 years, measured from the mutually agreed-upon target opening date of the franchise.

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<u>ADA</u> : The term is measured from the effective date to the opening of the last school developed pursuant to the ADA
b.	Renewal or extension of term	12.2	4.2	<u>FA</u> : If you are not in default under any term of the franchise agreement, you can renew for a period of 5 years. <u>ADA</u> : No right to renewal
c.	Requirements for you to renew or extend	12.2	4.2	<u>FA</u> : You must: (i) give written notice of election to renew 6-12 months before term expires; (ii) not be in default of any material provision of the Franchise Agreement or any amendments; (iii) pay \$10,000 to offset our expenses of renewal (iv) sign a general release which releases us from all claims that are known or reasonably have been known (the release will not include claims by third parties that are subject to indemnification); (v) furnish us with a copy of lease for the premises demonstrating that your right and ability to possess the premises is assured for the renewal term; and (vi) make any improvements and alterations to the franchise which we reasonably require to meet current specifications; (vii) execute our then-current form of franchise agreement which may contain materially different terms; and (viii) certify to us that you continue to meet our franchisee qualification criteria. <u>ADA</u> : No rights to renewal
d.	Termination by you	12.5	n/a	<u>FA</u> : For our breach of the Agreement. <u>ADA</u> : If we fail to perform our duties under the Agreement and do not cure that failure.
e.	Termination by Franchisor without cause	n/a	n/a	Upon dissolution of the Franchisor.

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
f.	Termination by Franchisor with cause	12.3 - 12.5	9.1, 9.2	<p><u>FA</u>: We can terminate if you default or if events described in sections (g) or (h) occur.</p> <p><u>ADA</u>: We can terminate if you default, are in material breach of the ADA, or if events described in sections (a) through (f) occur</p>
g.	“Cause” defined – curable defaults	12.4	n/a	<p><u>FA</u>: You will receive 10 days' notice to cure any breach of the Franchise Agreement other than those described in section (h), below. Your agreement will also end if you do not elect to renew it at least 180 days prior to the end of your term, or if you are not eligible for renewal.</p> <p><u>ADA</u>: Not applicable</p>
h.	“Cause” defined – non-curable defaults	12.3, 12.5	9.1, 9.2	<p><u>FA</u>: Non-curable defaults include knowingly skipping a background check on any employee who will interact with children; willfully or recklessly endangering any child; knowingly breaching the terms of our music license; failure to reopen after damage; failure to repair damage; abandonment for five (5) or more days; failure to complete initial training; bankruptcy or insolvency; seizure of your business by any third party; criminal connection; three (3) or more breaches of the Agreement within one year or repetition of a cured breach; unapproved transfer; material misrepresentation in the franchise application; and failure to meet the enrollment quota after one year.</p> <p><u>ADA</u>: Non-curable defaults include failure to comply with obligations under the ADA; bankruptcy or insolvency; appointment of a receiver; criminal connection; material misrepresentation in ADA agreement; material breach of individual franchise agreement or other agreements</p>

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
i.	Your obligations on termination or nonrenewal	13	9.3	<p><u>FA</u>: Obligations include complete de-identification, including ceasing to use telephone numbers used while operating as a Tutu School, return of the operations manual, and payment of amounts due. We have the right to enter your franchise and to complete the de-identification obligations ourselves.</p> <p><u>ADA</u>: Area developer will have no further right to construction, equip, open, or operate additional schools</p>
j.	Assignment of contract by Franchisor	11.1	7.1	<p><u>FA</u>: We may transfer the Franchise Agreement to any other party.</p> <p><u>ADA</u>: We may transfer the Area Development Agreement to any other party</p>
k.	“Transfer” by you - definition	11.2	7.3	<p><u>FA</u>: You may transfer by selling your franchise to an approved person or entity, and must pay required Transfer Fees and all amounts owed under your Franchise Agreement up to the date of transfer.</p> <p><u>ADA</u>: You may transfer the Area Development Agreement with the prior written consent of the Tutu School</p>
l.	Franchisor’s approval of transfer by franchisee	11.3	7.3, 7.4	<p><u>FA</u>: We have the right to approve your transfer of the franchise, or to exercise our right of first refusal.</p> <p><u>ADA</u>: We have the right to approve your transfer of the Area Development Agreement, or to exercise our right of first refusal</p>
m.	Conditions for Franchisor approval of transfer	11.3, 11.6 - 11.7	7.3, 7.4	<p><u>FA</u>: Our prior written approval is required for any transfer. If we decline our right of first refusal you must comply with conditions for transfer including paying a transfer fee. In addition, we must approve the person to whom you are transferring and they must successfully pass training. Any transferee must meet the same criteria required of any</p>

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				franchisee, including passing our required background check.  <u>ADA</u> : Our prior written approval is required for any transfer and we have the right to impose additional conditions on the transfer.
n.	Franchisor's right of first refusal to acquire your business	11.6	7.4	<u>FA</u> : We have an option to purchase your business on the same terms and conditions of any offer accepted by you, except if the transfer is to a member of the immediate family, an estate trust, or to an existing equity holder of the franchisee if certain conditions are met.  <u>ADA</u> : You will provide us written notice of a proposed assignment and we will have 30 days to consent or accept the assignment to ourselves
o.	Franchisor's option to purchase your business	11.6	n/a	<u>FA</u> : On expiration or termination of the franchise, we have a 60-day time period in which to purchase your equipment, furnishings, fixtures, signs, inventory, leasehold or building and real estate, and improvement and other real or personal property or any portion thereof for a sum equal to fair market value of such property. We will not pay for intangible assets including, but not limited to, good will.  <u>ADA</u> : Not applicable
p.	Your death or disability	11.4	7.3	<u>FA</u> : For up to 120 days after your death, your surviving spouse, heirs, or representatives may participate in the ownership and operation of the franchise according to the terms of the franchise agreement. After 120 days, they must either pass our initial training program and satisfy all of our then-current qualifications and requirements of new franchisees, or sell the franchise to an entity or individual approved by us.



	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
				<u>ADA</u> : The Area Development Agreement shall not be transferred upon your death or disability without the prior written consent of Tutu School
q.	Non-competition covenants during term of franchise	10.4	8.1	<u>FA</u> : You may not teach in any other children’s dance school or offer children’s dancewear for sale during term of the Franchise Agreement without our prior written permission (subject to state law). <u>ADA</u> : You may not own or operate any children’s dance or movement program or similar retail enterprise without Tutu School’s prior written consent
r.	Noncompetition covenants after franchise is terminated or expires	10.4	n/a	<u>FA</u> : Except in California, or where elsewhere prohibited by law, you may not operate a dance school within your territory or within 25 miles of another Tutu School for a period of two years. We also require you to have some of your employees sign agreements not to compete with Tutu School. Special rules apply in Washington as outlined in the Washington appendix. <u>ADA</u> : Not applicable
s.	Modification of Agreement	15.9	n/a	<u>FA</u> : No modification is permitted except in writing. <u>ADA</u> : Not applicable
t.	Integration, merger clauses	15.9	12.9	<u>FA</u> : Subject to state law, only the terms of Franchise Agreement are binding. Nothing in the Franchise Agreement is intended to disclaim the representations we made in the Franchise Disclosure Document that we furnished to you. <u>ADA</u> : Subject to state law, the terms of the Area Development Agreement are binding and supersede all prior or conflicting agreements
u.	Dispute resolution by	15.8	n/a	<u>FA</u> : Non-binding mediation initially required. If the dispute is not resolved with

	<b>PROVISION</b>	<b>FA AGMT. SECTION</b>	<b>ADA AGMT. SECTION</b>	<b>SUMMARY</b>
	arbitration or mediation			non-binding mediation, or if a party refuses to mediate, then the parties may proceed to arbitration. Immediate injunctive relief is available where either party may be irreparably harmed. State law may give you additional rights. <u>ADA</u> : Not applicable
v.	Choice of forum	15.8	n/a	<u>FA</u> : JAMS arbitration (subject to applicable state law). Please see the state-specific addenda to the Disclosure Document and Franchise Agreements in Exhibit E <u>ADA</u> : Not applicable
w.	Choice of law	15.8	12.8	<u>FA</u> : Except for claims arising under the Illinois Franchise Disclosure Law, California law applies (subject to state law). Please see the state-specific addenda to the Disclosure Document and Franchise Agreements in Exhibit E <u>ADA</u> : Except for claims arising under federal trademark law, or claims arising under the Illinois Franchise Disclosure Law, California law applies (subject to state law)

**ITEM 18  
PUBLIC FIGURES**

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

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

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

example, by providing information about possible performance at a particular location or under particular circumstances.

We disclose information about our gross revenue for 2022. Gross revenue includes revenue for both services and merchandise. Not all Tutu Schools have elected to sell merchandise.

The first table below shows franchisee gross revenue across all units that were open an entire year in 2022. The second shows the ten highest revenues and the ten lowest revenues among franchisee-owned units. We omitted from both tables two units that were in the process of relocating in 2022 and were not open for the entire year.

2022 Gross Revenue of Franchisee-Owned Tutu Schools – 44 Units Total

Average Revenue	# Units Meeting or Exceeding Average	Median Revenue	High Revenue	Low Revenue
\$236,182	19	\$228,881	\$609,309	\$40,707

2022 Highest & Lowest Franchisee Revenue

Ten Highest Revenues	
#1	\$609,309
#2	\$527,650
#3	\$515,162
#4	\$467,630
#5	\$452,354
#6	\$419,982
#7	\$417,957
#8	\$412,552
#9	\$336,546
#10	\$303,545
Ten Lowest Revenues	
#10	\$103,861
#9	\$102,378
#8	\$101,757
#7	\$98,649
#6	\$94,908
#5	\$93,366
#4	\$79,701

#3	\$63,836
#2	\$50,173
#1	\$40,707

We also operate three corporate-owned Tutu Schools. The table below shows the revenue in those units.

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

Average Revenue	# Units Meeting or Exceeding Average	Median Revenue	High Revenue	Low Revenue
\$327,202	2	\$349,793	\$382,464	\$249,348

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

Written substantiation of these amounts is available upon request.

If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Genevieve C. Weeks, at 4212 N. Damen Ave., Chicago, IL 60618 and (415) 734-8840, and the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
Systemwide Outlet\*\* Summary  
For Fiscal years 2020 - 2022**

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net change
Franchised	2020	31	34	+3
	2021	34	46	+12
	2022	46	56	+10
Company owned*	2020	3	3	0
	2021	3	3	0
	2022	3	3	0
Total Outlets	2020	34	37	+3
	2021	37	49	+12
	2022	49	59	+10

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

\*\* These tables include the units within the United States. Outlets that have opened and that have been sold in Canada are listed in a footnote to Table No. 5.

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

State	Year	Number of Transfers
CA	2020	1
	2021	5
	2022	0
Totals	2020	1
	2021	5
	2022	0

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

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
AL	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
AZ	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
CA	2020	23	1	0	0	0	0	24
	2021	24	3	0	0	0	0	27
	2022	27	5	0	0	0	0	32
GA	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
IN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NV	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NY	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	2	0	0	0	0	4
NC	2020	3	0	0	0	0	0	3

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations– Other Reasons	Outlets at End of Year
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
OH	2020	0	1	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2020	0	0	0	0	0	0	0
OR	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
TN	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TX	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
UT	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
WA	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
WI	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	31	3	0	0	0	0	34
	2021	34	12	0	0	0	0	46
	2022	46	10	0	0	0	0	56

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

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
CA	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
	2020	1	0	0	0	0	1

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
IL	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Totals	2020	3	0	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3

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

**Table No. 5**  
**Projected Openings<sup>(2)</sup>**  
**As of December 31, 2022**

State	Franchise Agreements Signed but Outlet not Open	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
AZ	1	1	0
CA	5	5 <sup>(1)</sup>	0
CO	1	3	0
FL	0	1	0
GA	1	2	0
NY	2	3 <sup>(1)</sup>	0
NC	2	2	0
OH	1	1	0
TN	1	1 <sup>(1)</sup>	0
WA	1	2 <sup>(1)</sup>	0
Totals	11	21	0

<sup>(1)</sup> In 2023, as of the issuance date of this disclosure document, we have had three units in California, one in New York, one in Tennessee, and one in Washington open. These six units are included in our active franchisee list in Exhibit F-1.

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

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

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

### Franchisee Groups

There are no franchisee groups or associations at present.

**ITEM 21  
FINANCIAL STATEMENTS**

The audited financial statement of Tutu School Franchises, LLC for the period ended December 31, 2022, December 31, 2021, and December 31, 2020 are attached as Exhibit A.

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

**ITEM 22  
CONTRACTS**

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

- Exhibit B Franchise Agreement
- Exhibit B-1 Franchise Application
- Exhibit C Area Development Agreement
- Exhibit I Owner's Guaranty and Assumption of Franchisee's Obligations
- Exhibit J Spousal Consent
- Exhibit K Electronic Debit Authorization

**ITEM 23  
RECEIPTS**

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



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

**FINANCIAL STATEMENTS**

**TUTU SCHOOL FRANCHISES, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

# **TUTU SCHOOL FRANCHISES, LLC**

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MONIS J. SIDDIQUI, CPA P.C.

Certified Public Accountant

917.309.5670

**INDEPENDENT AUDITOR'S REPORT**

**To the Members**

**Tutu School Franchises, LLC**

**Opinion**

We have audited the financial statements of Tutu School Franchises, LLC, which comprises the balance sheet as of December 31, 2022, & 2021, and the related statement of operations, and changes in members' (deficit), and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Tutu School Franchises, LLC as of December 31, 2022, & 2021, and the results of its operations and its cash flows for the for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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

*Monis Siddiqui, CPA P.C.*

Monis Siddiqui, CPA  
Bellerose, New York  
March 8, 2023

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

	<u>ASSETS</u>	
	<u>DECEMBER 31</u>	
	<u>2022</u>	<u>2021</u>
<b>Current assets</b>		
Cash	\$ 105,659	\$ 245,127
Accounts receivable	61,339	38,674
Total Current Assets	<u>166,998</u>	<u>283,801</u>
<b>Fixed assets, net</b>	4,468	5,879
Security deposits	<u>15,530</u>	<u>1,130</u>
Total Assets	<u>\$ 186,996</u>	<u>\$ 290,810</u>
 <u>LIABILITIES AND MEMBERS' (DEFICIT)</u> 		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 25,801	\$ 18,381
Customer deposits	468,200	351,700
SBA Loan payable	2,940	-
Deferred franchise fees	<u>147,296</u>	<u>119,506</u>
Total Current Liabilities	644,237	489,587
Deferred franchise fees, net of current	847,276	730,443
SBA Loan payable, net of current	155,027	157,967
Members' (Deficit)	<u>(1,459,544)</u>	<u>(1,087,187)</u>
Total Liabilities and Members' (Deficit)	<u>\$ 186,996</u>	<u>\$ 290,810</u>

See Notes to financial statements

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

	<b>DECEMBER 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenues</b>		
Royalties	\$ 576,190	\$ 317,528
Franchise fees	221,277	234,465
Brand development fees	120,303	61,027
Other revenue	-	12,000
	<u>917,770</u>	<u>625,020</u>
 <b>Operating, Selling and Administrative Expenses</b>	 <u>1,286,162</u>	 <u>813,215</u>
 <b>(Loss) from Operations</b>	 <b>(368,392)</b>	 <b>(188,195)</b>
 <b>Grant revenue - PPP</b>	 <u>-</u>	 <u>26,248</u>
 <b>Net (Loss)</b>	 <b>(368,392)</b>	 <b>(161,947)</b>
 <b>Members' (Deficit) - Beginning</b>	 <b>(1,087,187)</b>	 <b>(910,892)</b>
 <b>Members' Distributions</b>	 <u>(3,965)</u>	 <u>(14,348)</u>
 <b>Members' (Deficit) - Ending</b>	 <u><u>(1,459,544)</u></u>	 <u><u>(1,087,187)</u></u>

See Notes to financial statements

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

	DECEMBER 31	
	2022	2021
<b>Cash Flow from Operating Activities</b>		
Net (Loss)	\$ (368,392)	\$ (161,947)
Depreciation and amortization	1,411	1,176
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable	(22,665)	(25,082)
Security deposits	(14,200)	(1,130)
Accounts payable and accrued expenses	1,795	5,942
Customer deposits	116,500	(5,200)
Deferred franchise fees	144,623	329,735
	<u>(140,928)</u>	<u>143,494</u>
<b>Cash Flow from Financing Activities</b>		
Reduction of PPP loan	-	(5,415)
Increase in loan payable SBA	5,625	7,967
	<u>5,625</u>	<u>2,552</u>
<b>Cash Flow from Investing Activities</b>		
Investment in fixed assets	-	(7,055)
Members' (Distributions)	(4,165)	(14,348)
	<u>(4,165)</u>	<u>(21,403)</u>
<b>Net Increase (Decrease) In Cash</b>	<b>(139,468)</b>	<b>124,643</b>
<b>Cash - Beginning of Year</b>	<b>245,127</b>	<b>120,484</b>
<b>Cash - End of Year</b>	<b><u>\$ 105,659</u></b>	<b><u>\$ 245,127</u></b>

See Notes to financial statements



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

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**1. THE COMPANY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**3. REVENUE RECOGNITION**

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

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

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**4. DEFERRED FRANCHISE FEES**

In compliance with the Financial Accounting Standards Board (“FASB”) new accounting standards for revenue recognition (“Topic 606”), the Company records its non-refundable franchise fees, net of amounts earned based on allowable direct services, as deferred revenues, to be recognized over the life of the franchise agreement. The non-refundable franchise fees received but not yet earned as of December 31, 2021, and 2022 were \$849,949 and \$994,572, respectively.

**5. CUSTOMER DEPOSITS**

Area Development Deal deposit fees are paid to hold a territory. At the time of signing a Franchise Agreement, Area Development Deal deposits are applied to the franchise fee, and the franchisor’s obligations and responsibilities begin. Area Development Deal deposit fees are non-refundable. Until a Franchise Agreement is signed, or a territory reservation is officially released, Area Development Deal deposit fees are not recognized as revenue. At the time of signing a Franchise Agreement, the fees are included in the franchise fee for a Tutu School location and follow the revenue recognition guidelines outlined above. Customer deposits at December 31, 2021, and 2022 were \$351,700 and \$468,200, respectively.

**6. BRAND DEVELOPMENT FEES**

The Company’s franchise agreement allows for collection of brand development fees, whose proceeds are restricted to brand name and franchise advertising. Any unused funds are carried forward to subsequent periods. Brand development fees collected (on a cash basis) for the year ending December 31, 2021, and 2022 were \$56,991 and \$120,303, respectively. Advertising expenditures (on a cash basis) for the year ending December 31, 2021, and 2022, were \$56,900 and \$133,533, respectively.

**7. LOAN PAYABLE SBA**

During June 2020 the company obtained a note payable of \$150,000 from the US Small Business Administration. (SBA) This note is collateralized by assets of the Company, bearing interest at 3.75% with a term of 30 years. Monthly payments of \$731 are scheduled begin in February 2023. Interest on this loan accrued through December 31, 2021, and 2022, were \$7,967 and \$5,625. The loan payable balance as of December 31, 2021, and 2022, was \$157,967 for each year.

Future principal obligations for both loans are as follows:

Due in 2023	\$	2,940
Due in 2024		3,299
Due in 2025		3,440
Due in 2026		3,572
Due in 2027		3,708
Due after 2027		141,008
Total Loan Payable SBA	\$	<u>157,967</u>

## **8. COVID-19 AND THE PAYCHECK PROTECTION PROGRAM**

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

## **9. SUBSEQUENT EVENTS**

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required further adjustment or disclosure in the financial statements. Subsequent events were evaluated through March 8, 2023, the time at which the financial statements were available to be issued.

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

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

**INDEPENDENT AUDITOR'S REPORT**

To the Members  
Tutu School Franchises, LLC

**Opinion**

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

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

**Basis for Opinion**

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

**Emphasis of a Matter**

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

**Responsibilities of Management for the Financial Statements**

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

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

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

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

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

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

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



Akiva Manne CPA  
Allentown PA  
April 27, 2022

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

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**ASSETS**

<b>Current assets</b>	
Cash	\$ 245,127
Accounts receivable	38,674
<b>Total Current Assets</b>	<u>283,801</u>
<b>Fixed assets, net</b>	5,879
<b>Security deposits</b>	<u>1,130</u>
<b>Total Assets</b>	<u><u>\$ 290,810</u></u>

**LIABILITIES AND MEMBERS' (DEFICIT)**

<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 18,381
Customer deposits	351,700
Deferred franchise fees	119,506
<b>Total Current Liabilities</b>	<u>489,587</u>
<b>Deferred franchise fees, net of current</b>	730,443
<b>SBA Loan payable</b>	157,967
<b>Members' (Deficit)</b>	<u>(1,087,187)</u>
<b>Total Liabilities and Members' (Deficit)</b>	<u><u>\$ 290,810</u></u>

See Notes to financial statements



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

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

See Notes to financial statements

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

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<b>Cash Flow from Operating Activities</b>	
<b>Net (Loss)</b>	<b>\$ (161,947)</b>
<b>Depreciation and amortization</b>	<b>1,176</b>
<b>Adjustments to reconcile net (loss) to net cash provided by operating activities:</b>	
<b>Changes in assets and liabilities:</b>	
<b>Accounts receivable</b>	<b>(25,082)</b>
<b>Security deposits</b>	<b>(1,130)</b>
<b>Accounts payable and accrued expenses</b>	<b>5,942</b>
<b>Customer deposits</b>	<b>(5,200)</b>
<b>Deferred franchise fees</b>	<b>329,735</b>
	<u><b>143,494</b></u>
 <b>Cash Flow from Financing Activities</b>	
<b>Reduction of PPP loan</b>	<b>(5,415)</b>
<b>Increase in loan payable SBA</b>	<b>7,967</b>
	<u><b>2,552</b></u>
 <b>Cash Flow from Investing Activities</b>	
<b>Investment in fixed assets</b>	<b>(7,055)</b>
<b>Members' (Distributions)</b>	<b>(14,348)</b>
	<u><b>(21,403)</b></u>
 <b>Net Increase In Cash</b>	<b>124,643</b>
 <b>Cash - Beginning of Year</b>	<u><b>120,484</b></u>
 <b>Cash - End of Year</b>	<u><u><b>\$ 245,127</b></u></u>

See Notes to financial statements

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

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**1. THE COMPANY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**3. REVENUE RECOGNITION**

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

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

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**4. DEFERRED FRANCHISE FEES**

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

**5. CUSTOMER DEPOSITS**

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

**6. BRAND DEVELOPMENT FEES**

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

**7. LOAN PAYABLE SBA**

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

Future principal obligations for both loans are as follows:

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

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

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**8. PRIOR YEAR ADJUSTMENT**

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

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

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

**10. SUBSEQUENT EVENTS**

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

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

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**1. THE COMPANY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

**3. REVENUE RECOGNITION**

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



**TUTU SCHOOL FRANCHISES, LLC**  
**(AN ILLINOIS LIMITED LIABILITY COMPANY)**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**TUTU SCHOOL FRANCHISES, LLC  
(AN ILLINOIS LIMITED LIABILITY COMPANY)**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders  
of **TUTU SCHOOL FRANCHISES, LLC**

We have audited the accompanying financial statements of Tutu School Franchises, LLC (A Illinois Limited Liability Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members' 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 audits. We conducted our audits 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 of material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tutu School Franchises, LLC 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.



*Tryna Accountancy Corporation*

Oakland, California

June 8, 2021

**TUTU SCHOOL FRANCHISES, LLC**  
**(AN ILLINOIS LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS**

**DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 120,484	\$ 60,164
Accounts Receivable	<u>13,592</u>	<u>67,799</u>
Total current assets	<u>134,076</u>	<u>127,963</u>
Total assets	<u>\$ 134,076</u>	<u>\$ 127,963</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable	\$ 1,438	\$ 14,344
Accrued expenses	11,001	28,442
Deferred revenue, current	409,216	-
Loan payable, current	<u>2,924</u>	<u>-</u>
Total current liabilities	<u>424,579</u>	<u>42,786</u>
Deferred revenue, net of current portion	294,624	-
Loan payable, net of current portion	<u>152,491</u>	<u>-</u>
Total liabilities	871,694	42,786
<b>MEMBERS' EQUITY</b>	<u>(737,618)</u>	<u>85,177</u>
Total liabilities and members' equity	<u>\$ 134,076</u>	<u>\$ 127,963</u>

See Independent Auditor's Report and accompanying Notes to Financial Statements.

**TUTU SCHOOL FRANCHISES, LLC**  
**(AN ILLINOIS LIMITED LIABILITY COMPANY)**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>FEES COLLECTED</b>		
Franchise sales fee income	\$ 71,916	\$ 198,200
Franchise royalty income	163,530	225,311
Franchise merchandise royalty income	3,170	8,703
Franchise advertising income	18,521	45,081
Other	-	-
Total revenue	<u>257,137</u>	<u>477,295</u>
<b>OPERATING EXPENSES</b>		
Advertising and promotion	26,315	6,966
Bank charges	290	236
Contractors	7,757	-
Curriculum, illustrations	5,922	6,000
Gifts	1,409	1,750
Legal fees	25,450	44,020
Payroll and payroll related	129,642	28,442
Licenses and permits	17,802	20,049
Marketing	2,132	34,727
Meals and entertainment	597	638
Professional fees	41,903	38,307
Referral fees	2,000	-
Supplies and postages	454	1,734
Taxes	15,305	1,071
Travel and meetings	4,744	21,165
Website development	22,640	21,407
Total operating expenses	<u>304,362</u>	<u>226,512</u>
Income from operations	<u>(47,225)</u>	<u>250,783</u>
<b>INCOME BEFORE TAXES</b>		
State franchise tax expense	<u>(3,930)</u>	<u>-</u>
<b>NET INCOME (LOSS)</b>	\$ (51,155)	\$ 250,783
Members' equity, beginning of year	85,177	14,196
Adjustment due to revenue recognition standard	(504,456)	-
Members' distributions	<u>(267,184)</u>	<u>(179,802)</u>
Members' equity, end of the year	<u>\$ (737,618)</u>	<u>\$ 85,177</u>

See Independent Auditor's Report and accompanying Notes to Financial Statements.

**TUTU SCHOOL FRANCHISES, LLC  
(AN ILLINOIS LIMITED LIABILITY COMPANY)**

**STATEMENTS OF MEMBERS' EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	First Member <u>(100 units)</u>	Second Member <u>(100 units)</u>	<u>Total</u>
Balance, January 01, 2020	\$ 42,588	\$ 42,589	\$ 85,177
Contributions	-	-	-
Net income	(25,577)	(25,578)	(51,155)
Adjustment due to revenue recognition standard	(252,228)	(252,228)	(504,456)
Distributions	<u>(133,592)</u>	<u>(133,592)</u>	<u>(267,184)</u>
Balance, December 31, 2020	\$ <u>(368,809)</u>	\$ <u>(368,809)</u>	\$ <u>(737,618)</u>
Balance, January 01, 2019	\$ 7,098	\$ 7,098	\$ 14,196
Contributions	-	-	-
Net income (loss)	125,391	125,392	250,783
Adjustment due to revenue recognition standard	-	-	-
Distributions	<u>(89,901)</u>	<u>(89,901)</u>	<u>(179,802)</u>
Balance, December 31, 2019	\$ <u>42,588</u>	\$ <u>42,589</u>	\$ <u>85,177</u>

See Independent Auditor's Report and accompanying Notes to Financial Statements.

**TUTU SCHOOL FRANCHISES, LLC**  
**(AN ILLINOIS LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ (51,155)	\$ 250,783
Adjustments to reconcile net income to net cash used by operating activities:		
Change in operating assets:		
Accounts receivable	54,207	(49,415)
Change in operating liabilities:		
Accounts payable – Tutu School LLC	-	(27,415)
Accounts payable	(12,906)	(2,481)
Deferred revenue	703,840	-
Accrued expenses	(17,441)	28,442
Net cash provided (used) in operating activities	676,545	199,914
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	5,415	-
Proceeds from loan payable, net	150,000	-
Net cash provided (used) in financing activities	155,415	-
Contributions by members	-	-
Distributions to members	(267,184)	(179,802)
Net cash used by financing activities	(267,184)	(179,802)
Net change in cash and cash equivalents	564,776	20,112
Adjustment due to revenue recognition standard	(504,456)	-
Cash, beginning of year	60,164	40,052
Cash, end of year	\$ 120,484	\$ 60,164
<b>SUPPLEMENTAL DISCLOSURES:</b>		
State franchise tax paid	\$ 3,930	\$ -

See Independent Auditor's Report and accompanying Notes to Financial Statements.

## TUTU SCHOOL FRANCHISES, LLC

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of Activities**

Tutu School Franchises, LLC (the Company) was organized effective August 01, 2011 to engage in any lawful activity for which a limited liability company may be organized under California law. In 2018 the Company moved to Illinois. The Company was set up to create and develop dance schools' franchises. Schools provide ballet-based creative movement instruction for children aged 18 months to 3 years old, as well as day camp programs. The Company owns the overall rights and trademarks of the franchise and allows its franchisees to use these rights to do business.

The Company's fiscal year is from January 1 to December 31.

The term of existence of the Company shall continue until terminated or as provided by law.

There is only one class of membership. The interests of the Company are represented by one class of units. The Company is authorized to sell 200 units.

A member is not entitled to the return of any part of its capital contributions or to be paid interest in respect of either its capital account or its capital contributions. An underpaid capital contribution is not a liability of the Company of any member. A member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any member's capital contribution.

No member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

Net profits and net losses are allocated to members in proportion to their percentage interests. Loss allocations to a member shall be made only to the extent that such loss allocations will not create a deficit capital account.

Per the Company's operating agreement, its operation shall be dissolved on the first to occur of the following events: (a) upon the happening of any event of dissolution specified in the Articles; (b) upon the entry of a decree of judicial dissolution pursuant to Section 17351 of the Corporations Code; (c) upon the vote of members holding a majority interest or of non-defaulting members holding a majority of the percentage interests held by all non-defaulting members; (d) the occurrence of a dissolution event and the failure of the remaining members to consent in accordance with Section 8.1 to continue the business of the Company within ninety (90) days after the occurrence of such event or the failure of the Company or the remaining members to purchase the former member's Interest as provided in Section 8.1; or (e) the sale of all or substantially all of the assets of Company.

## **Note 2. Summary of Significant Accounting Policies**

### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recognized as it is earned, and expenses are recognized as they are incurred whether or not cash is received or paid out.

The Company has no components of other comprehensive income. Accordingly, net income equals comprehensive income for the years ended December 31, 2020 and 2019.

### *Use of Estimates*

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

### *Recent Accounting Pronouncements*

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the existing transaction and industry-specific revenue recognition guidelines. The new guidance requires the recognition of 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. The ASU is effective for fiscal years beginning after December 15, 2018. FASB deferred the effective date to annual reporting periods beginning after December 15, 2019.

Also, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*, to clarify whether revenue should be recognized at a point in time or over time, based on whether the license provides a right to use an entity's intellectual property or a right to access the entity's intellectual property. The ASU is effective for fiscal years beginning after December 15, 2018. FASB deferred the effective date to annual reporting periods beginning after December 15, 2019.

The Company implementing the new accounting systems, business processes, and internal controls related to revenue recognition to assist in the application of the new guidance for the year ended December 31, 2020. The implementation of the new standards resulted in the significant adjustment to retained earnings, deferred revenue that reflected on the statements of financial positions as of December 31, 2020.



## **Note 2. Summary of Significant Accounting Policies (Continued)**

### *Revenue Recognition*

The Company recognizes revenue on the accrual basis of accounting. The Company's primary revenue sources are from enrolling new franchises, collecting royalties, training, and site selection. The Company's secondary source of revenue is collecting fees for transferred ownership and area development deposits.

### Franchise Sales Fee Income

Under the terms of the Franchise Agreement, the franchisee pays an upfront fee of \$25,000-\$42,000, typically at the time of signing the agreement and agrees to remit royalty fees of 5% of revenues, plus 1% of revenues for an advertising and technology fund. In return, the franchisor promises to provide use of the franchisor's brand name and logo, supported by marketing activities, and ongoing access to continually updated operating procedures and a Program Guide for a period of ten years. The new franchise owner also receives initial training which is typically completed soon after the signing of the agreement.

After assessing the guidance in ASC 606-10-25-19, the Company, the franchisor, concludes the use of brand name and logo and ongoing access to the operating procedures and Program Guide are core components of the franchise license. The franchisor further concludes the initial training services and site selection are distinct performance obligations that are one-time in nature and completed upon such date that franchisee's training and site selection is completed.

Therefore, each Franchise Agreement includes distinct performance obligations for the use of its brand name and logo, supported by marketing and other support services, for the life of each ten-year Franchise Agreement, while the obligations of the franchisor terminate for training services and site selection upon the conclusion of the initial training.

As such, the franchisor recognizes as revenue upon the completion of training and site selection \$16,000 or related to training fees and site selection. The balance of all initial fees is recognized ratably over the ten-year term of the Franchise Agreement.

During the years ended December 31, 2020 and 2019, the Company sold eleven and five franchises in the following locations: Apex (North Carolina), Austin (Texas), San Clemente (California), Hendersonville (Tennessee), San Bruno (California), Seattle (Washington), Folsom (California), Rancho Cucamonga (California), various locations in Vancouver (Canada) and Akron (Ohio), Huntington Beach (California), Montgomery (Alabama), New York (New York), and Scottsdale (Arizona).

As of December 31, 2020 and 2019, thirty-three and thirty-one franchised schools were opened for operations: Alameda (California), Arcadia (California), Berkeley (California), Burlingame (California), Carlsbad (California), Cary (North Carolina), Corona Del Mar (California), Danville (California), Elkhart (Indiana), Hercules (California), Holladay (Utah), Huntington Beach (California), Laguna Niguel (California), Montclair (California), Morgan Hill (California), Mountain View (California), Pasadena (California), Pleasanton (California), Raleigh (North Carolina), Redwood City (California), San Dimas (California), Saratoga (California), Scotts Valley (California), Seattle (Washington), Sherman Oaks (California), Sun Prairie (Wisconsin), Union City (California), Walnut Creek (California), West Portal

## Note 2. Summary of Significant Accounting Policies (Continued)

### Revenue Recognition (continued)

(California), Willow Glenn (California), and Wilmington (North Carolina), Brentwood (California), and Akron (Ohio).

Total initial franchise fee revenue of \$71,916 and \$198,200, respectively, was recorded for the years ended December 31, 2020 and 2019.

### Transfer Fee Income

When a location is transferred to a new owner, the new owner assumes the previously purchased franchise and has the right to sign a new Franchise Agreement to begin a new 10-year franchise term. The franchisor's obligations and responsibilities continue the same schedule as previously outlined for that location unless a new Franchise Agreement is signed at the time of the transfer. If a new Franchise Agreement is signed, then the balance of the franchise fee is recognized ratably over the ten years in the new franchise term.

All obligations and responsibilities pertaining to the transfer fee itself (any new training and/or transfer of services) take place immediately at the time of the transfer, so transfer fees are recognized as a revenue immediately.

### Area Development Deal Deposit Fee Income

Area Development Deal deposit fees are paid to hold a territory. At the time of signing a Franchise Agreement, Area Development Deal deposits are applied to the franchise fee, and the franchisor's obligations and responsibilities begin. Area Development Deal deposit fees are non-refundable. Until a Franchise Agreement is signed, or a territory reservation is officially released, Area Development Deal deposit fees are not recognized as revenue. At the time of signing a Franchise Agreement, the fees should be included in the franchise fee for a Tutu School location, and follow the guidelines outlined above for franchise fees. Thus, deposits fees to hold territories for area development are recognize when the franchisee exercises the right to open a franchise in the territory.

Due to the adoption of Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contracts with Customers (Topic 606)*, as amended with retrospective application, the 2020 financial statements have been adjusted to be in accordance with the provisions of Topic 606. The adjustment was applied to all contracts that are not complete as of the date of initial application, resulting in a \$504,456 adjustment to retained earnings.

Due to the prior periods adjustments for the revenue recognized from long-term franchise sales contracts, prior years retained earnings were adjusted as following:

Retained earnings, December 31, 2019, before implementation of new standard	\$	85,177
Adjustment to retained earnings for as a result of a new standard (Topic 606)		(504,456)
Net income for the year ended December 31, 2020		(51,155)
Member distributions for the year ended December 31, 2020		(267,184)
Adjusted retained earnings as of December 31, 2020	\$	<u>(737,618)</u>

## **Note 2. Summary of Significant Accounting Policies (Continued)**

### *Accounts Receivable*

Accounts receivable consist of royalties due from franchisees, franchise renewal transfer fees, and a franchise sale. The Company recognizes royalties from each franchisee based on a percentage of the franchisee's gross sales for each month, which is considered earned when reported by the franchisee. The allowance for doubtful accounts is estimated based upon historical experience, payment history and consideration of economic conditions. There was no allowance for doubtful accounts at December 31, 2020 and 2019.

### *Cash and Cash Equivalents*

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments (if any) which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. At December 31, 2020 and 2019, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

### *Income Taxes*

The Company had elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and the related provisions of the Revenue and Taxation code of the State of Illinois. Under the provisions, the Company does not pay federal income taxes on its taxable income. However, the Company does pay an Illinois Replacement Tax at a reduced rate of 1.5% on the taxable income it earns. The owners are liable for individual Federal and Illinois taxes on their share of the Company's taxable income. The amount of \$3,930 and \$0 Illinois tax is included in the accompanying statements as of December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the Company has not incurred any interest or penalties related to tax filing.

### *Related Party Transactions*

Tutu School Franchises, LLC and Tutu School, LLC are owned by the same members. Tutu School, LLC sometimes pays expenses on behalf of the Company that becomes liability payable to Tutu School, LLC.

## **Note 3. Concentration of Credit Risk**

FASB ASC 825 requires disclosure of significant concentrations of credit risk arising from all financial instruments. Concentrations of credit risk financial instruments which potentially subject the Company to concentration of credit risk consist principally of cash balances. At times, a portion of these cash balances may not be insured by Federal Deposit Insurance Corporation. The potential concentration of credit risk pertaining to cash balances will vary throughout the year depending upon the level of cash deposits versus amounts insured. The Company is maintaining all deposits in one high quality financial institution. The Company did not have uninsured cash balances as of December 31, 2020 and 2019, respectively.

#### Note 4. Advertising Costs

Advertising and sales promotion costs, which are included in operating expenses are expensed as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were \$26,315 and \$41,693, respectively.

#### Note 5. Revenue from Long-Term Contracts

The following table provides information about the significant changes in franchise sales contract liabilities for the years ended December 31, 2020:

Deferred revenue, beginning of year, after implementing Topic 606	\$	504,456
Revenue recognized that was included in deferred at the beginning of the year		48,441
Additions in deferred revenue received during the current year		150,943
Adjusted deferred revenue, end of year	\$	<u>703,840</u>

#### Note 6. Long-Term Debt

##### *Paycheck Protection Program Note*

The Paycheck Protection Program (PPP) derives from the Flexibility Act (the Flexibility Act), which was signed into law on June 5, 2020 and extended the deferral payment period from six months after the loan disbursement date until the date on which the loan can be forgiven. A borrower could apply for the loan forgiveness if a borrower meets the criteria under which the loan can be forgiven. Once the loan is forgiven, a borrower recognizes the loan as revenue.

On May 6, 2020, the Company obtained the loan under PPP, which is designed to provide a direct incentive for small businesses to keep their workers on payroll during COVID-19 pandemic. The loan was provided by WebBank for \$5,415. The note carries a 1% interest rate and matures May 6, 2022.

Future minimum payments for the years are as follows:

For the years ended December 31,

2021	3,352
2022	<u>2,063</u>
Total	<u>\$ 5,415</u>

The Company's management believes that the PPP note will be forgiven in full.

## Note 6. Long-Term Debt (Continued)

### *Economic Injury Disaster Loan*

On August 1, 2020, The Organization obtained a loan advance under the Economic Injury Disaster Loan (EIDL), in the amount of \$150,000. The loan was designed to provide economic relief to relief for organizations experiencing temporary loss of revenue during COVID-19 pandemic.

The loan was provided by the U.S. Small Business Administration for \$150,000. The note carries a 3.75% interest rate and matures May 6, 2022. The Company will began paying principal and interest starting August 1, 2021, and mature August 1, 2050.

Future minimum payments for the years are as follows:

For the years ended December 31,

2021	\$	2,924
2022		8,772
2023		8,772
2024		8,772
2025		8,772
Thereafter		<u>111,988</u>
Total	\$	<u>150,000</u>

## Note 7. Foreign Operations

The Company sold three and zero locations in Vancouver, British Columbia, Canada as of December 31, 2020 and 2019, respectively. As of December 31, 2020, none of the locations are operational.

## Note 8. Subsequent Event

In accordance with ASC 855, Subsequent Events topic, the Company evaluated subsequent events for recognition and disclosure through June 8, 2021, the date these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2020 and 2019 that required recognition or disclosure in such financial statements.

In the United States of America, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020. While the extent and duration of the economic fallout from the COVID-19 pandemic remains unclear, the Company's future performance might be affected by the pandemic. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**IRYNA ACCOUNTANCY CORPORATION**

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

**FRANCHISE AGREEMENT**

**TUTU SCHOOL  
FRANCHISE AGREEMENT**



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# TUTU SCHOOL

## FRANCHISE AGREEMENT

This Franchise Agreement (“this Agreement”) is made by and between Tutu School Franchises, LLC, an Illinois limited liability company with principal offices at 4212 N. Damen Avenue, Chicago, IL 60618 (“FRANCHISOR”), and \_\_\_\_\_ a \_\_\_\_\_ with a principal address of \_\_\_\_\_ (“FRANCHISEE”).

FRANCHISOR offers franchises for the establishment and operation of ballet, dance and movement schools for children under the Marks and System as defined below (“School”);

FRANCHISEE wishes to acquire a franchise for the operation of a School or Schools that will utilize the Marks and the System subject to the terms and conditions of this Agreement;

FRANCHISOR desires to grant FRANCHISEE a franchise and license to use the System and the Marks for the establishment and operation of a School or Schools subject to the terms and conditions of this Agreement.

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

### **1. DEFINITIONS**

#### **1.1 Defined Terms.**

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

“Agreement” means this Agreement and all exhibits hereto.

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

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

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

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

“Confidential Information” is certain information owned by FRANCHISOR or the Master Franchisor as defined in Section 10.1 below.

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

“Effective Date” means the date on which the FRANCHISOR signs this Agreement.

“Enrollment Quota” means the minimum number of students FRANCHISEE must enroll in the first year of operation of the Franchised School as set forth in Section 6.11(c).

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

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

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

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

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

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

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

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

“Master Franchisor” means Tutu School International Limited, a British Virgin Islands limited liability company and owner of the Marks.

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

“Network Advertising Fees” means the fees payable to FRANCHISOR under Section 9.1 of this Agreement for national advertising and technology provided by FRANCHISOR.

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

“Operating Year” means one of the twelve (12) month periods beginning on the date the School opens for business and ending on each anniversary of that date during this Agreement.

“Operations Manual” means the manual or manuals provided by FRANCHISOR to FRANCHISEE in such paper or electronic format or formats as FRANCHISOR determines in its sole discretion and containing information, standards, specifications, requirements, policies,

guidelines and instructions about some or all of the following subjects, among others, as determined and modified by FRANCHISOR from time to time: operations and procedures; use of the Marks; Approved Services and Approved Suppliers; Equipment; programs and techniques; appearance and maintenance of the Premises; sales goals and business plans; financial and operational reports; accounting and bookkeeping; customer service standards; business forms and formats; marketing, advertising and promotions and other matters relating to the establishment, operation and marketing of Tutu School Schools.

“Premises” means any location within the Territory approved by FRANCHISOR from which the Franchised School will be operated.

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

“Royalties” means the royalties payable by FRANCHISEE to FRANCHISOR in accordance with Section 8.2 of this Agreement.

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

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

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

“Tutu School” when used as a modifier refers to something or someone identified by or associated with the Marks, the System or the network of franchisees and Company Schools operating under the Marks.

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

## **2. GRANT OF FRANCHISE**

### **2.1 Grant, Scope of Grant and Distribution Rights.**

Subject to the terms and conditions of this Agreement, FRANCHISOR grants to FRANCHISEE a limited, personal, franchise to use the Marks and System to operate the Franchised School during the term of this Agreement only at and from a School located in the Territory and approved by FRANCHISOR, which must be operated according to this Agreement and the Operations Manual. The franchise granted hereunder is for the operation of one School unless otherwise set forth in Exhibit B attached hereto. If rights to open more than one School

are granted, then all provisions that apply to the “School” and all references to the “School” under this Agreement shall apply to each School operated hereunder unless otherwise specified. The scope of this franchise is limited to the offer and sale of Approved Services to consumers from the School in accordance with the FRANCHISOR’s standards. FRANCHISEE is not authorized to provide any services off-site without prior written approval of FRANCHISOR or to sell any products through catalog, mail order or Internet sales. FRANCHISEE has no authority to and may not license, or sublicense any part of the System, the Marks or the Tutu School Methods to anyone and may not sublicense, subfranchise or subdivide the franchise granted hereunder in any manner unless such rights are expressly granted to FRANCHISEE by further written agreement with FRANCHISOR.

## **2.2 Rights in the Territory; Change in Territory**

(a) During the term of this Agreement, within the Territory FRANCHISOR will not establish, place or locate or authorize anyone else to establish, place or locate a School or any other permanent location that is identified by the Marks and used for the sale of Approved Services.

(b) The Territory is calculated based on the known density of the population in the geographic area in which the School will be located and its boundaries are determined by FRANCHISOR, to include at least thirty thousand (30,000) people.

## **2.3 Reservation of Rights by FRANCHISOR.**

Other than as provided in Section 2.2 above, no other form of exclusivity in the Territory is granted and none shall exist or be implied from this Agreement or from any other conduct or course of dealing. Other than the conduct expressly prohibited under Section 2.2 above, FRANCHISOR and its affiliates shall have all rights to own, operate or franchise Schools or other Competitive Businesses and to market and sell products or services by any methods, through any channels of distribution, to any customers at or from any locations. Without limiting the foregoing, FRANCHISOR may, or may grant others the rights, at any location: (i) to own and operate or franchise any Schools or other Competitive Businesses at any locations outside of the Territory regardless of proximity to the Territory; (ii) to own and operate businesses that are not Competitive Businesses; and (iii) to participate in dance exhibitions and competitions, events targeted at children and parents, franchise trade shows, and other marketing events to promote or increase awareness of the Tutu School System and Network.

## **3. THE MARKS**

### **3.1 Grant and Use of the Marks.**

FRANCHISOR hereby grants to FRANCHISEE a limited, nonexclusive, personal license to use the Marks in connection with the Franchised School during the term of this Agreement and subject to the terms and conditions of this Agreement and all quality control standards and requirements of FRANCHISOR. FRANCHISEE shall use the Marks and no other names or marks to establish, identify, promote, advertise and market the Franchised School and the School. FRANCHISEE may not use or authorize, aid or abet anyone to use the Marks for any other purpose or in connection with any other business or activity. If FRANCHISEE or an affiliate or owner of FRANCHISEE is involved in or affiliated with any business other than the Franchised



School, FRANCHISEE must ensure that the Marks are not used, represented or understood as a name or mark for such other businesses or any products or services they provide. FRANCHISEE shall use the Marks in strict accordance with the standards and specifications as issued by FRANCHISOR from time to time. FRANCHISEE may not add to or modify the Marks in any manner or use the Marks in connection with any other marks unless expressly authorized by FRANCHISOR in writing. The Marks shall not be used in any other manner or for any other purpose except as may be expressly permitted by FRANCHISOR in writing.

### **3.2 Personal License.**

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

### **3.3 Ownership.**

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

(b) Upon expiration, termination or nonrenewal of this Agreement for any reason, the license to use the Marks will automatically terminate and FRANCHISEE, at FRANCHISEE's own expense, shall immediately cease all use of the Marks and will provide FRANCHISOR with evidence that it has done so. After termination, FRANCHISEE will not adopt or use any name or mark that is confusingly similar to any of the Marks.

(c) All goodwill associated with, or arising out of, FRANCHISEE's use of the Marks shall inure to the benefit of FRANCHISOR.

### **3.4 Infringement.**

FRANCHISEE shall promptly notify FRANCHISOR if FRANCHISEE learns: (i) of any potential infringement of any of the Marks by a third party; (ii) that the use of any of the Marks may infringe the proprietary rights of a third party, or (iii) of any claim by a third party that FRANCHISEE's or FRANCHISOR's use of any of the Marks constitutes unfair competition or

infringement. FRANCHISOR shall defend and indemnify FRANCHISEE in case of a suit for infringement or unfair competition by a third party because of FRANCHISEE's use of the Marks provided such use by FRANCHISEE complied with this Agreement and any standards for use of the Marks issued by FRANCHISOR. If FRANCHISOR undertakes a defense of FRANCHISEE in any such lawsuit, FRANCHISOR shall have the sole and exclusive authority and right to control the defense of any such proceeding and of all decisions regarding settlement of any claims and appeal from any adverse judgment in any such proceeding. FRANCHISOR will have the exclusive right to decide what actions are appropriate to take in response to any infringement of the Marks by a third party and to bring and prosecute any actions for infringement.

### **3.5 Modification of the Marks.**

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

## **4. TRAINING AND ASSISTANCE**

### **4.1 Initial Training.**

(a) Before the School opens for business, FRANCHISOR will provide initial training including instruction about the System and the Tutu School Methods to FRANCHISEE or to the Operating Principal if FRANCHISEE is not a natural person, and up to two (2) other people at no additional charge. FRANCHISEE or the Operating Principal must successfully complete this training to the FRANCHISOR's satisfaction before opening the School. If FRANCHISEE has more than one School, this initial training shall be provided and must be completed in connection with the first School, and FRANCHISOR may elect not to provide or require attendance at any further initial training program or may provide or require only a refresher training program in lieu of the complete initial training in its sole discretion for any subsequent Schools. Initial training will be provided at FRANCHISOR's School in San Francisco, California, unless another School is designated by FRANCHISOR and agreed upon by FRANCHISEE. In most cases, training will last for approximately one week, but FRANCHISOR may vary the particulars of the initial training program as appropriate under the circumstances, including the previous experience of the FRANCHISEE or the Operating Principal.

(b) All Operating Principals of the Franchised School during the term of this Agreement must attend and successfully complete FRANCHISOR's initial training. If FRANCHISEE will employ any employees at the Franchised Business and they do not attend the Initial Training, FRANCHISEE must train all employees of the Franchised School to the extent necessary for them to perform their job functions or pay for Additional Training.

(c) FRANCHISEE will be solely responsible for all of its costs and expenses associated with the attendance at initial training, including travel and lodging, meals and

compensation for any of FRANCHISEE's representatives or employees attending initial training. In the event that FRANCHISOR and FRANCHISEE agree that training will take place outside more than fifty (50) miles outside of San Francisco, California, FRANCHISEE will also reimburse FRANCHISOR for its reasonable out-of-pocket expenses incurred to provide initial training, including travel, lodging and meals for any trips to FRANCHISEE's School or any other School where training is provided.

#### **4.2 Additional Training.**

(a) FRANCHISOR will provide Initial Training for additional attendees or for later-hired employees on an as-needed basis for a fee of Two Hundred Dollar (\$200.00) per attendee per day. FRANCHISEE is responsible for all expenses described in section 4.1(c) in connection with this duplicate Initial Training.

(b) FRANCHISOR may, but is not obligated to, provide training in addition to the Initial Training provided under Section 4.1 above. Additional training or training materials may be delivered in the format or media of FRANCHISOR's choosing, including but not limited to course books or training exercises on paper, video, CD-ROM or other electronic format, cloud-based internet, via web cast, an intranet, or any other method reasonably accessible to FRANCHISEE using some or all of the Equipment FRANCHISEE is required to obtain for the Franchised Business. If FRANCHISOR designates any additional training or training materials as mandatory, FRANCHISEE (or its owner) and/or the manager and/or FRANCHISEE's other staff as designated by FRANCHISOR must attend and satisfactorily complete such training or materials. Without limiting the foregoing, in the event that FRANCHISOR determines, in its sole discretion, that FRANCHISEE could benefit from additional training, FRANCHISOR may require FRANCHISEE to attend a refresher course approximately six (6) months after the School opens for business, which may be held at FRANCHISEE's School, or another location designated by FRANCHISOR. FRANCHISEE will be solely responsible for all of its costs associated with attending any additional training. FRANCHISOR reserves the right to charge FRANCHISEE reasonable fees for additional training or training materials, and to receive reimbursement for its reasonable out-of-pocket expenses incurred in providing additional training.

#### **4.3 Requirements for Attendees.**

All persons FRANCHISEE sends to training provided by FRANCHISOR must sign FRANCHISOR's form of Confidentiality Agreement as provided in Article 10 below before commencing the training. FRANCHISOR reserves the right to establish other criteria for admitting attendees to any training provided by FRANCHISOR.

#### **4.4 Other Assistance and Advice.**

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

respond by telephone, electronic mail or other writings to reasonable requests from FRANCHISEE for technical or operational advice regarding the Franchised School. After the first School owned by FRANCHISEE has been operating for six (6) months, FRANCHISOR may impose a reasonable hourly fee for any consultation and advice requested by FRANCHISEE that exceeds four (4) hours in any month.

(b) If FRANCHISEE requests advice from FRANCHISOR regarding low enrollment in the first year of operation of the Franchised School pursuant to Section 6.11(c), FRANCHISOR will request information from FRANCHISEE necessary to assess the situation. Upon receipt of such information, FRANCHISOR will provide advice and recommendations based on FRANCHISOR's experience and knowledge about what steps FRANCHISEE could implement to boost enrollment. Such advice will be offered at no charge to FRANCHISEE, unless FRANCHISEE requests that FRANCHISOR make an on-site visit to discuss the situation, in which case FRANCHISEE shall pay a reasonable consulting fee and any travel, lodging and living expenses incurred by FRANCHISOR in sending its representative(s) to the Franchised School.

#### **4.5 Operations Manual.**

By the completion of initial operational training, FRANCHISOR will provide access to the Operations Manual to FRANCHISEE, at no additional charge. The Operations Manual may be provided in hard copy, electronically in any format FRANCHISEE has the ability to access, or via a password-protected web page or platform. FRANCHISOR may update, change or supplement the Operations Manual from time to time in its discretion, and such modifications may be in the form of newsletters, correspondence, addenda, or online updates to a web-based Operations Manual. FRANCHISOR will deliver either copies or notice of all such modifications to FRANCHISEE, and such modifications will be deemed effective on receipt of either the copy or the notice unless otherwise specified by FRANCHISOR. The contents of the Operations Manual are, unless otherwise indicated in writing, Confidential Information of FRANCHISOR and shall be treated as such in accordance with Article 10 of this Agreement.

#### **4.6 Modifications.**

If FRANCHISOR adopts modifications to the System, including but not limited to modifications of the Tutu School Methods, trade dress, signs, required products or services, Approved Services, Approved Suppliers, Equipment or any other matters relating to the operation of the Franchised School, FRANCHISEE will comply with all such modifications at its own expense as soon as possible, provided that the expense of compliance and the frequency of the required modifications shall be reasonable and shall comply with the monetary limits described in Section 5.8.

#### **4.7 Website or Intranet**

FRANCHISOR may provide a Website or Intranet for the Network that may be used as a means of electronic mail and other communications among Schools and with FRANCHISOR for other purposes as determined by FRANCHISOR. If provided, FRANCHISEE must use any such Website or Intranet in the manner required by FRANCHISOR and abide by any applicable terms of use for the Website. Any such Website or Intranet will be provided "AS IS". FRANCHISOR makes no representation or warranty that use will be error

free or uninterrupted. FRANCHISOR will not be liable for any delays or failures in functionality or any security breaches regarding use of its Website or Intranet.

#### **4.8 Music License**

FRANCHISOR shall maintain a limited license allowing FRANCHISEE to play specified music in connection with instruction at its Franchised Business. FRANCHISEE agrees to play only the music specified by FRANCHISOR and understands that if the terms of FRANCHISOR's license change, FRANCHISEE may be required to modify its music following written notice from FRANCHISOR.

### **5. THE PREMISES AND PRE-OPENING REQUIREMENTS**

#### **5.1 Background Checks; Staff Restrictions.**

(a) Because the Franchised School caters to children, it is critical to the brand image of Tutu School that FRANCHISEE and all of its staff have no history of criminal conduct or behavior that could pose a danger to the children enrolled in classes at the Franchised School or could reasonably create a public relations problem for the brand. As part of its franchise application, FRANCHISEE or its owners, if FRANCHISEE is not a natural person, have represented that they have a clean criminal background. Prior to execution of a Lease, FRANCHISEE must submit to a criminal and personal background check to be conducted by FRANCHISOR at FRANCHISOR's expense. In the event that FRANCHISOR discovers that FRANCHISEE materially misrepresented or omitted pertinent information from the franchise application, FRANCHISOR may immediately terminate this Agreement and shall not be required to refund any portion of the Initial Fee.

(b) FRANCHISEE agrees to conduct criminal background checks through an Approved Supplier on all employees or independent contractors who will work at the Franchised School at FRANCHISEE's expense. If FRANCHISEE will have any employees or independent contractors working at the Franchised School as of the Opening Date, these background checks must be completed prior to opening the Franchised School. FRANCHISEE shall not hire any person who does not successfully pass the criminal background check to perform any task at the Franchised School.

#### **5.2 Selection of Suitable Premises.**

(a) FRANCHISOR will provide general guidance concerning site selection and will provide FRANCHISEE with any standards and requirements for the Premises of a Tutu School. FRANCHISEE must select and lease Premises for each School consistent with the standards and requirements provided by FRANCHISOR. Without limiting the foregoing, the Premises must be located in an area zoned for commercial use and adequate parking or be well served by mass transit. Typical locations include strip malls and storefronts in commercial areas heavily trafficked by parents with young children. FRANCHISEE is solely responsible for identifying and securing suitable Premises for the School. FRANCHISEE shall obtain FRANCHISOR's prior written approval of any Premises before leasing the Premises. FRANCHISEE will submit to FRANCHISOR photographs, floor plan, demographic information and other information about the Premises and its surrounding area as reasonably requested. FRANCHISOR shall have the right but not the obligation to inspect any proposed location.

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

### **5.3 Use of Premises.**

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

### **5.4 Leasing the Premises.**

FRANCHISEE is solely responsible for negotiating the lease for any Premises and must provide FRANCHISOR with a copy of the proposed lease and FRANCHISOR's consent to the material lease terms before entering into the lease, which consent will be deemed granted if no objection is received within ten (10) business days of receipt by FRANCHISOR. FRANCHISEE will provide FRANCHISOR with a copy of the signed lease and any and all addenda or modifications thereto so that FRANCHISOR has at all times during the term of this Agreement a copy of the current lease in effect for the Premises. As a condition of FRANCHISOR's consent to the lease terms or to any modification of the lease, FRANCHISOR may require the inclusion of certain provisions in the lease or in ancillary agreements for the protection of FRANCHISOR's interests, including but not limited to:

(a) A provision approving FRANCHISOR as an assignee of the lease and providing the right, but not the obligation to FRANCHISOR to elect to assume the leasehold interest upon termination or expiration of this Agreement or upon termination of the lease on account of any default by FRANCHISEE;

(b) A provision that requires the landlord concurrently to provide FRANCHISOR with a copy of any written notice of deficiency and/or default under the lease sent to FRANCHISEE and that grants to FRANCHISOR, in its sole discretion, the right (but not obligation) to cure any deficiency or default under the lease;

(c) A provision whereby the landlord approves FRANCHISOR's required signage for the Premises and that provides FRANCHISEE the right to display the Marks in accordance with the specifications required by the Operations Manual, subject only to the provisions of applicable law;

(d) A provision that the Premises may be used only for the operation of a Tutu School;

(e) A provision whereby FRANCHISEE agrees that landlord and FRANCHISOR may freely communicate about matters relevant to the lease and the operation of the Franchised School; and

(f) A provision whereby FRANCHISEE and landlord agree not to materially modify the lease or to delete or amend any of the foregoing provisions required by FRANCHISOR without the consent of FRANCHISOR.

### **5.5 No Assurances by FRANCHISOR.**

FRANCHISEE is responsible for locating and securing the Premises and for the suitability of the Premises for the Franchised School notwithstanding any guidance or assistance FRANCHISOR may provide to FRANCHISEE concerning selection of the Premises and the terms of the lease. FRANCHISOR shall have no liability to FRANCHISEE concerning the suitability of the location, the Premises or the lease. FRANCHISOR does not warrant in any way that the location, the Premises or lease terms will be adequate for FRANCHISEE's needs or purposes. FRANCHISOR's reviews, approvals, and assistance are based on its general criteria and are not a guaranty that FRANCHISEE will succeed in the location selected or under the terms of the lease approved by FRANCHISOR.

#### **5.6 Development of Premises and Pre-Opening Requirements.**

FRANCHISEE shall have full and sole responsibility for:

- (a) Customizing plans and drawings needed for the development of the Premises as a Tutu School meeting FRANCHISOR's standards and requirements;
- (b) Obtaining any required zoning changes, all required building, utility and sign permits and licenses and any other required permits and licenses;
- (c) Purchasing or leasing and installing at the Premises approved Equipment required for the School in compliance with this Agreement and any specifications and standards set forth in the Operations Manual or other writings from FRANCHISOR;
- (d) Completing any construction or leasehold improvements needed, including, but not limited to, remodeling, installation of fixtures, furniture and signs, and decorating of the Premises in full and strict compliance with FRANCHISOR's standards and requirements and following all applicable ordinances, building codes and permit requirements, including but not limited to any requirements of the Americans with Disabilities Act;
- (e) Hiring any staff for the operation of the School, if FRANCHISEE will not actively manage the School;
- (f) Completing to FRANCHISOR's satisfaction all training required by Section 4.1 of this Agreement;
- (g) Completing development of and having the School ready to open and commence business in accordance with Section 6.1 of this Agreement; and
- (h) Planning and conducting appropriate pre-opening and "market introduction" marketing, promotion and advertising for the School in accordance with good business practices.

#### **5.7 Trade Dress and Furnishings.**

FRANCHISOR shall provide FRANCHISEE with a decor package showing approved Tutu School decor and layout. Without limiting any other provisions of this Agreement, FRANCHISEE shall design and decorate the Premises in accordance with all of FRANCHISOR's design criteria and image specifications, including but not limited to those concerning, signs,

décor, artwork, color schemes, furnishings and fixtures, and shall from time to time redecorate, refurbish and otherwise update the Premises as reasonably required by FRANCHISOR to comport with modifications in FRANCHISOR's trade dress and image.

### **5.8 Maintenance and Repair of Premises.**

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

(b) FRANCHISOR may require FRANCHISEE to upgrade, change or refresh décor, provided that the expense does not exceed an aggregate of Two Thousand Five Hundred Dollars (\$2,500.00) per year that FRANCHISEE has operated a Tutu School.

## **6. OPERATION OF THE FRANCHISED SCHOOL**

### **6.1 Commencement of Business.**

(a) FRANCHISEE will commence operation at the School promptly after completion of initial training and all other pre-opening requirements and in no event later than twelve (12) months after the Effective Date. If more than one School is authorized by FRANCHISOR, the number of Schools authorized and the "open by" dates for each School will be as stated in Exhibit B to this Agreement.

(b) Once open for business, the School must remain in operation. FRANCHISEE may not under any circumstances close any School without the prior written approval of FRANCHISOR. Any relocation of a School must be within the Territory, must be pursuant to prior written approval from FRANCHISOR, and must comply with all of the provisions of Section 5 above concerning the Premises and pre-opening requirements.

### **6.2 Minimum Period of Operation.**

FRANCHISOR does not prescribe exact hours of operation. However, FRANCHISEE must actively operate the Franchised School and must offer at least sixteen (16) hours of class per week, unless consent to operate for a lesser period is granted by FRANCHISOR in writing.

### **6.3 Required Equipment, Information Technology, Website**

FRANCHISEE shall at its sole expense provide all necessary Equipment for operation of the Franchised School and shall use in the Franchised School such Equipment meeting any specifications as FRANCHISOR may have issued. FRANCHISOR may modify Equipment and related requirements from time to time and FRANCHISEE will comply with all such changes, modifications and updates by replacing, modifying or updating the Equipment, provided that the requirements imposed are reasonable in terms of cost, frequency of the changes and the time imposed for full implementation of the changes. Without limiting the foregoing, FRANCHISOR



reserves the right to develop and modify standards or requirements for a computer system, computer programs and/or point of sale system to be used in the Franchised School, which may include designated or approved hardware and software components, provided that the cost of acquiring the designated system, program or components shall be reasonable. If any proprietary system or program is adopted, FRANCHISOR may require FRANCHISEE to sign a license agreement to govern the use of the system or program. FRANCHISEE must utilize electronic mail and other features available through FRANCHISOR website and/or Intranet maintain and use Equipment and Internet access sufficient to utilize the website and/or Intranet as prescribed by FRANCHISOR. FRANCHISEE shall abide by any terms of use that apply to FRANCHISOR's website or any Intranet FRANCHISOR may develop. FRANCHISOR can require use of Internet service meeting certain standards or a designated Internet service provider. FRANCHISOR may modify its website or other on-line services, or adopt new ones and require FRANCHISEE to use them and modify its Equipment and service providers as needed.

#### **6.4 Approved Services; Suppliers.**

(a) FRANCHISEE may offer and sell only Approved Services through the Franchised School. FRANCHISOR may modify what constitutes Approved Services in its discretion, provided the modification does not fundamentally change the nature of the Franchised School.

(b) FRANCHISOR may designate or approve specific suppliers (including FRANCHISOR or an affiliate) to provide products, Equipment, goods or services to all or part of the Network. FRANCHISEE will use only FRANCHISOR's designated or approved suppliers as applicable to specific products, Equipment, goods, or services. Approved or designated suppliers may vary by geographic region or market area. For the Approved Services, FRANCHISEE may only purchase the Approved Services from the Approved Suppliers on the list provided to FRANCHISEE by FRANCHISOR. FRANCHISOR may change the Approved Supplier list from time to time and will provide FRANCHISEE with updated lists as they are changed.

#### **6.5 Compliance with Operations Manuals and Standards.**

FRANCHISEE shall conduct the Franchised School in strict compliance with all quality and service standards and specifications, and other requirements, standards, procedures, specifications and policies established by FRANCHISOR. Without limiting the foregoing, FRANCHISEE will at all times comply with the latest version of the Operations Manual, which may be modified from time to time by FRANCHISOR in its sole discretion, provided that the cost of complying with any modifications shall be reasonable.

#### **6.6 Compliance with Laws and Good Business Practices.**

FRANCHISEE will comply with all federal, state and local laws, regulations and ordinances applicable to the Franchised School and its operations, including but not limited to local or state licensing requirements, public health, child safety requirements, workplace and occupational safety requirements, employment regulations, intellectual property laws, the Americans With Disabilities Act and other laws concerning access to the Premises and all permit requirements. While FRANCHISOR may provide information about such laws, regulations and ordinances, FRANCHISEE is solely responsible for identifying and complying with those laws,

regulations and ordinances applicable to the Franchised School. FRANCHISEE is solely responsible for and shall promptly pay all taxes, license fees, assessments, rent, trade obligations and all other debts and obligations of the Franchised School. FRANCHISEE shall conduct the Franchised School in an ethical, competent, courteous and professional manner. FRANCHISEE shall not take or omit to take any action or permit any action by any person under its control that may damage, tarnish or detract from the goodwill and reputation associated with the Marks, the Network or FRANCHISOR.

#### **6.7 Ongoing Background Checks; Staff Restrictions.**

Throughout the term of this Agreement, FRANCHISEE will perform background checks through an Approved Supplier on any new employees or independent contractors who will work at the Franchised School prior to their employment, and will not hire an individual without completing the required background check or if the results of a background check on such person do not meet FRANCHISOR's standards. In addition, FRANCHISEE is aware and agrees that any misconduct by an employee or independent contractor of the Franchised School involving harm to minors or any criminal charge of sexual misconduct against any person, regardless of whether it occurs in connection with the Franchised School or not, constitutes improper behavior which is likely to harm the Tutu School Marks and requires the FRANCHISEE's immediate intervention, upon discovery, to prevent such a person from interacting with any of the children attending classes in the future. FRANCHISEE will at all times consider the safety and security of the public, as well as the goodwill in the Marks, in making hiring decisions relating to the Franchised School.

#### **6.8 Customer Service.**

FRANCHISEE will comply with FRANCHISOR's standards for customer service. Without limiting the foregoing, during the period of operation required under Section 6.2 above, FRANCHISEE will check telephone and email messages each business day and respond to all messages from customers, referral sources and potential customers within twenty four (24) hours of receipt or by the next business day. FRANCHISEE will respond promptly, courteously and substantively to customer inquiries and any complaints regarding the Franchised School or the customer's experience with the Franchised School and will otherwise conduct the Franchised School so as to promote good customer and business relations. FRANCHISOR may establish standards for customer satisfaction and/or refund policies and FRANCHISEE shall abide by all such standards and policies. FRANCHISEE shall abide by FRANCHISOR's policies, prohibitions or programs concerning gift cards or certificates, coupons and promotions and will participate in any gift card or certificate programs that FRANCHISOR may establish.

#### **6.9 Communication with FRANCHISOR.**

FRANCHISEE shall return all FRANCHISOR telephone calls and respond to all other communications from FRANCHISOR to which a response is requested within a reasonable length of time. FRANCHISEE shall inform FRANCHISOR of any material problems it encounters with the use any part of the Tutu School System, the Tutu School Methods, any of the Approved Services or Approved Suppliers.

#### **6.10 Advertising.**

(a) FRANCHISEE may only use advertising, marketing and promotional materials (including communications in print, broadcast, on the Internet and in other media or form) that are either supplied by FRANCHISOR or that meet the standards and specifications contained in the Operations Manual or other writings from FRANCHISOR. FRANCHISEE will submit all advertising, marketing and promotional materials not provided by FRANCHISOR to FRANCHISOR for approval before use. FRANCHISOR maintains the absolute right to determine in its sole discretion whether any advertising, marketing or promotional materials used by or proposed for use by FRANCHISEE are permissible. FRANCHISEE, on notice from FRANCHISOR, will refrain from using or discontinue use of any such materials that FRANCHISOR deems inappropriate for any reason.

(b) FRANCHISOR reserves to itself the exclusive right to establish and maintain a Website site on the Internet identified by or using the Marks or any derivative thereof in a domain name or otherwise. FRANCHISOR's website will include a page showing approved information provided by FRANCHISEE about its Franchised School. FRANCHISEE may use a customized URL to link to that site, such as "tutuschool<city>.com" but FRANCHISOR shall own all such customized URLs and shall be entitled to pay for annual registration fees out of FRANCHISEE's Local Advertising Fund contributions. FRANCHISEE agrees that it shall not register or otherwise obtain a domain name including the Marks in its own name.

(c) FRANCHISEE understands and acknowledges that in order to maintain a consistent advertising message and uniform communications, FRANCHISOR may limit FRANCHISEE's Internet advertising, including use of social media. FRANCHISEE is not entitled to create its own social media accounts using the Marks without FRANCHISOR's prior written permission, and may be required to delete or close an account previously approved by FRANCHISOR in the event that FRANCHISOR, in its sole discretion, withdraws its permission.

#### **6.11 Best Efforts, Management and Staffing; Enrollment Quota.**

(a) FRANCHISEE must be personally involved in the Franchised Business and spend a minimum of four (4) hours per week on the premises, together with personally overseeing and reviewing management, hiring, and operational decisions. If FRANCHISEE is not a natural person, this requirement shall apply to at least one of FRANCHISEE's shareholders or members, who shall be identified to FRANCHISOR and who must attend and pass training prior to the opening of the Franchised Business.

(b) During the term of this Agreement, FRANCHISEE shall use best efforts to fully develop the market within the Territory for the Approved Services, and to promote the Franchised School and maximize Gross Revenue. If FRANCHISEE or the Operating Principal does not personally manage the School full time, FRANCHISEE must hire and train qualified persons to manage the School in FRANCHISEE's or the Operating Principal's absence. FRANCHISEE shall hire, train and maintain staff for the Franchised School as needed to ensure its operation is consistent with all quality and customer service standards and the requirements of the Operations Manual.

(c) FRANCHISEE must enroll a minimum of fifty (50) students by the end of the first twelve (12) months of operation of the Franchised School (the "Enrollment Quota"). If on or after the completion of the sixth (6<sup>th</sup>) month of operation of the Franchised School,

FRANCHISEE reasonably believes that the Franchised School will not achieve this minimum enrollment, FRANCHISEE may, but is not required to, request advice from FRANCHISOR pursuant to Section 4.4(b) of this Agreement. FRANCHISEE shall have discretion regarding whether to implement any or all of FRANCHISOR's recommendations.

## **6.12 Image.**

FRANCHISOR has established and wishes to foster a certain image and ambience for all Schools and the Network. FRANCHISEE acknowledges that image and ambience are critical to building and maintaining the goodwill and reputation associated with the Marks and the Network. Accordingly, FRANCHISEE will strictly comply with all standards, specifications or prohibitions issued by FRANCHISOR concerning image and ambience, including, but not limited to, trade dress and the maintenance of a fresh, updated and inviting School appearance at all times.

## **7. SUPPLIER ARRANGEMENTS**

FRANCHISOR or an affiliate may but shall not be obligated to make purchasing arrangements with suppliers to provide Approved Services, Equipment or other goods or services to FRANCHISEE or the Network. FRANCHISEE will look solely to the supplier for performance. In no event will FRANCHISOR or any affiliate be responsible or liable for the performance, decisions, acts or omissions of any Approved Supplier or other supplier. FRANCHISOR shall have no liability to FRANCHISEE for the discontinuation of any supplier's business, any product line or any changes in purchasing arrangements with any supplier. FRANCHISEE understands and agrees that any supplier and FRANCHISOR may communicate freely with each other concerning purchases made by FRANCHISEE and other matters relevant to the Franchised School or the Network.

## **8. FEES AND REPORTS**

### **8.1 Franchise Fee.**

FRANCHISEE shall pay FRANCHISOR an initial franchise fee per School granted under this Agreement in the amount of Forty-Two Thousand Dollars (\$42,000.00), due in full on signing of this Agreement. Initial franchise fees are refundable only in FRANCHISOR's discretion, if FRANCHISEE fails to find a suitable Premises or is unable to complete training, despite good faith effort.

### **8.2 Royalties.**

(a) Each calendar month, FRANCHISEE will pay to FRANCHISOR per School governed by this Agreement, for each Operating Year under this Agreement Five Percent (5.0%) of the School's Gross Programming Revenues ("Royalty"), in the manner provided below in Section 8.3. FRANCHISEE shall accurately report sales made through each School operated by FRANCHISEE as the Gross Programming Revenue of that School. FRANCHISEE may not delay collection of tuition or otherwise manipulate revenues or the making of bank deposits as a means of avoiding or lessening the payment of Royalty. The taking of any such actions will constitute an intentional understatement of Gross Programming Revenue and a material default of this Agreement.

(b) If FRANCHISEE offers retail merchandise, each calendar month, FRANCHISEE will pay to FRANCHISOR per School governed by this Agreement, for each Operating Year under this Agreement Four Percent (4.0%) of the School's Gross Retail Revenues ("Royalty"), in the manner provided below in Section 8.3. FRANCHISEE shall accurately report retail sales made through each School operated by FRANCHISEE as the Gross Retail Revenue of that School. FRANCHISEE may not delay collection of tuition or otherwise manipulate revenues or the making of bank deposits as a means of avoiding or lessening the payment of Royalty. The taking of any such actions will constitute an intentional understatement of Gross Retail Revenue and a material default of this Agreement

### **8.3 Royalty Remittance and Statement.**

FRANCHISEE will pay the Royalty to FRANCHISOR for each School governed by this Agreement by the tenth (10<sup>th</sup>) day of each month. At the time required for payment, FRANCHISEE shall deliver to FRANCHISOR a true and correct accounting of Gross Revenue received during the prior month. All such accounting statements will be prepared and delivered in the form and manner prescribed by FRANCHISOR.

### **8.4 Inspection, Audits and Records.**

(a) FRANCHISOR or its authorized representatives have the right to visit and inspect the Franchised School to ensure compliance with all operational standards and other requirements at any reasonable time, and shall not be required to provide advanced notice before visiting any class, camp or other service provided by FRANCHISEE.

(b) FRANCHISOR may also inspect, review, and/or copy FRANCHISEE's books and records including tax returns for the Franchised Business to verify FRANCHISEE's compliance with the terms and conditions of this Agreement, including but not limited to its reporting and payment obligations: (i) without cause, no more than once per year of this Agreement or (ii) with cause at any time. "Cause" for purposes of conducting an inspection or audit of the books and records includes any circumstance that reasonably leads FRANCHISOR to believe that FRANCHISEE has failed to comply with reporting or payment obligations, or has committed some other material default under the Agreement. "Books and records" as used herein includes but is not limited to sales tax records, tax filings and tax returns, bank statements, bills, customer invoices and sales receipts, purchase orders and invoices, cancelled checks, electronic banking records and payroll records. In the case of an inspection or audit of the books and records, FRANCHISEE must provide FRANCHISOR with full access to the books and records wherever they are located and in whatever medium they are kept (paper or electronic or otherwise).

(c) The exercise by FRANCHISOR of the right to inspect, the right to audit, or the acceptance by FRANCHISOR of any statement or payment shall be without prejudice to any of FRANCHISOR's rights or remedies and shall not bar FRANCHISOR from thereafter disputing the accuracy of any payment or statement, and FRANCHISEE shall remain fully liable for any balance due under this Agreement.

(d) FRANCHISEE shall maintain adequate books and records of the Franchised School in accordance with any standards and requirements FRANCHISOR may establish for record keeping and accounting. Unless otherwise specified by FRANCHISOR,

FRANCHISEE shall maintain such books and records for a period of not less than three (3) years from the date of the transactions to which such records relate. FRANCHISEE shall provide to FRANCHISOR at the time and in the form as may be required by FRANCHISOR, monthly profit and loss statements for each month in each Operating Year. The Operating Principal, on behalf of FRANCHISEE, shall certify that such all such statements are complete and accurate. FRANCHISOR may require such statements to be reviewed or certified by an independent Certified Public Accountant.

#### **8.5 Underpayments.**

If FRANCHISOR determines, through an audit or upon other reliable evidence, that FRANCHISEE has not fully paid any Royalties or other amounts due under this Agreement, FRANCHISEE will be liable for immediate payment to correct such underpayments, and for interest on the underpaid amount at the rate of ten percent (10.0%) per year, accruing from the date that such payments were actually due to FRANCHISOR. In such case, if FRANCHISEE does not remit the payment required within ten (10) days after receipt of demand, FRANCHISOR shall have the authority to initiate an electronic funds transfer from FRANCHISEE's bank account for the amount of the underpayment plus the interest due. In addition, if any inspection or audit indicates there was an intentional understatement of any magnitude or an understatement or underpayment of Royalties due for any year in excess of five percent (5.0%) of the Royalty originally reported, FRANCHISEE will promptly reimburse FRANCHISOR for the costs and expenses of conducting any the inspection or audit.

#### **8.6 Interest on Late Payments and Late Fees.**

In addition to any other remedy available to FRANCHISOR, if any amount due under this Agreement is not timely paid for any reason: (i) interest shall accrue and be payable on such unpaid principal amount from and after the date on which the same became due, at the rate of ten percent (10.0%) per year, or the highest legal rate if lower; and (ii) FRANCHISOR may assess a late fee of Fifty Dollars (\$50.00) per month for every payment that is overdue or refused by FRANCHISEE's bank on account of insufficient funds.

#### **8.7 Methods of Payment.**

For all royalties and any other payments due from FRANCHISEE, FRANCHISOR may designate a required method of payment, including payment by electronic funds transfer from a designated bank account of FRANCHISEE to a designated bank account of FRANCHISOR initiated by FRANCHISOR. If requested by FRANCHISOR, FRANCHISEE shall execute the form of Electronic Debit Authorization attached to this Agreement as Exhibit D and/or any other forms or agreements required by banking institutions to authorize transfers initiated by FRANCHISOR. FRANCHISEE is responsible for having sufficient funds on deposit to cover all electronic funds transfer or checks drawn on FRANCHISEE's account. All charges imposed by FRANCHISEE's bank for funds transfers shall be paid by FRANCHISEE. FRANCHISEE shall be liable to FRANCHISOR for any bank charges assessed to FRANCHISOR due to FRANCHISEE's account having insufficient funds to cover any check or electronic funds transfer to FRANCHISOR or for any "stop payment" or other refusal to honor or pay a check or funds transfer to FRANCHISOR.

## **8.8 Inflation Adjustment.**

Any fees or charges stated as fixed dollar amounts anywhere in this Agreement are subject to inflation adjustment by FRANCHISOR. Adjustments may be made no more than once each year and shall be in proportion to the changes in the Consumer Price Index (U.S. Average, all items) maintained by the U.S. Department of Labor (or any successor index that FRANCHISOR designates) since the Effective Date or, if prior adjustments have been made, since the previous date an inflation adjustment was made by FRANCHISOR.

## **9. ADVERTISING AND PROMOTION**

### **9.1 Advertising for the System.**

(a) FRANCHISEE shall pay FRANCHISOR Advertising and Technology Fees of up to three percent (3%) of Gross Programming Revenue per School governed by this Agreement (subject to adjustment for inflation) to fund creation and placement of advertising to promote the School brand, franchisee-wide gatherings, brand development and creation, website design and management, internal and external proprietary software design and maintenance, and related matters. All matters concerning the placement of advertising, including the media selected, type of promotion or advertising, timing and content will be determined by FRANCHISOR. Expenditures shall be to promote public and consumer awareness of the System generally and assist the members of the system to perform well, understand and contribute to the development of the brand. FRANCHISOR does not promise that any such advertising, promotion or development will benefit each School in the System to the same extent or will benefit FRANCHISEE in proportion to the amount FRANCHISEE pays. FRANCHISOR need not spend all amounts during the same year or Operating Year collected. FRANCHISEE will not be entitled to a refund of any National Advertising & Technology Fund on termination, nonrenewal or expiration of the Agreement for any reason by either party.

(b) FRANCHISOR will not use more than twenty percent (20.0%) of the funds collected for administrative expenses associated with administering the National Advertising & Technology Fund.

### **9.2 Franchisee Advertising.**

FRANCHISEE must conduct all advertising activities in compliance with Section 6.10 of this Agreement. FRANCHISOR has discretion to approve or disapprove any requests for reimbursement submitted by FRANCHISEE, but will not unreasonably withhold reimbursement.

### **9.3 Retail Program**

To ensure uniformity in the promotion and recognition of its Marks, FRANCHISOR may, in its sole discretion and upon ninety (90) days' notice to FRANCHISEE, require the FRANCHISEE to participate in its Retail Program. The Retail Program may include additional guidelines for how to display retail products and merchandise and how to conduct sales during the Franchised School's hours of operation. FRANCHISEE will be permitted to sell any non-Retail Program items remaining in its inventory during the ninety (90) day notice period. Implementation of the Retail Program may require FRANCHISEE to spend up to \$ \_\_\_\_\_ in initial inventory and décor for storage and display of this inventory.

## **9.4 Photography and Images**

For any photography services used to photograph events, studio spaces, or to provide photographs for any other official advertising or promotional activity, FRANCHISEE must use a photographer from the Approved Suppliers list, unless it has obtained the prior written consent from the FRANCHISOR for use of a different photographer. In no event shall the FRANCHISEE use any images in its advertising or promotional activity without first receiving the consent of the respective image's copyright holder.

## **10. CONFIDENTIAL INFORMATION AND NONCOMPETITION**

### **10.1 Confidential Information.**

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

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

### **10.2 Protection of Confidential Information.**

(a) FRANCHISEE may only use the Confidential Information in the development and operation of the Franchised School and for no other purpose. FRANCHISEE shall not use or disclose, directly or indirectly, any Confidential Information, whether in tangible or intangible form, to any person except as may be expressly permitted by FRANCHISOR in



writing. FRANCHISEE shall at all times keep all of the Confidential Information in a secure manner that prevents unauthorized access. FRANCHISEE shall not copy, reproduce, duplicate or redact the Confidential Information in any form. FRANCHISEE shall take all reasonable measures to prevent the unauthorized use and disclosure of Confidential Information, and to prevent unauthorized persons or entities from obtaining or using such Confidential Information. FRANCHISEE further agrees to refrain from directly or indirectly taking any action that would constitute or facilitate the unauthorized use or disclosure of such Confidential Information. FRANCHISEE will follow FRANCHISOR's directives, including any requirements of the Operations Manual, regarding the protection of the Confidential Information.

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

### **10.3 Duration and Survival.**

With respect to any Confidential Information that qualifies as a trade secret under applicable law, the prohibitions against disclosure and restrictions on use shall continue throughout the term of this Agreement and for as long thereafter as said Confidential Information remains a trade secret or for a period of two (2) years after expiration, termination or nonrenewal of the franchise granted hereunder, whichever is longer. With respect to any Confidential Information that does not qualify as a trade secret, the prohibitions against disclosure and restrictions on use shall continue throughout the term of this Agreement and for a period of two (2) years after expiration, termination or nonrenewal of the franchise granted hereunder. The obligations regarding nondisclosure of Confidential Information set forth in this Article 10 shall survive the termination or expiration of this Agreement.

### **10.4 Noncompetition**

FRANCHISEE acknowledges and agrees that (i) the System and the Confidential Information are valuable and proprietary; (ii) Without this Agreement and the relationship with FRANCHISOR, FRANCHISEE would not have acquired access to or knowledge of the System or the Confidential Information; (iii) irreparable damage to FRANCHISOR and the Network could result were the System or the Confidential Information to be used in a Competitive Business; (iv) it would be difficult, if not impossible, for FRANCHISEE to operate a Competitive Business without using therein all or part of the System and the Confidential Information; and (v) FRANCHISOR has a legitimate interest in protecting the System and the Confidential Information

from use in any Competitive Business. Therefore, it is necessary to protect the System and the Confidential Information, and FRANCHISEE agrees:

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

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

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

(A) anywhere within the Territory; or

(B) within 25 miles of any operating School in the System.

(b) Notwithstanding the above, FRANCHISEE may own, directly or indirectly, solely as a passive investor, securities of any Competitive Business, if such securities are traded on any national securities exchange and FRANCHISEE:

(i) is not a controlling person of, or a member of a group which controls, such Competitive Business, and

(ii) does not, directly or indirectly, own more than one percent (1%) of any class of securities of such Competitive Business.

For purposes of this Section 10.4, licensing, selling, providing or otherwise making available to any other business or person any information that would enable such business or person to provide retail services competitive with those offered by Schools in the Network shall be deemed a form of assisting a Competitive Business and is prohibited hereunder.

### **10.5 Compliance by Related Parties.**

FRANCHISEE shall cause each of its owners, shareholders and partners and any other person, company, partnership or entity that directly or indirectly controls, is controlled by, or is under common control with FRANCHISEE (collectively "Related Parties") to comply with and fully observe the provisions of this Article 10 and, at FRANCHISOR's request, shall require such Related Parties to execute a form of Non-Disclosure and Non-Competition Agreement as may be approved by FRANCHISOR.

### **10.6 Enforcement.**

If FRANCHISEE breaches, or if any of FRANCHISEE's Related Parties breach, any of the provisions of this Article 10 (the "Restrictive Covenants"), FRANCHISOR shall have the following rights and remedies, each of which shall be independent of the other and severally

enforceable, and all of which shall be in addition to, and not in lieu of, any other rights and remedies available to FRANCHISOR under law or in equity:

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

(b) To require FRANCHISEE:

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

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

### **10.7 Narrowing of Restrictive Covenants.**

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

### **10.8 Grant-Back of Improvements.**

If in the employment and utilization of the System, the Tutu School Methods or in the operation of the Franchised School, FRANCHISEE or any of FRANCHISEE's owners or employees make or acquire any Improvements, FRANCHISEE shall grant-back exclusive rights in such Improvements to FRANCHISOR in consideration of the grant of the franchise made under this Agreement and without the payment of additional consideration by FRANCHISOR. FRANCHISOR may include any Improvements made or acquired by FRANCHISEE in the Tutu School Methods, the Operations Manual and the System for use by all Tutu School franchisees without the assessment of any additional license fees, but provided that all Gross Revenue derived from the use of such Improvements will be included in Gross Revenue subject to Royalty payments.

## **11. ASSIGNMENT AND RIGHT OF FIRST REFUSAL**

### **11.1 Assignment by FRANCHISOR.**

FRANCHISOR may freely assign this Agreement, and any or all of its rights and privileges hereunder to any other person, firm or corporation without FRANCHISEE's prior consent; provided that, in respect to any assignment resulting in the subsequent performance by the assignee of the functions of FRANCHISOR:

(a) FRANCHISOR shall determine in good faith if the assignee shall be financially responsible and economically capable of performing the obligations of FRANCHISOR hereunder; and

(b) The assignee shall expressly assume and agree to perform such obligations.

### **11.2 Assignment by FRANCHISEE.**

FRANCHISEE understands and acknowledges that the rights and duties created by this Agreement are personal to FRANCHISEE and its owners and that FRANCHISOR has granted the franchise to FRANCHISEE in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of FRANCHISEE and its owners. Accordingly, neither this Agreement nor the franchise (or any interest therein), nor any part or all of the ownership of FRANCHISEE or the Franchised School (or any interest therein), may be transferred without the prior written approval of FRANCHISOR, and any such transfer without such approval shall constitute a breach hereof and convey no rights to or interest in this Agreement, the franchise, FRANCHISEE, or the Franchised School. As used in this Article 11, a "transfer" requiring FRANCHISOR approval includes the voluntary, involuntary, direct or indirect assignment, sale, gift or other transfer of any interest in: (i) this Agreement; (ii) the franchise; (iii) the ownership of FRANCHISEE; or (iv) the Franchised School or a substantial part of the assets used in the Franchised School and includes any transfer of ownership of capital stock, partnership or membership interest; merger or consolidation or issuance of additional securities representing an ownership interest in FRANCHISEE; any sale of voting stock of FRANCHISEE or any security convertible to voting stock of FRANCHISEE, transfer of an interest in FRANCHISEE, this Agreement, the franchise or the Franchised School in a divorce, insolvency, corporate or partnership dissolution proceeding or otherwise by operation of law; or transfer of an interest in this Agreement, the franchise, FRANCHISEE, or the Franchised School in the event of the death of FRANCHISEE or an owner, by will, declaration of or transfer in trust, or under the laws of intestate succession.

### **11.3 Conditions for Approval of Transfer.**

If FRANCHISEE and its owners are in full compliance with this Agreement, FRANCHISOR will not unreasonably withhold its approval of a transfer that meets the requirements of this Section 11.3. The proposed transferee and its owners must be individuals of good moral character (in FRANCHISOR's judgment) and otherwise meet FRANCHISOR's then applicable standards for Tutu School franchise owners. All the transferees must agree in writing to be bound by this Agreement and guarantee FRANCHISEE's performance hereunder. FRANCHISEE may not subdivide the Franchise or grant subfranchise rights. The Franchise granted hereunder may only be transferred in connection with a transfer of the Franchised School

and the assets of the Franchised School may only be transferred in connection with a transfer of the franchise. Additionally, if the transfer is of this Agreement or the entire Franchised School or a substantial part of the assets used therein, or is a transfer of a Controlling Interest, or is one of a series of transfers which in the aggregate constitute or will effect such a transfer or a change in the Controlling Interest, all of the following conditions must be met prior to, or concurrently with, the effective date of the transfer:

- (a) FRANCHISOR must have declined its right of first refusal under Section 11.6 below;
- (b) The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised School in the judgment of FRANCHISOR;
- (c) FRANCHISEE must pay all amounts owed to FRANCHISOR or to any of its affiliates that are then owed and unpaid;
- (d) The transferee or person designated as the transferee's Operating Principal must complete FRANCHISOR's training program to FRANCHISOR's satisfaction;
- (e) The transferee, at the election of FRANCHISOR, must either assume this Agreement in writing or execute FRANCHISOR's then-current standard franchise agreement, which may be materially different from this Agreement, provided, however, that the term thereof need not be greater than the remaining term of this Agreement;
- (f) FRANCHISEE or the transferee must have paid FRANCHISOR a transfer fee of Ten Thousand Dollars (\$10,000.00);
- (g) FRANCHISEE and its owners must execute a general release, in form satisfactory to FRANCHISOR, of any and all claims, whether known or unknown, against FRANCHISOR, any affiliates of FRANCHISOR and their respective shareholders, officers, directors, employees, agents, successors and assigns;
- (h) If any part of the sale price of the transferred interest is financed, the transferor must agree that all obligations of the transferee under or pursuant to any promissory note, agreements or security interests reserved by the transferor in the assets of the Franchised School or the Premises shall be subordinate to the obligations of the transferee to pay fees, and other amounts due to FRANCHISOR and its affiliates; and
- (i) The transferor and FRANCHISEE must execute a noncompetition covenant in favor of the transferee in a form satisfactory to FRANCHISOR.

#### **11.4 Death or Disability.**

Upon the death, permanent disability or legal incapacity of FRANCHISEE or the owner of the controlling interest in FRANCHISEE, FRANCHISOR shall permit the heirs, personal representative, executor or conservator to continue operating the Franchised School subject to compliance with all terms and conditions of this Agreement for a period of six (6) months after such death, disability or legal incapacity. By the end of said six month period, the interest of FRANCHISEE or the owner of the Controlling Interest must be transferred to a new owner subject

to all provisions of and satisfaction of all conditions provided in Section 11.3 above, unless FRANCHISEE's heirs have completed the requirements to qualify as a franchisee and assume the rights and obligations established by this Agreement.

#### **11.5 Effect of Consent and Transfer.**

FRANCHISOR's consent to any transfer under this Article 11 and any transfer hereunder shall in no event constitute a novation or a release of FRANCHISEE or any of its partners, shareholders or other owners or of any guarantors of this Agreement.

#### **11.6 FRANCHISOR's Right of First Refusal.**

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

#### **11.7 Type of Franchisee.**

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

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

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

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

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

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

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

(b) If FRANCHISEE is a natural person or a partnership, FRANCHISEE may transfer this Agreement and its interest in the Franchised School to a corporation or limited liability company that is and will be owned solely by the same natural persons as were FRANCHISEE or partners before and only upon written notice to FRANCHISOR, subject to compliance by the corporation or company and by FRANCHISEE with all provisions of this Section 11.7 (including the undertaking and guaranty) and upon the corporation or limited liability company executing a written assumption of all obligations of FRANCHISEE under this Agreement and the provision to FRANCHISOR of a copy of a resolution of the corporation's board of directors or company's members authorizing such assumption. Any such transfer that complies with this paragraph shall not be considered a transfer of a controlling interest for purposes of the conditions set forth in Section 11.3 or 11.6 of this Agreement.

## **11.8 FRANCHISEE Information.**

FRANCHISOR shall have the right, but not the obligation, to furnish any prospective transferee or assignee of the Franchised School or an interest therein or in FRANCHISEE with copies of all financial statements furnished by FRANCHISEE to FRANCHISOR in accordance with this Agreement during the three (3) year period prior to the date the approval of the proposed assignment, transfer or sale is sought. FRANCHISOR shall also have the right, but not the obligation to advise any prospective assignee of any uncured breaches or defaults by FRANCHISEE under this Agreement, or any under other agreement relating to the Franchised School or any other material information relative to the Franchised School. FRANCHISOR shall have no liability to FRANCHISEE or its owners for making any such disclosures to a proposed transferee or assignee. FRANCHISOR's approval of such proposed transaction shall not, however, be deemed a representation or guarantee by FRANCHISOR that

the terms and conditions of the proposed transaction are economically sound or that, if the transaction is consummated, the assignee will be capable of successfully conducting the Franchised School and no inference to such effect shall be made from such approval.

## **12. TERM, RENEWAL AND TERMINATION**

### **12.1 Initial Term.**

This Agreement shall become effective on the Effective Date and shall expire ten (10) years from the date the School (or first School, if multiple Schools are authorized hereunder) opens for business. Unless the franchise is renewed in accordance with Section 12.2 below, it shall automatically expire with this Agreement upon the expiration of the initial term.

### **12.2 Renewal.**

If FRANCHISEE has substantially complied in all respects with the terms and conditions of this Agreement during its initial term, including but not limited to meeting the sales requirements stated in Section 6.12, FRANCHISEE shall have the right to renew the franchise granted hereunder for an additional term of five (5) years, but only if FRANCHISEE:

(a) Provides written notice to FRANCHISOR of intent to renew at least one hundred eighty (180) days before expiration of the term and pays FRANCHISOR a renewal fee of Ten Thousand Dollars (\$10,000.00); and

(b) At least thirty (30) days before expiration of the term, at FRANCHISOR's election, either signs a verification of renewal of this Agreement (or of the franchise agreement then in effect between the parties) or executes FRANCHISOR's then-current form of franchise agreement which may contain terms materially different from those herein and which may include modified terms as appropriate for renewal franchisees (e.g., limitation on further renewals, no initial training, no initial franchise fee); and

(c) Executes a general release in the form required by FRANCHISOR releasing FRANCHISOR and any of its owners, officers, affiliates and other related parties from any and all claims arising up to and through the expiration date of the initial term; and

(d) Before expiration of the term, attends and completes, to FRANCHISOR's satisfaction, any refresher training class required by FRANCHISOR;

(e) Prior to expiration of the term, cures any defaults which may arise prior to expiration provided that the foregoing shall not diminish any of FRANCHISOR's rights under Section 12.3 or 12.4 below; and

(f) Maintains possession of the Premises or locates substitute Premises for the School(s) in the Territory approved by FRANCHISOR

(g) Brings any Premises up to FRANCHISOR's then-current standards which may require substantial expenditures for remodeling, redecoration and new Equipment, among others; and



(h) Pays any amounts owed to FRANCHISOR or any of its affiliates and Approved Suppliers.

### **12.3 Immediate Termination.**

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

(a) If FRANCHISEE fails to timely open the School required in Section 6.1 of this Agreement;

(b) If FRANCHISEE does not fulfill the initial training requirements to FRANCHISOR's satisfaction;

(c) If FRANCHISEE abandons the Franchised School which includes but is not limited to FRANCHISEE's admission that the Franchised School has been or is about to be permanently closed prior to the expiration of the term of this Agreement or FRANCHISEE's failure, at any time during the term of this Agreement, to keep the Franchised School open as required under Section 6.2 of this Agreement or under any other circumstances that make it reasonable to conclude that FRANCHISEE does not intend to continue to operate the Franchised School;

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

(e) If FRANCHISEE covers up any misconduct toward any child in any way connected with the Franchised School;

(f) If FRANCHISEE is adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), or admits to its inability to meet its financial obligations as they become due, or makes a disposition for the benefit of its creditors;

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

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

(i) If there is a transfer or purported transfer, as defined in Section 11.2 of this Agreement, in violation of the requirements of Section 11.2 or Section 11.3 of this Agreement;

(j) If FRANCHISEE materially defaults under the same provision of this Agreement more than once in any Operating Year whether or not corrected after notice;

(k) If FRANCHISEE makes any material misrepresentations relating to the acquisition of the Franchised School or in connection with the operation of the Franchised School, including any intentional understatement of Gross Revenue;

(l) If FRANCHISEE fails, for a period of thirty (30) days after receiving notification of non-compliance from FRANCHISOR or any governmental or quasi-governmental agency or authority, to comply with material federal, state or local law or regulation applicable to the operation of the Franchised School;

(m) If FRANCHISEE fails more than three (3) times within any one (1) consecutive Operating Year to comply with one or more material requirements of this Agreement whether or not corrected after notice;

(n) If FRANCHISEE fails to pay any amount due to FRANCHISOR or any affiliate of FRANCHISOR within ten (10) days after receiving written notice that payment is past due;

(o) If FRANCHISEE or its owners violate any of the Restrictive Covenants of Article 10 of this Agreement;

(p) If FRANCHISOR receives or becomes aware of more than six (6) customer complaints concerning the School, FRANCHISEE or the Franchised School made within any six (6) consecutive months.

#### **12.4 Termination After Opportunity to Cure.**

Without limiting any right of FRANCHISOR to terminate under Section 12.3 above and subject to Section 12.5 below, FRANCHISOR may terminate this Agreement and the rights granted hereunder effective thirty (30) days after written notice is given to FRANCHISEE of any material breach of any term, condition, covenant or requirement of this Agreement if such material breach is not cured within the 30 day period, provided, however, that if, because of the nature of said breach, FRANCHISEE shall be unable to cure the same within the 30-day period, FRANCHISEE shall be given such additional time as shall be reasonably necessary within which to cure said breach, which under any circumstance need not exceed an additional sixty (60) days.

#### **12.5 Termination for Failure to Meet Enrollment Quota**

In the event that FRANCHISEE fails to meet the Enrollment Quota but is otherwise in compliance under this Agreement and remains in compliance, FRANCHISOR shall offer FRANCHISEE a period of one hundred twenty (120) days in which to transfer the Franchised School to an approved and qualified buyer, pursuant to the terms of this Agreement. If FRANCHISEE fails to identify an acceptable buyer and complete a transfer of the Franchised School to such buyer within that time, FRANCHISOR shall have the right to terminate this Agreement immediately. Alternatively, in FRANCHISOR's sole discretion, FRANCHISOR may solicit from FRANCHISEE a business improvement plan and, upon approval of such business improvement plan, permit FRANCHISEE a mutually-agreed upon additional amount of time to meet the Enrollment Quota.

#### **12.6 Termination by FRANCHISEE.**

FRANCHISEE may terminate this Agreement only:

- (a) With the prior written consent of FRANCHISOR;
- (b) If FRANCHISOR conceals from FRANCHISEE any material misconduct by any other franchisee toward a child in any way connected with such third party franchisee's Franchised School;
- (c) If FRANCHISOR is adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws);
- (d) If FRANCHISOR admits its inability to meet its obligations under this Agreement, including the obligations and representations made in the Franchise Disclosure Document provided to FRANCHISEE;
- (e) If (i) any third party franchisee's Franchised School, or the owner of a Controlling Interest of such a Franchised School, is convicted of or pleads no contest to any criminal misconduct pertaining to the operation of such Franchised School, or is convicted of or pleads no contest to any felony, or engages in any conduct with regard to the operation of such Franchised School that reflects materially and unfavorably on the operation and reputation of FRANCHISEE's Franchised School, the System, or the Network; and (ii) the occurrence of events in Section 12.3(d)(i) causes FRANCHISEE's Gross Revenue to drop by at least thirty per cent (30%) for a period of six (6) months or longer; or
- (f) upon a material breach of this Agreement by FRANCHISOR that is not cured within thirty (30) days after notice from FRANCHISEE; provided, however, that if, because of the nature of said breach, FRANCHISOR shall be unable to cure the same within the 30-day period, FRANCHISOR shall be given such additional time as shall be reasonably necessary within which to cure said breach, which under any circumstance need not exceed an additional sixty (60) days.

### **12.7 Cross Default.**

Any default by FRANCHISEE or any affiliate of FRANCHISEE under any other agreement with FRANCHISOR or any affiliate of FRANCHISOR shall be deemed a default under this Agreement, and any default by FRANCHISEE of this Agreement shall be deemed a default under any and all other such agreements with FRANCHISOR or any affiliate.

### **12.8 Option to Purchase Business.**

On termination, nonrenewal or expiration of this Agreement for any reason other than by FRANCHISEE under Section 12.5 above, FRANCHISOR shall have the right but not the obligation to purchase the assets of the Franchised School at their fair market value, less any amounts due to FRANCHISOR and after deduction of any amounts FRANCHISOR will be required to pay to the landlord, Approved Suppliers or any creditors of the Franchised School to satisfy any indebtedness of FRANCHISEE. This option may be exercised by written notice to FRANCHISEE which may be given at any time from 30 days before through 30 days after the termination or expiration, or from such earlier time as it becomes apparent that the franchise will terminate, expire or not be renewed by FRANCHISEE through 30 days after the termination,

expiration or nonrenewal. Upon receipt of the notice, FRANCHISEE must preserve the assets of the Franchised School and refrain from any acts or omissions that would deplete or damage the assets of the Franchised School. Assets to be transferred shall include the leasehold interest in the School, kitchen equipment, furniture, fixtures, furnishings, equipment, signs, decor and inventory, telephone listings, social media names or sub-domains, and any other assets owned by FRANCHISEE and necessary for the operation of the Franchised School. The fair market value of the Franchised School shall not include any factor for the value of or goodwill generated by use of the Marks as all such value belongs to FRANCHISOR. If FRANCHISOR and FRANCHISEE cannot agree on fair market value of the business, it shall be established by an experienced School business appraiser agreed on by both parties, with each party paying one half of the appraisal fee. Failing agreement on an appraiser, each party shall select and pay the fees of its own appraiser, who must be an experienced School business appraiser, and fair market value will be the average of both appraisals. Any appraisal must be reasonable, made in good faith and consistent with the provisions of this Section 12.7.

### **13. POST-TERMINATION OBLIGATIONS AND RIGHTS**

#### **13.1 FRANCHISEE's Duties.**

Upon termination, nonrenewal or expiration of this Agreement for any reason or cause, FRANCHISEE shall have the following obligations, all of which shall be at FRANCHISEE's expense:

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

(b) If FRANCHISOR or its designee is not assuming possession of the Premises, FRANCHISEE will promptly take such action as is necessary to change the trade dress of the Premises so that it does not resemble a Tutu School.

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

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

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

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

(d) FRANCHISEE will within five (5) business days pay to FRANCHISOR or any affiliate all sums owed in connection with this Agreement or otherwise.

(e) FRANCHISEE will transfer to FRANCHISOR or its designee all of the telephone numbers FRANCHISEE has listed under "Tutu School" in any telephone directory or other advertising;

(f) FRANCHISEE will comply in transferring the Premises to FRANCHISOR if FRANCHISOR elects to assume the lease and has authority to do so under the terms of the lease. If FRANCHISOR makes this election, FRANCHISOR shall also purchase from FRANCHISEE other assets used in the School as provided in Section 12.7 above.

(g) FRANCHISEE will comply with the provisions of Section 12.7 if FRANCHISOR elects to exercise its option to purchase, and cooperate an orderly transition of the business to FRANCHISOR.

### **13.2 Termination Without Prejudice.**

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

## **14. INDEMNIFICATION, INSURANCE AND LIMITATIONS ON LIABILITY**

### **14.1 Indemnification by FRANCHISEE.**

FRANCHISOR shall have no liability for, and FRANCHISEE shall indemnify and hold FRANCHISOR harmless against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorney's fees), damages, liabilities, assessments, taxes (other than FRANCHISOR's income taxes) that FRANCHISOR may incur or suffer arising out of: (i) FRANCHISEE's breach of this Agreement; (ii) the acts, omissions, negligence or intentional misconduct of FRANCHISEE or FRANCHISEE's owners, employees, contractors or agents; (iii) the operation of the Franchised School or (iv) FRANCHISEE's failure to comply with any law or regulation or failure to perform any obligation or pay any debt.

### **14.2 Indemnification by FRANCHISOR.**

Subject to the limitations expressly set forth in this Agreement, FRANCHISOR shall indemnify and hold FRANCHISEE harmless against any and all claims, liabilities, causes of action, requests for relief, judgments, costs (including reasonable attorney's fees), damages or liabilities that FRANCHISEE may incur or suffer arising out of: (i) a breach by FRANCHISOR of this Agreement; (ii) FRANCHISOR's negligence or willful misconduct; or (iii) FRANCHISOR's violation of any law or regulation.

### **14.3 Insurance.**

(a) In addition to any insurance required of FRANCHISEE by the lease of the Premises, and without limiting its obligations under Section 14.1 of this Agreement FRANCHISEE shall procure and maintain in effect throughout the term of this Agreement general liability and other insurance coverage meeting FRANCHISOR's standards and issued by companies admitted and licensed to do business in the state where the Premises are located and having a Best's rating of not less than A. All liability insurance policies shall each include an endorsement naming FRANCHISOR as an additional insured on a primary basis and providing for severability of interests so that the acts of FRANCHISEE shall not be imputed to FRANCHISOR. The insurance afforded by the policy or policies respecting liability shall not be limited in any way by reason of any insurance that may be maintained by FRANCHISOR. Insurance must be in the following amounts and with the following causes:

- (i) Primary liability insurance \$1,000,000/\$2,000,000;
- (ii) Your policy may not have a designated location;
- (iii) You must have accidental medical coverage.

(b) FRANCHISEE must supply FRANCHISOR with Certificates of Insurance currently in force and provide copies of the schedule of forms and endorsements comprising the policy and copies of the endorsements naming FRANCHISOR as an additional insured where required. All Certificates of Insurance shall provide that the insurance may not be canceled or reduced in limits or scope of coverage except after at least thirty (30) days written notice by the insurer to FRANCHISEE and FRANCHISOR. If FRANCHISEE does not provide the required certificates, either initially or upon renewal, FRANCHISOR may, but shall not be obligated to obtain such insurance and FRANCHISEE shall reimburse FRANCHISOR for the cost thereof upon demand. All required insurance policies must be renewed annually and new Certificates of Insurance and copies of endorsements as required above provided to FRANCHISOR not less than thirty (30) days before expiration of each policy.

(c) FRANCHISEE understands and acknowledges that FRANCHISOR may, on notice and in its reasonable discretion, raise, lower or otherwise change the amounts and types of insurance required under this Section 14.3 and FRANCHISEE shall comply with such changed requirements no later than ninety (90) days after notice.

## **15. MISCELLANEOUS**

### **15.1 Relationship of the Parties.**

FRANCHISEE and FRANCHISOR are independent contractors. No fiduciary, employment, joint venture, agency or partnership relationship is created by or will be implied from this Agreement. Neither FRANCHISOR nor FRANCHISEE shall make any agreements, representations or warranties in the name of or on behalf of the other, nor represent that their relationship is other than an independent contractor, franchise relationship. FRANCHISEE is responsible for the day-to-day operations of the Franchised School and for all decisions about its operations, subject only to the quality standards and other requirements of this Agreement. FRANCHISEE shall at all times identify itself as an independently owned franchise of

FRANCHISOR in all of its business dealings and to the general public. FRANCHISOR may require FRANCHISEE to display notices at the Premises, on invoices, brochures or other materials, that the Franchised School is an independently owned and operated business of FRANCHISEE.

### **15.2 FRANCHISOR's Right To Cure Defaults.**

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

### **15.3 Waiver and Delay.**

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

### **15.4 Force Majeure.**

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

### **15.5 Survival of Covenants.**

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

### **15.6 Successors and Assigns.**

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of FRANCHISOR and FRANCHISEE, subject to the restrictions on transfers contained herein.

## **15.7 Joint and Several Liability.**

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

## **15.8 Governing Law, Venue, Arbitration and Dispute Resolution.**

(a) This Agreement and the legal relations among the parties hereto shall be governed by the laws of the State of California and, as applicable, federal law as construed in the Ninth Circuit (or any successor circuit that includes the Northern District of California), except that any claims arising under Article 10 (Confidential Information and Noncompetition) of this Agreement shall be governed by the laws of the state where the Franchised School is located. Notwithstanding the foregoing, the choice of California governing law shall not operate to create statutory rights or claims under any California franchise investment or relations statutes where none would otherwise exist nor shall it operate to bar statutory rights or claims under the franchise investment or relationship laws of any other state where those statutes are applicable by their express jurisdictional provisions.-

(b) Dispute Resolution Procedures. If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the “Dispute”), FRANCHISOR and FRANCHISEE agree to resolve such Dispute as follows, in the order provided hereunder:

(i) Good Faith Negotiations. First, to attempt in good faith to resolve any Dispute promptly by negotiation between executive of the parties who have authority to settle the Dispute. Any party may give the other party written notice of any Dispute, setting forth with reasonable particularity (A) the nature of the Dispute, including the facts giving rise to said Dispute, (B) a statement of said party’s position and (C) the name, title and contact information of the executive who will represent that party in the negotiations described herein. The other party shall, within five (5) business days of receipt of such notice, provide the delivering party in writing, the name, title and contact information of the executive of such party who will represent said party in the negotiations described herein. The parties understand and agree to thereafter engage in good faith discussions with the other party’s designated executive for a period of thirty (30) days following the date of receipt of written notice of the parties’ designated executive. All offers, promises, conduct and statements, whether oral or written, made in the course of such negotiation by the parties or agents are confidential and inadmissible for any purpose, including in any of the procedures described below; provided, however that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the negotiations described herein.

(ii) Mediation. Thereafter, in the event, the Dispute, or any portion thereto, is not resolved by negotiations as described in subsection (i) above, the parties agree to endeavor to settle the Dispute by mediation administered by Judicial Arbitration and Mediation Services (“JAMS”), or its successor, with a neutral, independent mediator, possessing at least five (5) years’ experience as a mediator, and having substantial knowledge and experience with mediating franchise disputes of comparable nature and scope as the parties’ Dispute. Any and all fees and costs incurred in connection with the retention of the mediator described herein shall be



shared equally by the parties hereto, and shall be deposited with the mediator in accordance with such mediator's reasonable billing practices. Each party shall bear said party's own attorneys' fees with respect to such mediation. Neither party shall initiate mediation hereunder prior to the expiration of the thirty-day period described in subsection (i) above.

The parties shall, in good faith, commence mediation within forty-five (45) days of retaining the services of the mediator, subject to the availability of the mediator and the parties, and the parties agree that both parties shall seek to retain such mediator within five (5) business days of the expiration of the 30-day negotiations period described in subsection (i) above. Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party; provided, however that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation described herein. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties. Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys' fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator shall be borne equally by the parties.

(iii) Non-Binding Arbitration. In the event the parties are unable to arrive at a mutually agreeable resolution of the Dispute through the mediation described in subsection (ii) above, then the Dispute shall be submitted to JAMS, or its successor to non-binding arbitration. Either party may initiate arbitration with respect to the Dispute submitted to mediation in subsection (ii) above, by filing a written demand for arbitration at any time following the initial mediation session or at any time following forty-five (45) days from the date of filing the written request for mediation, whichever occurs first (the "Earliest Initiation Date"). At no time prior to the Earliest Initiation Date shall either side initiate an arbitration or litigation related to this Agreement except to pursue a provisional remedy that is authorized by law, JAMS Rules, this Agreement, or other agreement of the parties.

Arbitration of the Dispute shall proceed pursuant to JAMS Rules for arbitration. Subject to the terms provided herein, each party shall bear said party's own attorneys' fees and expenses such arbitration, and all fees and expenses related to the retention and services of the arbitrator shall be shared equally by the parties. The arbitrator may, pursuant to this Agreement, award the prevailing party its reasonable attorneys' fees and costs.

(iv) Litigation. Finally, provided that the parties are unable to arrive at a mutually agreeable resolution of the Dispute through the procedures and resolution practices described in subsections (i) through (iii), above, either party may pursue his/her/its claims against the other party in any state or federal court having jurisdiction of the Dispute, as more particularly set forth in Section 15.8 (a) above, provided that such claims are not otherwise barred by applicable statute of limitations or repose.

Notwithstanding anything contained in this Agreement to the contrary, no demand for negotiation of a Dispute shall be made by either party after the date on which the initiation of a legal or equitable proceeding of the same Dispute would be otherwise barred by the applicable statute of limitations or repose. For purposes of applying the statute of limitations or repose hereunder, receipt of a written demand for negotiation under Section 15.8(b)(i) shall be deemed the date of initiation of the legal or equitable proceeding of the legal or equitable proceeding based on the Dispute.

(c) Notwithstanding the provisions of Section 15.8(b), FRANCHISEE and FRANCHISOR agree that in the event that either party can demonstrate a threat of immediate harm, either party may seek immediate injunctive relief before a court with jurisdiction under this Agreement. Following the court's ruling on any motion for injunctive relief, the parties agree to participate in mediation as required by this Agreement before proceeding further with arbitration.

### **15.9 Entire Agreement.**

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

### **15.10 No Warranty of Success.**

FRANCHISOR does not represent and has not promised that FRANCHISEE will or is likely to be successful in or realize any profits from the operation of the Franchised School. FRANCHISEE acknowledges and agrees that the success or failure or profitability of the Franchised School is dependent on FRANCHISEE's efforts and business acumen and on other factors that are not within the FRANCHISOR's control. FRANCHISOR does not make any representations or warranties concerning current or continuing consumer acceptance of or market demand for the Approved Services or the retail services provided by the School.

### **15.11 Titles for Convenience.**

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

### **15.12 Counterparts.**

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

### **15.13 Notices.**

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

If to FRANCHISEE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Fax: (\_\_\_\_) \_\_\_\_\_

If to FRANCHISOR: TUTU SCHOOL FRANCHISES, LLC  
c/o Genevieve Weeks  
4212 N. Damen Avenue  
Chicago, IL 60618  
Phone: (415) 734-8840  
Fax: (415) 932-6348  
Email: genevieve@tutuschool.com

**16. ACKNOWLEDGEMENTS**

By signing this Agreement, FRANCHISEE makes the following representations:

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

FRANCHISOR has provided to FRANCHISEE a copy of this Agreement and all related documents FRANCHISEE must execute, and that these documents were fully completed, and provided by FRANCHISOR at least seven (7) business days prior to the signing of said agreements.

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

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

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

FRANCHISEE has not received or relied on any guaranty, express or implied, as to the revenues, profits, or likelihood of success of the Franchised School. FRANCHISEE acknowledges that there have been no representations by FRANCHISOR or its employees, or agents that are not

contained in, or consistent with, the statements made in the Uniform Franchise Disclosure Document or with the provisions of this Agreement.

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

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

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

**FRANCHISOR**

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

Name: Genevieve Weeks

Title: President

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

**FRANCHISEE**

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

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

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

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

**FRANCHISEE**

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

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

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

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

**EXHIBIT A**  
**TO TUTU SCHOOL FRANCHISE AGREEMENT**  
**THE MARKS**

TUTU SCHOOL®



**EXHIBIT B**

**TO TUTU SCHOOL FRANCHISE AGREEMENT**

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

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2. If more than one School is authorized under the Franchise Agreement, the number and timing of opening of Schools in the Territory shall be as follows:

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3. The Operating Principal for FRANCHISEE (must be an owner) is:

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**FRANCHISOR**

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

**FRANCHISEE**

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

**FRANCHISEE**

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

## EXHIBIT C

### TO FRANCHISE AGREEMENT

#### OWNER'S GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution by Tutu School LLC ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and \_\_\_\_\_ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including: \_\_\_\_\_

\_\_\_\_\_ ("Guarantors") hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel. Each Guarantor hereby expressly waives:

- (1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or non performance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;
- (5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and
- (6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty shall be joint and several;
- (2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually;
- (3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;



(4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be irrevocable during the term of the Agreement; and

(5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

**EXHIBIT D**

**SPOUSAL CONSENT AND WAIVER**

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

**Spouse**

\_\_\_\_\_

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

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

**FRANCHISE APPLICATION**

**TUTU SCHOOL FRANCHISE APPLICATION**

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

**CONTACT INFORMATION**

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

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

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

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

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

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

Previous Address \_\_\_\_\_  
Street \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

**EMPLOYMENT & EDUCATION**

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

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

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

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

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

**PRIOR EMPLOYMENT EXPERIENCE**

(Attach a resume, if available)

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

**BACKGROUND INFORMATION**

(Attach additional pages if necessary)

Are you a trained dancer?  Yes  No

If yes, please explain \_\_\_\_\_

Do you have any experience or education in teaching children?  Yes  No

If yes, please explain \_\_\_\_\_

Have you ever been a franchisee of any other company?  Yes  No

If so, what company and dates? \_\_\_\_\_

Have you ever owned your own business or been self-employed?  Yes  No

If yes, please explain \_\_\_\_\_

Do you plan to be the full-time operator/manager of this business?  Yes  No

If not, have you identified a manager?  Yes  No

If yes, provide contact information or details \_\_\_\_\_

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

Who will teach at your Tutu School? \_\_\_\_\_

Do the above individuals have dance training experience?  Yes  No

If yes, please explain \_\_\_\_\_

Do the above individuals have child development or education training?  Yes  No

If yes, please explain \_\_\_\_\_

How did you hear about Tutu School? \_\_\_\_\_

Why do you want to become a Tutu School franchisee?

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

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

**BACKGROUND CHECK INFORMATION**

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

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

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

Have you ever been accused or convicted of any kind of inappropriate conduct involving a child?  
 Yes  No

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

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

Have you ever declared bankruptcy?  Yes  No

Have you ever been sued for fraud, unfair competition, breach of contract, theft or conversion?  
 Yes  No

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

**YOUR DESIRED FRANCHISE**

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

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

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

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

Will you have to repay your capital investment?  Yes  No

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

Will you have a business partner?  Yes  No

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

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

Will an existing business entity become the franchisee?  Yes  No

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

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

**AREA DEVELOPMENT AGREEMENT**

AREA DEVELOPMENT AGREEMENT

FOR

TUTU SCHOOL FRANCHISES, LLC



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**TUTU SCHOOL**  
**AREA DEVELOPMENT AGREEMENT**

This Area Development Agreement (this "Agreement") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Effective Date") by and between Tutu School Franchises, LLC, an Illinois limited liability company ("Tutu School") and \_\_\_\_\_

\_\_\_\_\_, (the "Area Developer");

**WITNESSETH:**

WHEREAS, Tutu School is the owner and operator of certain proprietary and other property rights and interests in and to the "Tutu School " name and such other trademarks, trade names, service marks, logotypes, insignias, trade dress and designs (the "Proprietary Marks") used in connection with the development, operation and maintenance of an outlet (each a "School" and collectively, "Schools") offering ballet dance and movement classes for children under age eight, together with other services as the School may authorize from time to time (the "Franchised Business");

WHEREAS, Tutu School has originated, developed and perfected a unique and successful system for the establishment, operation and merchandising of Schools, which system includes, but is not limited to, site selection, a unique and readily recognizable design, color scheme, decor, layout and signage for the business premises, class curriculum, accounting and bookkeeping methods, merchandising, advertising and promotional techniques, personnel training and a confidential manual (the "Manual") of operating procedures containing specially conceived and designed methods for operations (the "System"); and

WHEREAS, Tutu School desires to expand and develop the Franchised Business and seeks sophisticated and enthusiastic multi-unit Developers who will develop and operate numerous Schools for the Franchised Business within designated areas; and

WHEREAS, Area Developer desires to build and operate Schools, and Tutu School desires to grant to Area Developer the right to build and operate Schools in accordance with the terms and upon the conditions contained in this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties agree as follows:

**I. GRANT OF AREA DEVELOPMENT RIGHTS**

**1.1. Grant of Area Development Rights**

Tutu School hereby grants to Area Developer, and Area Developer hereby accepts, the non-exclusive right to enter into our standard form of franchise agreement then being offered to prospective Developers under the System (a "Franchise Agreement"), during the Term (as

defined below), to develop, construct, equip, open and operate Schools in the Development Area (as defined below), upon the terms and subject to the conditions of this Agreement.

This Agreement is not a Franchise Agreement and Area Developer does not have the right to use the Proprietary Marks or System in any manner by virtue hereof. Each School will be governed by a Franchise Agreement entered into by Tutu School and Area Developer for each School in accordance with the terms and conditions of this Agreement.

## **II. AREA DEVELOPER'S DEVELOPMENT OBLIGATION**

### **2.1. Development Obligation**

Area Developer hereby agrees to construct, equip, open and thereafter continue to operate within the Development Area not less than the cumulative number of Schools set forth on Exhibit "A" which is attached hereto and by this reference made a part hereof, within each of the time periods (the "Development Periods") specified therein (the "Development Obligation").

### **2.2. Force Majeure**

Should Area Developer be unable to meet the Development Obligation solely as the result of acts wholly beyond the control of the parties ("Force Majeure"), including, but not limited to, strikes, material shortages, fires, floods, earthquakes, and other acts of God, or by force of law (including, but not limited to, any legal disability of Tutu School to deliver a Franchise Disclosure Document pursuant to Section 6.1 of this Agreement), which result in the inability of Area Developer to construct or operate School(s) in the Development Area, and which Area Developer could not by the exercise of due diligence have avoided, the Development Periods shall be extended by the amount of time during which such Force Majeure shall exist.

## **III. DEVELOPMENT AREA**

### **3.1. Description of Development Area**

If Area Developer complies with the terms of this Agreement, including, without limitation, the Development Obligation, and if Area Developer complies with the Franchise Agreement entered into for each School, then, during the Term and except as otherwise provided in this Section 3.1, Tutu School shall not operate, or license any other person to operate, a School within the area set forth and described on Exhibit "B" which is attached hereto and by this reference made a part hereof (the "Development Area"). Notwithstanding the foregoing, Tutu School hereby reserves the right to:

(a) Establish or license others to establish dance programs or camps or provide similar or competitive products or services under marks other than the Proprietary Marks within or outside of the Development Area and regardless of proximity to any School within the Development Area;

(b) Offer or sell dancewear and children's costumes under the Proprietary Marks or any other marks through other retail locations, including, without limitation, internet e-commerce stores or professional dance stores within or outside of the Development Area;

(c) Permit owners of other Schools, or their employees, to dance professionally and to offer professional dance classes to students older than the age of eight years within the Development Area;

(d) Offer or sell any products or services under the Proprietary Marks or any other marks, through any other channel of distribution within or outside of the Development Area;

(e) Advertise and market the System anywhere at any time; and

(f) Establish, either directly or through an affiliate of Tutu School or by licensing others, Schools at any site Tutu School deems appropriate outside of the Development Area, regardless of the proximity to the boundaries of the Development Area. Tutu School makes no representation or warranty that Area Developer will have any right to participate in such licenses.

#### **IV. TERM OF AREA DEVELOPMENT AGREEMENT**

##### **4.1. Term**

The term of this Agreement (the "Term") shall commence on the Effective Date and, unless sooner terminated in accordance with the provisions herein, or extended as provided in Section 2.2, shall expire when the last School to be developed pursuant to the Development Obligation is open for business.

##### **4.2. Renewal**

Area Developer shall have no right to renew this Agreement.

##### **4.3. Limited Additional Development Right**

If Tutu School determines, in its sole and absolute discretion, that further development of the Development Area is desirable, and if at the time of Tutu School determination Area Developer is in good standing with respect to her/his/its obligation(s) under both this Agreement and each franchise agreement to which it is a party, Tutu School shall notify Area Developer in writing prior to expiration of the Term of Tutu School's determination to develop additional Schools in the Development Area and Tutu School's plan for such development (the "Tutu School Notice"). If at the time of Tutu's School's determination the Area Developer is not in good standing, Tutu School shall provide Area Developer with a statement of this fact. The parties agree that there is no right to cure. Upon delivery of the Tutu School Notice by Tutu School to the Area Developer, but subject, nevertheless, to the conditions set forth in Section 4.5 of this Agreement, Area Developer shall have a prior right to undertake the additional development which Tutu School shall have set forth in the Tutu School Notice to Area Developer. This right of additional development by Area Developer shall be exercised only in accordance with Section 4.4 and is subject to the conditions set forth in Section 4.5. If the Tutu School Notice is given to Area Developer and if such right of additional development is not exercised by Area Developer in accordance with this Agreement, Area Developer shall be deemed to have waived such right of additional development, such right of additional development shall automatically terminate and be of no further force or effect, and Tutu School or any Developer of Tutu School may thereupon construct, equip, open and operate additional

Schools in the Development Area without any liability to Area Developer of any kind whatsoever with respect to additional development in the Development Area.

#### **4.4. Exercise of Right of Additional Development**

If Tutu School delivers the Tutu School Notice to Area Developer, Tutu School shall also deliver to Area Developer (and all other required persons or entities) a copy of Tutu School's then-current Franchise Disclosure Document or its equivalent as may be required by applicable law, together with execution counterparts of Tutu School's then-current Area Development Agreement and execution counterparts of such other ancillary agreements as may be required by Tutu School. "Then-current," as used in this Agreement and applied to the Franchise Disclosure Document and any Area Development Agreement, shall mean the form then-currently provided to prospective Developers or Area Developers, or if not then being so provided, then such form selected by Tutu School, in its sole and absolute discretion, which previously has been delivered to and executed by a Developer or Area Developer of Tutu School. The new Area Development Agreement, which may vary substantially from this Agreement, will reflect Area Developer's new development obligation consistent with Tutu School's plan for additional development set forth in the Tutu School Notice to Area Developer. Area Developer shall be deemed to have exercised Area Developer's right of additional development (described in Section 4.3) if, within thirty (30) days after Area Developer's receipt of the Franchise Disclosure Document and execution counterparts of the new Area Development Agreement and all other ancillary agreements, but no sooner than immediately after any applicable waiting periods prescribed by law ("Disclosure Period") have passed, Area Developer executes and delivers, and/or causes to be executed and delivered to Tutu School, counterparts of the new Area Development Agreement and other ancillary agreements described in the Franchise Disclosure Document and pays to Tutu School all sums then due under such agreements. If Area Developer together with payment so executes and returns the new Area Development Agreement and other ancillary agreements to the Tutu School within said thirty (30) day period and satisfies all of the conditions set forth in Section 4.5, Tutu School will execute the agreements and return one fully executed copy of same to Area Developer.

#### **4.5. Conditions to Exercise of Right of Additional Development**

If Tutu School elects to give the Tutu School Notice to Area Developer as aforesaid, Area Developer's right to additional development within the Development Area described in Section 4.3 shall be further subject to Area Developer's fulfillment of the following conditions precedent:

(a) Area Developer shall have fully performed all of its obligations under this Agreement and all other agreements between Tutu School and Area Developer, including, without limitation, all Franchise Agreements entered into by Tutu School and Area Developer pursuant to this Agreement.

(b) Area Developer shall have demonstrated to the satisfaction of Tutu School, in its sole and absolute discretion, Area Developer's financial capacity to perform the additional development obligations set forth in the new Area Development Agreement. In determining if Area Developer is financially capable, Tutu School will apply the same criteria to Area Developer as it applies to prospective area Developers at that time.

(c) Upon expiration of the Term, Area Developer shall continue to operate, in the Development Area, not less than the aggregate number of Schools required by the Development Obligation set forth in Exhibit "A".

## **V. PAYMENTS BY AREA DEVELOPER**

### **5.1. Development Area Fee**

The aggregate initial franchise fees to be remitted by Area Developer to Tutu School is set forth on Exhibit "C" attached hereto and by this reference made a part hereof. Area Developer shall pay to Tutu School in cash or by certified check concurrently with the execution of this Agreement the lump sum of \$5,000 per franchise unit to be developed (the "Development Area Fee"). The balance of the aggregate initial franchise fees attributable to each School must be paid when the Franchise Agreement for each School is executed. Each portion of the initial franchise fee is deemed fully earned upon receipt and is non-refundable.

## **VI. EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS**

### **6.1. Site Approval, Submission of Franchise Disclosure Document, Execution of Franchise Agreement**

(a) After Area Developer has located a proposed site for construction of a School, Area Developer shall submit to Tutu School such information regarding the proposed site as Tutu School shall require and in the form which Tutu School shall require, together with the terms of any proposed lease relating to such site. Tutu School may request such additional information as it deems necessary, and Area Developer shall respond promptly to such requests for additional information. Tutu School's approval of a proposed site will be evidenced by Tutu School entering into the then-current form of Franchise Agreement and the then-current form of agreement required by Tutu School to supplement or amend the Franchise Agreement in order to describe the approved site (a "Site Location Addendum"), and such approval will be given (if at all) after Tutu School has (i) reviewed all information required to be submitted by Area Developer regarding the proposed site and (ii) in Tutu School's discretion visited the proposed site. Any additional requirements in the then-current form of Franchise Agreement regarding site selection and approval shall apply.

(b) With respect to each School to be developed under this Agreement, Area Developer shall, on or before one hundred fifty (150) days prior to expiration of the applicable Development Period, enter into the then current Franchise Agreement and such other ancillary agreements (including, without limitation, a Site Location Addendum) as may be required by Tutu School; provided, however, the initial franchise fee to be remitted to Tutu School for each School shall remain the same as set forth in Exhibit "C" attached to this Agreement.

(c) Prior to entering into a Franchise Agreement and a Site Location Addendum, Tutu School shall transmit to Area Developer a Franchise Disclosure Document, together with execution counterparts of Tutu School's then-current Franchise Agreement and such other ancillary agreements as may be required by Tutu School pertaining to the proposed site and providing for a protected territory surrounding said School, determined by Tutu School in good faith, in accordance with Tutu School's then-current policies and standards for exclusive

territories. Immediately upon receipt of the Franchise Disclosure Document, Area Developer (and all other required persons or entities) shall return to Tutu School a signed copy of the Receipt of the Franchise Disclosure Document. After the passage of any applicable Disclosure Period, Area Developer shall execute and deliver, and/or cause to be executed and delivered, to Tutu School counterparts of said Franchise Agreement and all other ancillary agreements required by Tutu School (including, without limitation, the Site Location Addendum), together with the initial franchise fee required pursuant to this Agreement, less the credit, if any, applicable pursuant to Section 5.1. Tutu School shall, promptly upon receipt of said documents and initial franchise fee, execute and return to Area Developer one fully executed copy of the Franchise Agreement and other ancillary agreements. Notwithstanding the foregoing, if Tutu School is not legally able to deliver a Franchise Disclosure Document to Area Developer by reason of any lapse or expiration of its franchise registration, or because Tutu School is in the process of amending any such registration, or for any reason beyond Tutu School's reasonable control, Tutu School may delay approval of the proposed site for Area Developer's proposed School until such time as Tutu School is legally able to deliver a Franchise Disclosure Document.

## **6.2. Condition Precedent to Tutu School's Obligations**

It shall be a condition precedent to Tutu School's obligations pursuant to Section 6.1, that Area Developer shall have performed all of Area Developer's obligations under and pursuant to this Agreement and all other agreements between Area Developer and Tutu School.

## **VII. ASSIGNABILITY AND SUBFRANCHISING**

### **7.1. Assignability by Tutu School**

Tutu School shall have the right to assign this Agreement, or any of its rights and privileges hereunder, to any other person or entity without Area Developer's prior consent.

### **7.2. No Subfranchising by Area Developer**

Area Developer shall not offer, sell, or negotiate the sale of Tutu School franchises to any third party, either in Area Developer's own name or in the name and on behalf of Tutu School, or otherwise subfranchise, share, divide or partition this Agreement, and nothing in this Agreement shall be construed as granting Area Developer the right to do so.

### **7.3. Assignment by Area Developer**

(a) The rights and duties created by this Agreement are personal to Area Developer. Accordingly, except as otherwise permitted herein, neither Area Developer nor the owner of any stock, membership interest, partnership interest or other equity interest ("Equity Interest") in Area Developer shall, without the prior written consent of the Tutu School, directly or indirectly, sell, assign, transfer (including, without limitation, any transfer occurring by inter vivos transfer or, upon death, by testamentary disposition or pursuant to the laws of intestate succession), convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement or any Equity Interest in Area Developer. Any such purported transfer or assignment occurring by operation of law or otherwise without the prior written consent of Tutu School shall



constitute a breach of this Agreement by Area Developer and shall be null and void. Any such transfer or assignment shall be subject, in any event, to the right of first refusal in favor of the Tutu School set forth in Section 7.4 of this Agreement.

(b) Should Tutu School not elect to exercise its said right of first refusal, Tutu School's consent to such transfer or assignment, but not to the partition, sharing or dividing of rights under this Agreement, shall not be unreasonably withheld; provided, however, Tutu School may impose any reasonable condition(s) to the granting of its consent. Without limiting the generality of the foregoing, the imposition of any or all of the following conditions to its consent to any such transfer or assignment shall be deemed to be reasonable:

(i) that the assignee (or, in the case of an entity assignee, the shareholders, members, partners or other equity interest holders of the assignee) demonstrate that they have the skills, qualifications and economic resources necessary, in Tutu School's judgment, reasonably exercised, to develop, construct, equip, open and operate the Schools contemplated by this Agreement, and by all other agreements between Tutu School and such assignee, and all agreements (including, without limitation, Franchise Agreements entered into pursuant to this Agreement) proposed to be assigned to such assignee;

(ii) that the assignee enter into a written assignment, in form and substance satisfactory to Tutu School, pursuant to which such assignee assumes and agrees to discharge all rights and obligations of Area Developer under this Agreement and all Franchise Agreements entered into pursuant to this Agreement;

(iii) that Area Developer pay to Tutu School any and all transfer fees that may be required by each Franchise Agreement executed pursuant hereto;

(iv) that Area Developer, and each owner of an Equity Interest in Area Developer, execute a general release, the consideration for which shall be the consent to the assignment, in form and substance satisfactory to Tutu School, of any and all claims against Tutu School and all of Tutu School's subsidiaries and affiliates (collectively, "Tutu School's Affiliates"), and their respective shareholders, members, partners and other equity interest holders, officers, directors, managers, agents, representatives, successors and assigns, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, to the extent permitted by law;

(v) that as of the date of any such assignment, the assignor shall have fully complied with all of its obligations to Tutu School, whether under this Agreement or any other agreement (including, without limitation, Franchise Agreements entered into pursuant to this Agreement or otherwise), arrangement or understanding with Tutu School;

(vi) that assignee is not then in default of any of such assignee's obligations to Tutu School, whether pursuant to a Franchise Agreement or other agreement with Tutu School;

(vii) that the assignee shall pay to Tutu School a transfer fee equal to \$5,000.00 which is reasonably required to cover Tutu School's expenses relating to said assignment (such fee being in addition to any transfer fee required to be paid under any Franchise Agreement entered into pursuant to this Agreement or otherwise); and

(viii) that the assignee, or all of the shareholders, members, partners or other equity interest holders of the assignee, as the case may be, shall jointly and severally fully,

unconditionally and irrevocably guarantee the performance by Area Developer of all its obligations hereunder.

(c) Any assignment, transfer or other disposition of a School within the Development Area shall be governed by the Franchise Agreement for such School.

(d) If Area Developer is a legal entity, each of the following shall be deemed to be an assignment by Area Developer of this Agreement (or of an interest in this Agreement) within the meaning of this Section: (i) the transfer or assignment by any owner of an Equity Interest in the Area Developer; (ii) the issuance of any securities by Area Developer which itself or in combination with any other transaction(s) results in the owners of an Equity Interest in Area Developer existing as of the Effective Date, owning less than one hundred percent (100%) of the Equity Interest in the Area Developer; and (iii) any merger, stock redemption, consolidation, reorganization or recapitalization involving Area Developer.

(e) Without limiting the generality of the foregoing, Area Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written consent of Tutu School, which consent may be withheld by Tutu School in its sole and absolute discretion.

#### **7.4. Right of First Refusal**

Any assignment of this Agreement, or any interest herein, shall be subject to the Tutu School's right of first refusal with respect thereto. Tutu School's said right of first refusal shall be exercised in the following manner:

(a) Area Developer shall deliver to Tutu School a written notice clearly and unambiguously setting forth all of the terms and conditions of the proposed assignment and all available information concerning the proposed assignee, including, but not limited to, information concerning the employment history, financial condition, credit history, skill and qualifications of the proposed assignee and, in the case of an entity, of its shareholders, members, partners and equity interest holders, as applicable.

(b) Within thirty (30) days after Tutu School's receipt of such notice (or if Tutu School shall request additional information, within thirty (30) days after receipt of such additional information), Tutu School may either consent or withhold its consent to such assignment, in accordance with Section 7.3, or, at its option, accept the assignment to itself or to its nominee upon the terms and conditions specified in the notice. Tutu School may substitute an equivalent sum of cash for any consideration other than cash specified in said notice.

(c) If Tutu School shall elect not to exercise its said right of first refusal and shall consent to such assignment, Area Developer shall, subject to the provisions of Section 7.3, be free to assign this Agreement to such proposed assignee on the terms and conditions specified in said notice. If, however, Tutu School does not elect to exercise its right of first refusal and said terms shall be materially changed, or if more than 90 days shall elapse after the date of Tutu School's receipt of written notice of such assignment without such assignment occurring, such

changed terms or lapse of time shall be deemed a new proposal, and Tutu School shall again have such right of first refusal with respect thereto.

#### **7.5. Individual Franchise Agreements**

Area Developer shall not execute any Franchise Agreement, or construct or equip any School, with a view to transferring or assigning such Franchise Agreement or School.

### **VIII. NON-COMPETITION**

#### **8.1. In Term**

During the Term of this Agreement, neither Area Developer, or if Area Developer is a legal entity, no owner of an Equity Interest in Area Developer or any officer, director or manager of Area Developer shall either directly or indirectly, own, operate, advise, be employed by, or have any interest in any children's dance or movement program or any retail enterprise that sells similar goods whether within or outside of the Development Area, unless Tutu School, in its sole and absolute discretion, shall consent thereto in writing.

#### **8.2. Modification**

The parties have attempted in Section 8.1 above to limit the Area Developer's right to compete only to the extent necessary to protect Tutu School from unfair competition and substantial conflicts of interest during the Term. The parties hereby expressly agree that if the scope or enforceability of Section 8.1 is disputed at any time by Area Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent it deems necessary to make such provision(s) enforceable under applicable law. In addition, Tutu School reserves the right to reduce the scope of either, or both, of said provisions without Area Developer's consent, at any time or times, effective immediately upon notice to Area Developer.

### **IX. TERMINATION**

#### **9.1. Termination Pursuant to A Material Breach of This Agreement**

This Agreement may be terminated by Tutu School for cause without notice or opportunity to cure, except for such notice as may be required by law, in the event of any material breach by Area Developer of this Agreement. Material breach, as used herein, shall specifically include, among other things, the following:

(a) Failure of Area Developer to comply with the Development Obligation within the Development Periods;

(b) Failure of Area Developer to perform any other of Area Developer's obligations under this Agreement, including, without limitation, the obligation to enter into a Franchise Agreement with respect to any School within the time required under this Agreement, and the obligation of Area Developer to obtain the prior written consent of Tutu School with respect to any transfer or assignment of this Agreement, in whole or in part, or any or all rights and obligations hereunder.

(c) The filing by or against Area Developer of any petition in bankruptcy, arrangement for the benefit of creditors, or petition for reorganization which is not dismissed within ninety (90) days;

(d) The appointment of a receiver or trustee for Area Developer which receiver or trustee is not dismissed within ninety (90) days from the date of appointment;

(e) The conviction of, or pleading of nolo contendere by, any owner of an Equity Interest in Area Developer to a felony crime involving moral turpitude; or any misconduct of any type involving a minor; or

(f) The discovery by Tutu School that Area Developer concealed, omitted, or misrepresented any material fact in qualifying to become an Area Developer that would have disqualified Area Developer from being granted the license in this Agreement.

**9.2. Termination by Reason of a Material Breach of Other Agreement**

This Agreement may be terminated, at the election of Tutu School, in the event of any material breach by Area Developer of an individual Franchise Agreement or any other agreement between Tutu School and Area Developer, upon the notice, if any, specified in the Franchise Agreement or other agreement.

**9.3. Effect of Expiration or Termination**

Upon the expiration of the Term, or upon the prior termination of this Agreement, Area Developer shall have no further right to construct, equip, open or operate additional School which are not, at the time of such expiration or termination, the subject of a then-existing Franchise Agreement between Area Developer and Tutu School which is in full force and effect, and Tutu School may itself construct, equip, open, or operate, or license others to construct, equip, open, or operate Schools in the Development Area, subject to the provisions of Sections 4.3 and 4.4 of this Agreement, and as provided in any Franchise Agreement executed pursuant to this Agreement.

**X. ENTITY AREA DEVELOPER**

**10.1. Entity Area Developer**

(a) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each owner of an Equity Interest in Area Developer:

NAME	ADDRESS	NUMBER OF SHARES OR PERCENTAGE INTEREST
_____	_____	_____
_____	_____	_____
_____	_____	_____

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(b) If Area Developer is a corporation, limited liability company, general or limited partnership or other legal entity, there is set forth below the name and address of each director, manager, or general partner, as applicable, of Area Developer:

NAME

ADDRESS

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(c) The address where Area Developer's financial records, and corporate, company, partnership or other entity records, as applicable, are maintained is:

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(d) If Area Developer is a corporation, limited liability company, partnership or other legal entity, there is set forth below the name, address and title of the owner of an Equity Interest in Area Developer who owns not less than fifty percent (50%) of the Equity Interest in Area Developer and who will serve as the so-called "Operating Partner" and devote a majority of her or his time and efforts to the management and operation of each School constructed, equipped, opened and operated by Area Developer under each Franchise Agreement entered into pursuant to this Agreement:

NAME

ADDRESS

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(e) Area Developer shall notify Tutu School in writing within ten (10) days of any change in the information set forth in subparagraphs (a) through (d) above.

(f) Area Developer shall promptly provide such additional information as Tutu School may from time to time request concerning all persons who may have any direct or indirect financial interest in Area Developer.

(g) If Area Developer is a corporation, limited liability company, partnership or other legal entity, each of the owners of an Equity Interest in Area Developer shall, by executing this Agreement, fully, unconditionally and irrevocably guarantee the performance by Area Developer of all of its obligations hereunder. In addition, Developer shall upon Tutu School's request cause all of its current and future owners of an Equity Interest in Area Developer to execute and deliver a guaranty in substantially the form of Exhibit "D" which is attached hereto and by this reference made a part hereof.

## **XI. VENUE AND REMEDIES**

### **11.1. Venue**

To the extent permitted by applicable law, Area Developer agrees that any action brought by Area Developer against Tutu School shall be brought in the state courts or in the U.S. District Court of the jurisdiction in which Tutu School has its principal place of business at the time such proceeding is commenced, and Area Developer waives its right to bring any action against Tutu School in any other jurisdiction or venue. Additionally, to the extent permitted by applicable law, Area Developer hereby submits to the jurisdiction of such courts, and Area Developer waives any right it may have to object to such jurisdiction and venue.

### **11.2. Remedy**

No right or remedy conferred upon or reserved by Tutu School by this Agreement is intended and shall not be deemed to be exclusive of any other right or remedy provided or permitted herein, at law or in equity, but each right or remedy shall be cumulative of every other right or remedy.

### **11.3. Injunctive Relief**

Nothing herein contained shall bar Tutu School's right to obtain injunctive relief against threatened conduct that will cause it loss or damage under the usual equity rules, including, without limitation, the applicable rules for obtaining restraining orders and preliminary injunctions. Tutu School shall not be required to post a bond in excess of \$1,000.00 or other security with respect to obtaining any such equitable relief.

## **XII. GENERAL CONDITIONS AND PROVISIONS**

### **12.1. Relationship of Area Developer to Tutu School**

It is expressly agreed that Area Developer has no authority to create or assume in Tutu School's name or on behalf of Tutu School, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Tutu School for any purpose whatsoever. Neither Tutu School nor Area Developer is the employer, employee, agent, partner or co-venturer of, or with the other, each being independent. Area Developer agrees that Area Franchise will not hold himself or itself out as the agent, employee, partner or co-venturer of Tutu School. All employees hired by or working for Area Developer shall be the employees of Area Developer and shall not, for any purpose, be deemed employees of Tutu School or subject to Tutu School's control. Each of the parties agrees to file its own tax, regulatory and payroll

reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

### **12.2. Indemnity by Area Developer**

Area Developer hereby agrees to protect, defend and indemnify Tutu School, and all of its past, present and future shareholders, direct and indirect parent companies, subsidiaries, affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of any actual or alleged loss, injury or damage to any person, firm or corporation or to any property arising out of or in connection with Area Developer's operation of a School pursuant hereto. This indemnity obligation shall survive the expiration or prior termination of this Agreement.

### **12.3. No Consequential Damages For Legal Incapacity**

Tutu School shall not be liable to Area Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Area Developer by reason of any delay in the delivery of Tutu School's Franchise Disclosure Document caused by legal incapacity during the Term, or other conduct not due to the gross negligence or intentional misconduct of Tutu School.

### **12.4. Waiver and Delay**

No waiver by Tutu School of any breach or series of breaches or defaults in performance by Area Developer, and no failure, refusal or neglect of Tutu School to exercise any right, power or option given to it hereunder or under any franchise agreement between Tutu School and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Schools) or to insist upon strict compliance with or performance of Area Developer's obligations under this Agreement or any franchise agreement between Tutu School and Area Developer, whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Schools), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Tutu School of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

### **12.5. Survival of Covenants**

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

### **12.6. Successors and Assigns**

This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of Tutu School and shall be binding upon and inure to the benefit of Area

Developer and his, its or their respective heirs, executors, administrators, successors and permitted assigns, subject to the prohibitions against assignment contained herein.

#### **12.7. Joint and Several Liability**

If Area Developer consists of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to Tutu School are joint and several.

#### **12.8. Governing Law**

Except to the extent governed by the U.S. Trademark Act of 1946 (Lanham Act), 15 U.S.C., Section 1051, et seq.), this Agreement shall be construed in accordance with the laws of the State of California.

#### **12.9. Entire Agreement**

This Agreement and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. All prior agreements, understandings and representations, are merged herein and superseded hereby. Area Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Agreement that are not contained herein. No officer or employee or agent of Tutu School has any authority to make any representation or promise not contained in this Agreement or any Franchise Disclosure Document for prospective Developers required by applicable law, and Area Developer agrees that Area Franchise has executed this Agreement without reliance upon any such representation or promise. This Agreement cannot be modified or changed except by written instrument signed by all of the parties hereto. Where this Agreement and any Franchise Agreement entered into pursuant to this Agreement conflict with respect to the amount or payment terms of initial franchise fees, or the date by which a School is to be opened, the terms of this Agreement shall govern. Nothing in the agreement is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you.

#### **12.10. Titles for Convenience**

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

#### **12.11. Gender**

All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article or paragraph hereof may require.

#### **12.12. Severability**

Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this



Agreement and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

### **12.13. Counterparts**

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

### **12.14. Attorney Fees**

Should any party hereto commence any action or proceeding for the purpose of enforcing, or preventing the breach of, any provision hereof, whether by judicial or quasi-judicial action or otherwise, or for damages for any alleged breach of any provision hereof, or for a declaration of such party's rights or obligations hereunder, then the prevailing party shall be reimbursed by the losing party for all costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorneys' fees for the services rendered to such prevailing party.

### **12.15. Notices**

All written notices and reports permitted or required to be delivered by the provisions of this Agreement shall be deemed so delivered three (3) days after placed in the United States mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the party to be notified at such party's most current principal address which the notifying party has on record.

## **XIII. SUBMISSION OF AGREEMENT**

### **13.1. General**

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Tutu School and Area Developer. THIS AGREEMENT SHALL NOT BE BINDING ON TUTU SCHOOL UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY THE PRESIDENT OF TUTU SCHOOL. THIS AGREEMENT SHALL NOT BECOME EFFECTIVE UNTIL AND UNLESS AREA DEVELOPER SHALL HAVE BEEN FURNISHED BY TUTU SCHOOL WITH ALL DISCLOSURE DOCUMENTS, IN WRITTEN FORM, AS MAY BE REQUIRED UNDER OR PURSUANT TO APPLICABLE LAW, FOR REQUISITE TIME PERIODS.

#### **XIV. ACKNOWLEDGMENT**

##### **14.1. General**

Area Developer, and the owners of any Equity Interests in Area Developer as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

*(Continued on following page)*

IN WITNESS WHEREOF, the parties have hereto set their hands, affixed their seals and delivered these presents as of the day and year first above written.

TUTU SCHOOL:

Tutu School Franchises, LLC,  
an Illinois limited liability company

\_\_\_\_\_(SEAL)

By: \_\_\_\_\_  
Genevieve Weeks, President

AREA DEVELOPER:

\_\_\_\_\_(SEAL)

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

(CORPORATE SEAL, if applicable)

EQUITY INTEREST OWNERS:

\_\_\_\_\_(SEAL)

\_\_\_\_\_

\_\_\_\_\_(SEAL)

\_\_\_\_\_

**EXHIBIT A**

**DEVELOPMENT OBLIGATION**

Development Period Ending	Cumulative Number of Schools to be in Operation
1 _____, 20__	_____
2 _____, 20__	_____
3 _____, 20__	_____
4 _____, 20__	_____
5 _____, 20__	_____

**EXHIBIT B**

**DEVELOPMENT AREA**

**EXHIBIT C**

**AGGREGATE INITIAL FRANCHISE FEE**

Unit #1	\$36,000
Unit #2	\$30,600
[Additional units listed as needed]	

## EXHIBIT D

### GUARANTY OF AREA DEVELOPER'S UNDERTAKINGS

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement dated \_\_\_\_\_, and any and all revisions, modifications and amendments thereto or renewals thereof, (hereinafter collectively the "Agreement"), by and between Tutu School Franchises, LLC, an Illinois limited liability company, for itself and for its affiliates (hereinafter, collectively, "Tutu School") and \_\_\_\_\_ (hereinafter "Area Developer"), each of the undersigned "Guarantors" (herein so called) agrees as follows:

1. The Guarantors do hereby jointly and severally unconditionally guarantee the full, prompt and complete performance of Area Developer under the terms, covenants and conditions of the Agreement, including, without limitation, the complete and prompt payment of all indebtedness to Tutu School under the Agreement. The word "indebtedness" is used herein in its most comprehensive sense and includes without limitation any and all advances, debts, obligations and liabilities of Area Developer, now or hereafter incurred, either voluntarily or involuntarily, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, or whether recovery thereof may be now or hereafter barred by any statute of limitation or is otherwise unenforceable.

2. The obligations of the Guarantors are independent of the obligations of Area Developer and a separate action or actions may be brought and prosecuted against any or all of the Guarantors, whether or not actions are brought against Area Developer or whether Area Developer is joined in any such action.

3. If the Area Developer is a corporation, partnership, limited liability company or other legal entity, Tutu School shall not be obligated to inquire into the power or authority of Area Developer or its officers, directors, agents, managers, representatives, employees or other persons acting or purporting to act on Area Developer's behalf and any obligation or indebtedness made or created in reliance upon the exercise of such power and authority shall be guaranteed hereunder. Where the Guarantors are corporations, partnerships, limited liability companies or other legal entities, it shall be conclusively presumed that the Guarantors and all shareholders, partners, members and other owners of such entities, and all officers, directors, agents, managers, representatives, employees or other persons acting on their behalf have the express authority to bind such entities and that such entities have the express power to act as the Guarantors pursuant to this Guaranty and that such action directly promotes the business and is in the interest of such entities.

4. Tutu School, its successors and assigns, may from time to time, without notice to the undersigned: (a) resort to the undersigned for payment of any of the indebtedness, whether or not it or its successors and assigns have resorted to any property securing any of the indebtedness or proceeded against any other of the undersigned or

any party primarily or secondarily liable on any of the indebtedness; (b) release or compromise any indebtedness of any of the undersigned hereunder or any indebtedness of any party or parties primarily or secondarily liable on any of the indebtedness; (c) extend, renew or credit any of the indebtedness for any period (whether or not longer than the original period); (d) alter, amend or exchange any of the indebtedness; or (e) give any other form of indulgence, whether under the Agreement or otherwise.

5. The undersigned each further waive presentment, demand, notice of dishonor, protest, nonpayment and all other notices whatsoever, including, without limitation: notice of acceptance hereof; notice of all contracts and commitments; notice of the existence or creation of any liabilities under the Agreement and of the amount and terms thereof; and notice of all defaults, disputes or controversies between Area Developer and Tutu School resulting from the Agreement or otherwise, and the settlement, compromise or adjustment thereof.

6. This Guaranty shall be enforceable by and against the respective administrators, executors, heirs, successors and assigns of the Guarantors and the death of any Guarantor shall not terminate the liability of such Guarantor or limit the liability of the other Guarantors hereunder.

7. If more than one person has executed this Guaranty, the term "the undersigned," as used herein shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

8. Without limiting the generality of any part or all of the foregoing, the undersigned do each hereby further covenant and agree that each of the undersigned are hereby bound by those certain terms, obligations, covenants and conditions of the Agreement with respect to the following:

- (i) Section 7.3 entitled "Assignment by Area Developer";
- (ii) Section 7.4 entitled "Right of First Refusal";
- (iii) Article VIII entitled "Non-Competition";
- (iv) Section 10.1 entitled "Entity Area Developer";
- (v) Section 11.1 entitled "Venue";
- (vi) Section 11.3 entitled "Injunctive Relief";
- (vii) Section 12.7 entitled "Joint and Several Liability";
- (viii) Section 12.15 entitled "Notices"; and
- (ix) Article XIV entitled "General."



The undersigned each agree that the references to the "Area Developer" in the Sections referenced hereinabove shall include and be applicable to each of the undersigned.

9. All capitalized terms not defined herein shall have the meanings given to them in the Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Guaranty of Area Developer's Undertakings under seal effective as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Name

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

\_\_\_\_\_  
Home Address

\_\_\_\_\_  
Home Telephone

\_\_\_\_\_  
Business Telephone

\_\_\_\_\_  
Date

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

**LIST OF STATE ADMINISTRATORS  
AND  
AGENTS FOR SERVICE OF PROCESS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>  Department of Financial Protection and Innovation  320 West Fourth Street, Suite 750  Los Angeles, California 90013-2344  (213) 876-7500  Toll free: (866) 275-2677</p>	<p><b>MICHIGAN</b>  Consumer Protection Div., Franchise Section  Attn: Kathryn A. Barron  670 G. Mennen Williams Building  Lansing, Michigan 48913  (517) 373-7117</p>
<p><b>HAWAII</b>  Commissioner of Securities of the State of Hawaii  Department of Commerce &amp; Consumer Affairs  Business Registration Division  Securities Compliance Branch  335 Merchant Street, Room 203  Honolulu, Hawaii 96813  (808) 586-2722</p>	<p><b>MINNESOTA</b>  Commissioner of Commerce  Department of Commerce  85 7<sup>th</sup> Place East, Suite 500  St. Paul, Minnesota 55101  (651) 296-4026</p>
<p><b>ILLINOIS</b>  Office of the Attorney General  Franchise Division  500 South Second Street  Springfield, Illinois 62706  (217) 782-4465</p>	<p><b>NEW YORK</b>  NYS Department of Law  Investor Protection Bureau  28 Liberty St. 21st Fl  New York, NY 10005  (212) 416-8222</p>
<p><b>INDIANA</b>  Secretary of State  Franchise Section  302 West Washington, Room E-111  Indianapolis, Indiana 46204  (317) 232-6681</p>	<p><b>NORTH DAKOTA</b>  North Dakota Securities Department  600 Boulevard Avenue, State Capitol  Fifth Floor, Dept. 414  Bismarck, North Dakota 58505-0510  (701) 328-4712</p>
<p><b>MARYLAND</b>  Office of the Attorney General  Securities Division  200 St. Paul Place  Baltimore, Maryland 21202-2020  (410) 576-6360</p>	<p><b>RHODE ISLAND</b>  Securities Division  Department of Business Regulation  John O. Pastore Center  Bldg. 69, First Floor  1511 Pontiac Avenue  Cranston, RI 02920  (401) 277-3048</p>

<p><b>SOUTH DAKOTA</b>  Director of Division of Securities  445 E. Capitol Avenue  Pierre, South Dakota 57501-2017  (605) 773-4013</p>	<p><b>WASHINGTON</b>  Department of Financial Institutions  General Administration Building  Securities Division – 3rd Floor West  150 Israel Road S.W.  Tumwater, Washington 98501  (360) 902-8760</p>
<p><b>VIRGINIA</b>  Director, Securities and Retail Franchising  Div.  State Corporation Commission  1300 East Main Street  Richmond, Virginia 23219  (804) 371-9051</p>	<p><b>WISCONSIN</b>  Office of the Commissioner of Securities  345 West Washington Avenue, Fourth Floor  Madison, Wisconsin 53703  (608) 261-9555</p>

## AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<p><b>CALIFORNIA</b> Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll free: (866) 275-2677</p>	<p><b>MICHIGAN</b> Dept. of Commerce, Corp’ns &amp; Securities Bureau 670 Law Building 525 West Ottawa Lansing, Michigan 48913 (517) 373-7117</p>
<p><b>HAWAII</b> Commissioner of Securities of the State of Hawaii Department of Commerce &amp; Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><b>MINNESOTA</b> Commissioner of Commerce 85 7<sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101 (612) 296-4026</p>
<p><b>ILLINOIS</b> Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465</p>	<p><b>NEW YORK</b> Secretary of State 99 Washington Avenue Albany, NY 12231 (518) 486-6423</p>
<p><b>INDIANA</b> Indiana Secretary of State 201 State House Indianapolis, Indiana 46204 (317) 232-6681</p>	<p><b>NORTH DAKOTA</b> North Dakota Securities Commissioner 600 Boulevard Avenue, State Capitol Fifth Floor Bismarck, North Dakota 58505-0510</p>
<p><b>MARYLAND</b> Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p><b>RHODE ISLAND</b> Director of Department of Business Regulation John O. Pastore Center Bldg. 69, First Floor 1511 Pontiac Avenue, Cranston, RI 02920 (401) 277-3048</p>

<p><b>SOUTH DAKOTA</b>  Director of Division of Securities  445 E. Capitol Avenue  Pierre, South Dakota 57501-2017  (605) 773-4013</p>	<p><b>WASHINGTON</b>  Director of Department of Financial  Institutions  General Administration Building  Securities Division – 3rd Floor West  150 Israel Road S.W.  Tumwater, Washington 98501  (360) 902-8760</p>
<p><b>VIRGINIA</b>  Clerk of the State Corporation Commission  1300 East Main Street  Richmond, Virginia 23219  (804) 371-9733</p>	<p><b>WISCONSIN</b>  Commissioner of Securities  345 West Washington Avenue, Fourth Floor  Madison, Wisconsin 53703  (608) 261-9555</p>

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

**STATE ADDENDA**

## CALIFORNIA APPENDIX

1. The 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.
2. California Business and Professions Code Section 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.
3. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 USCA § 101 *et seq.*).
4. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.
5. Neither the franchisor nor any person described in Item 2 of the disclosure document is subject to any currently effective order of any national securities exchange as defined in the Securities Exchange Act of 1934, 15 USCA 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.
6. Our url is [www.tutuschool.com](http://www.tutuschool.com). Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).



**ILLINOIS APPENDIX  
ADDENDUM TO THE FDD, FRANCHISE AGREEMENT, AND/OR AREA  
DEVELOPMENT AGREEMENT**

This Addendum to the FDD, the Franchise Agreement, and the Area Development Agreement is agreed to by and among Tutu School Franchises LLC and the Franchisee identified below:

1. Item 5 of the FDD, and Section 8.1 of the Franchise Agreement and Section 5.1 of the Area Development Agreement are each amended by the addition of the following language:

The Franchisor has agreed to defer collection of all fees, including initial franchise fees, until the Franchisor has satisfied all of its pre-opening obligations to the Franchisee, and the Franchisee has opened its franchised business and commenced doing business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. Section 15.8 of the Franchise Agreement and Section 11.1 of the Area Development Agreement are each amended by the addition of the following language to the original language that appears therein:

In the State of Illinois the designation of jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action which otherwise is enforceable in Illinois, except that the designation of arbitration in a forum outside of Illinois is permissible. In the State of Illinois the Illinois Franchise Disclosure Act shall prevail in construing and enforcing the Franchise Agreement.

3. Section 41 of the Illinois Franchise Disclosure Act states that "In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provisions purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void."
4. Illinois law governs the Franchise Agreement(s) and the Area Development Agreement.
5. Franchisee's rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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

Tutu School Franchises LLC

By:

\_\_\_\_\_  
Genevieve Weeks, President

FRANCHISEE

By:

\_\_\_\_\_

By:

\_\_\_\_\_

## NEW YORK APPENDIX

1. The following information is added to the cover page of the Franchise Disclosure Document:

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 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.

4. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “**Choice of forum**,” and Item 17(w), titled “**Choice of law**”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## VIRGINIA APPENDIX

The following modifies and amends our Franchise Disclosure Document and Franchise Agreement:

1. The following statements are added to Item 17h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise. If any ground for default or termination stated in the Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

**WASHINGTON APPENDIX**  
**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE**  
**FRANCHISE AGREEMENT AND/OR AREA DEVELOPMENT AGREEMENT**

This addendum applies to all franchise agreements and all area development agreements executed in the State of Washington, and shall be executed in connection with every such agreement governing a franchise in the State of Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such

provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all initial training that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

Because franchisor has material pre-opening obligations with respect to each franchised business Franchisee opens under the Area Development Agreement, payment of the franchise fee will be released proportionally with respect to each franchise outlet opened and is deferred until franchisor has met all its pre-opening obligations under the Agreement and Franchisee is open for business with respect to each such location.

The undersigned does hereby acknowledge receipt of this addendum.

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

Tutu School Franchises LLC

By:

\_\_\_\_\_  
Genevieve Weeks, President

FRANCHISEE

By:

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

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

**LIST OF ACTIVE FRANCHISEES**

**Alabama Franchisees**

Danielle Greco  
Tutu School Montgomery  
2960G Zelda Road  
Montgomery, AL 36106  
(334) 363-3360  
[danielle@tutuschoolmontgomery.com](mailto:danielle@tutuschoolmontgomery.com)

**Arizona Franchisees**

Caroline Taylor  
Tutu School Arcadia  
3184 E Indian School Road  
Phoenix, AZ 95016  
(602) 734-9950  
[twirl@tutuschoolarcadia.com](mailto:twirl@tutuschoolarcadia.com)

Caroline Taylor  
Tutu School Scottsdale  
6969 E. Shea Blvd., Suite 165  
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(602) 734-9950  
[twirl@tutuschoolscottsdale.com](mailto:twirl@tutuschoolscottsdale.com)

**Bay Area California Franchisees**

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(510) 987-8611  
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Whitney Welch  
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Sonya Krawczyk  
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Niroshika De Silva  
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[niroshika@tutuschoolunioncity.com](mailto:niroshika@tutuschoolunioncity.com)

Whitney Welch  
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Tracy Gonzalez  
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Sonya Krawczyk  
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[sonya@tutuschoolwestportal.com](mailto:sonya@tutuschoolwestportal.com)

Christy Pommerien  
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Willow Glen, CA 95125  
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Tracy Gonzalez  
Tutu School San Ramon  
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San Ramon, CA 94583  
(925) 575-9059  
[tracy@tutuschool.com](mailto:tracy@tutuschool.com)

## Southern California Franchisees

Charlene Rawson  
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Carlsbad, CA 92008  
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[charlene@tutuschool.com](mailto:charlene@tutuschool.com)

Tracy Gonzalez  
Tutu School Long Beach  
4234 Atlantic Avenue  
Long Beach, CA 90807  
(562) 352-6455  
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Charlene Rawson  
Tutu School Carmel Valley  
4653 Carmel Mountain Rd, Suite 307  
Carmel Valley, CA 92130  
(619) 213-1998  
[charlene@tutuschool.com](mailto:charlene@tutuschool.com)  
*Opened in 2023*

Kalli Templeton  
Tutu School Murrieta  
39605 Los Alanos Road, Unit E  
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(951) 241-8722  
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*\*Opened in 2023*

### **Georgia Franchisees**

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### **Indiana Franchisees**

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### **Nevada Franchisees**

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## New York Franchisees

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*\*Opened in 2023*

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Alison Ribellino, Kandice Halpin and  
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## North Carolina Franchisees

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## Ohio Franchisees

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## Oregon Franchisees

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## Tennessee Franchisees

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Jennifer Lathanh  
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### Utah Franchisees

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### Washington Franchisees

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### Wisconsin Franchisees

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## Franchisees Who Have Not Yet Opened

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Kalli Templeton  
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Tutu School Eastvale (CA)  
**\*\*NEED INFO\*\***

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Tutu School Irvine (CA)  
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Sonya Krawczyk  
Tutu School Denver  
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Cherry Creek, CO 90206  
(303) 209-0941

Sonya Krawczyk  
Tutu School Parker  
18870 Plaza Drive, Unit 101  
Parker, CO 80134  
(720) 400-7568  
*\*Sold in 2023*

Tutu School South Florida #1 (FL)  
*\*Purchased in 2023*  
**\*\*NEED INFO\*\***

Tutu School South Florida #2 (FL)  
*\*Purchased in 2023*  
**\*\*NEED INFO\*\***

Tutu School Decatur (GA)  
**\*\*NEED INFO\*\***

Alison Ribellino, Kandice Halpin &  
Siobhan Santapaola  
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*\*Sold in 2023*

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Tutu School Long Island  
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Long Island City, NY 11101  
(347) 617-1347  
*\*Sold in 2023*

Lara O'Brien Munoz  
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Raleigh, NC 27601  
(919) 792-8032

Lara O'Brien Munoz  
Tutu School North Raleigh (NC)  
707 E Jones St.  
Raleigh, NC 27601  
(919) 792-8032

Tutu School Akron Area #2 (OH)  
**\*\*NEED INFO\*\***

Tutu School Renton (WA)  
*\*Sold in 2023*

**\*\*NEED INFO\*\***

**EXHIBIT F-2 TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**LIST OF COMPANY-OWNED FRANCHISEES**

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[twirl@tutuschoolchicago.com](mailto:twirl@tutuschoolchicago.com)



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

**LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM**

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(415) 264-2171  
[nbender4@yahoo.com](mailto:nbender4@yahoo.com)

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Tutu School Pleasanton  
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Gale Wysong  
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Tutu School Pleasanton  
Tutu School Saratoga\*  
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**EXHIBIT H TO THE  
TUTU SCHOOL FRANCHISES, LLC  
DISCLOSURE DOCUMENT**

**TABLE OF CONTENTS OF OPERATIONS MANUAL**

Tutu School Franchises LLC: Operations Manual (Total of 93 pages)  
Table of Contents

- I. Introduction
- II. Pre-Opening Requirements
- III. Programs
  - a. Classes
  - b. Ballet Birthday Parties
  - c. Tutu Camp
- IV. Training & Support
  - a. Franchise Training & Support
  - b. Faculty Training
  - c. Franchise Referrals
- V. Setting Up Your Tutu School
- VI. Daily/Weekly/Monthly Operating Procedures
  - a. Communication
  - b. Scheduling
  - c. Registration
  - d. Processing Payment
  - e. Membership Cancellation
  - f. Ballet Birthday Parties
  - g. Site Management
- VII. Website, Email, and CMS
  - a. Website & Email
  - b. Content Management System (CMS)
- VIII. Marketing, Advertising, and Public Relations
  - a. Marketing: Spreading the word about your Tutu School
  - b. Advertising
  - c. Public Relations
  - d. Social Media & Social Media Policy
  - e. Photography & Image Policy
- IX. Special Programs & Events:
  - a. Bravo Bash & Performance
  - b. Parties
  - c. Student Evaluations
  - d. Field Trips
  - e. Miscellaneous Special Events
  - g. Managing Special Events
  - h. Pirouette Newsletter
  - i. Retail Offerings
- X. Grand Opening/How to Launch
- XI. Frequently Asked Questions
- XII. Conclusion

APPENDIX A: Brand Materials (*supplementary digital files*)

APPENDIX B: Style Guide

APPENDIX C: Décor Guide

APPENDIX D: Pricing Suggestion Sheet

APPENDIX E: Content Management System User Guide (*supplementary digital file*)

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

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

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

In consideration of, and as an inducement to, the execution by Tutu School Franchises LLC ("FRANCHISOR") of that certain Franchise Agreement of even date herewith (the "Agreement") between FRANCHISOR and \_\_\_\_\_ ("FRANCHISEE"), or in consideration of and as an inducement to FRANCHISOR's consent to a transfer by or of FRANCHISEE under the Agreement, each of the undersigned parties including: \_\_\_\_\_

\_\_\_\_\_ ("Guarantors") hereby personally and unconditionally: (1) guarantees to FRANCHISOR and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement; and agrees to punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement, and (2) agrees to be personally bound by, and personally liable for the breach of, each and every term, condition, covenant and provision in the Agreement. Each Guarantor expressly represents and acknowledges that he or she has read the Agreement and has had the opportunity to review the same, and this Guaranty, with counsel. Each Guarantor hereby expressly waives:

- (1) acceptance and notice of acceptance by FRANCHISOR, of the foregoing undertakings;
- (2) notice of demand for payment of any indebtedness or non performance of any obligations hereby guaranteed;
- (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed;
- (4) any right he or she may have to require that an action be brought against FRANCHISEE, Guarantor or any other person as a condition of liability;
- (5) any requirement that FRANCHISOR proceed against or exhaust its remedies with respect to FRANCHISEE or any other person before demanding payment or performance by Guarantor; and
- (6) any and all other notices and legal or equitable defenses to which he or she may be entitled.

Each Guarantor consents and agrees that:

- (1) his or her direct and immediate liability under this guaranty shall be joint and several;
- (2) he or she shall render any payment or performance required under the Agreement upon demand if FRANCHISEE fails or refuses to do so punctually;
- (3) such liability shall not be contingent or conditioned upon pursuit by FRANCHISOR of any remedies against FRANCHISEE or any other person;
- (4) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which FRANCHISOR may, from time to time, grant to FRANCHISEE or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be irrevocable during the term of the Agreement; and
- (5) the liability and obligations under this Guaranty and Assumption shall not be diminished, relieved or otherwise affected by any modification by FRANCHISEE and FRANCHISOR of the terms or conditions of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto affixed his signature on the same day and year as the Agreement was executed.

GUARANTOR(S)

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

Signature: \_\_\_\_\_

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

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

Signature: \_\_\_\_\_

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

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

**SPOUSAL CONSENT**

## SPOUSAL CONSENT AND WAIVER

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

Spouse

\_\_\_\_\_

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



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

**ELECTRONIC DEBIT AUTHORIZATION**

## AUTOMATIC PAYMENT PLAN

We are pleased to be able to offer you a new billing convenience – Automatic Payment. Now you can have your payment made directly from your checking or savings account. And, you won't have to change your present banking relationship to take advantage of this service.

### The Automatic Payment plan will help you in several ways:

- It saves time and saves checks
- It will help you meet your billing commitments– even when you're on vacation or out of town
- It's easy to get started, easy to change, and easy to cancel
- It's convenient, timely, and gives peace of mind

### How the Automatic Payment plan works:

You authorize regularly scheduled payments to be made from your checking or savings account. Your payments will be made electronically on the specified day. Proof of payment will appear with your statement.

The authority you give to debit your account will remain in effect until you notify us in writing to terminate the authorization. You can change your payment at anytime by notifying us 5 days prior to any regularly scheduled payments.

The Automatic Payment Plan is worry free, convenient, and easy. To participate in this service, complete the authorization form (part A), select the fund and dollar amount of your payment, and return to us.

A. I authorize \_\_\_\_\_ to initiate debit entries, and in case of error credit entries, to my checking/savings (circle one) account. This authority will remain in effect until I notify you in writing to cancel in such time as to afford the business a reasonable opportunity to act on it. I can stop payment of any entry by written notification 3 days before my account is charged.\*

Name of Financial Institution \_\_\_\_\_

—

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

\_\_\_\_\_

Signature \_\_\_\_\_ Email \_\_\_\_\_

\_\_\_\_\_

Name (Please print)

\_\_\_\_\_

Address

\_\_\_\_\_

Account Number \_\_\_\_\_ Checking  Savings

Financial Institution Routing Number \_\_\_\_\_

### B. Select Payment fund, regularity, and dollar amount:

**General Billing**     \$ \_\_\_\_\_ Amount  
 (Payment date) \_\_\_\_\_     Frequency \_\_\_\_\_

**Other Billing**     \$ \_\_\_\_\_ Amount     Project Name \_\_\_\_\_

(Payment date) \_\_\_\_\_ Frequency \_\_\_\_\_  
 **Special Bill**      \$ \_\_\_\_\_ Amount      Billing Name \_\_\_\_\_  
 (Payment due date) \_\_\_\_\_ Frequency \_\_\_\_\_

\*If you are currently enrolled in the Automatic Payment plan and wish to update your billing information or pay a specific bill no bank information is required. Please provide written information and authorize by signing below:

Signature \_\_\_\_\_

OFAC Compliance

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

**STATE EFFECTIVE DATES**

## STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	(Pending)
Illinois	(Pending)
New York	(Pending)
North Carolina (one-time filing)	April 11, 2013
Texas (one-time filing)	March 12, 2014
Washington	(Pending)
Wisconsin	(Pending)

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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

**RECEIPTS**

**RECEIPT  
(YOUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. If Tutu School Franchises, LLC offers you a franchise, Tutu School Franchises LLC must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

If Tutu School Franchises LLC offers you a franchise subject to the franchise laws of Indiana or Michigan, Tutu School Franchises LLC must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Tutu School Franchises LLC offers you a franchise subject to the franchise laws of New York or Oklahoma, Tutu School Franchises LLC must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Tutu School Franchises, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise:

Genevieve Weeks	Name
4212 N. Damen Avenue	Address
Chicago, IL 60618	Address
(415) 734-8840	Phone

Issuance Date: March 8, 2023	
Effective Dates	See Exhibit L

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

This Disclosure Document includes the following exhibits:

- Exhibit A Financial Statements
- Exhibit B Franchise Agreement
- Exhibit B-1 Franchise Application
- Exhibit C Area Development Agreement
- Exhibit D List of State Administrators and Agents for Service of Process
- Exhibit E State Addenda
- Exhibit F-1 List of Active Franchisees
- Exhibit F-2 List of Company-Owner Franchisees
- Exhibit G List of Franchisees Who Have Left the System
- Exhibit H Table of Contents of System Manual
- Exhibit I Owner's Guaranty and Assumption of Franchisee's Obligations
- Exhibit J Spousal Consent
- Exhibit K Electronic Debit Authorization
- Exhibit L State Effective Dates
- Exhibit M Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

**KEEP THIS COPY FOR YOUR RECORDS.**



**ITEM 23  
RECEIPT  
(OUR COPY)**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully. If Tutu School Franchises, LLC offers you a franchise, Tutu School Franchises LLC must provide this disclosure document to you fourteen (14) calendar days before you sign a binding agreement or make a payment to us or an affiliate in connection with the proposed franchise sale except:

If Tutu School Franchises LLC offers you a franchise subject to the franchise laws of Indiana or Michigan, Tutu School Franchises LLC must provide this disclosure document to you by the earliest of:

1. Ten business days before signing of a binding agreement; or
2. Ten business days before payment to us; or
3. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Tutu School Franchises LLC offers you a franchise subject to the franchise laws of New York or Oklahoma, Tutu School Franchises LLC must provide this disclosure document to you by the earliest of:

1. The first personal meeting to discuss our franchise; or
2. Ten business days before signing of a binding agreement; or
3. Ten business days before payment to us; or
4. Fourteen calendar days before signing a binding agreement or making a payment to us.

If Tutu School Franchises, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and your state agency.

The name, principal address and telephone number of each franchise seller offering the franchise:

Genevieve Weeks	Name
4212 N. Damen Avenue	Address
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- Exhibit K Electronic Debit Authorization
- Exhibit L State Effective Dates
- Exhibit M Receipts

Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Date: \_\_\_\_\_ Signature: \_\_\_\_\_ Printed Name: \_\_\_\_\_

**Please sign this copy of the receipt, date your signature, and return it to:**

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

**Address:** \_\_\_\_\_

**Telephone Number:** \_\_\_\_\_