



# FRED ASTAIRE

DANCE STUDIOS®

**FRANCHISE DISCLOSURE DOCUMENT**

**FADS USA, INC.  
(F/K/A MEGADANCE USA CORP.)**

## FRANCHISE DISCLOSURE DOCUMENT



Franchisor:  
FADS USA, Inc.  
A Delaware corporation  
151 Hazard Avenue, Suite 12-13  
Enfield, Connecticut 06082  
413-567-3200  
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[www.fredastaire.com](http://www.fredastaire.com)

FADS USA, Inc. (f/k/a Megadance USA Corp.) (“**FADSU**”) offers franchises for the operation of a studio that offers dance and dance fitness classes under the FRED ASTAIRE DANCE STUDIOS® mark (a “**Studio**”). The total investment necessary to begin operation of a FRED ASTAIRE DANCE STUDIOS® franchised business is \$285,200 to \$617,700. This includes \$46,000 to \$73,000 that must be paid to the franchisor or its affiliates. In addition, if you enter into a Development Agreement, you must pay us a development fee equal to \$70,000 to \$150,000 depending on the number of Studios that you commit to developing.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Legal Department at 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082 (Tel: 413-567-3200) or at [legal@fredastaire.com](mailto:legal@fredastaire.com).

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 accountant.

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

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

Issuance Date: May 2, 2023

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits G, H & I.
<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 E 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 Fred Astaire Dance Studios 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 Fred Astaire Dance Studios franchisee?</b>	Item 20 or Exhibits G, H & I list 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 delegates. These items may be more expensive than similar items you could buy or 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 the 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 A.

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 risks be highlighted:

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Connecticut. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate, or litigate with the franchisor in Connecticut than in your own state.
2. **Spousal Liability**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps your house, at risk if your franchise fails.
3. **Sales Performance Required**. You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Mandatory Minimum Payments**. You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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

To simplify the language in this Disclosure Document, “we,” “us” or “our” means FADS USA, Inc., the franchisor. “You” or “your” means the person or persons who buy(s) the franchise. If you are a corporation, partnership, limited liability company or other legal entity, certain provisions of the Franchise Agreement will apply to your owners. This Disclosure Document will indicate when your direct and indirect owners are also covered by a particular provision (See **Item 15**).

### **Franchisor**

We are a Delaware corporation incorporated on January 10, 1995. We initially were formed under the name Megadance USA Corp., and we changed our name to FADS USA, Inc. in March 2018. We do business under our company name (FADS USA, Inc.) and under the trade and service mark FRED ASTAIRE DANCE STUDIOS® and related trademarks, service marks and logos listed in **Item 13** (the “**Marks**”). Our principal business address is 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082. Our agents for service of process and state administrators, if applicable, are listed in **Exhibit A** to this Disclosure Document.

Dance studios operating under the Marks are referred to in this Disclosure Agreement as “**Studios**.” Studios that are independently owned and operated by third party franchisees are referred to in this Disclosure Document as “**Franchised Studios**.” As of the date of this Disclosure Document, neither we nor any of our affiliates operate any company-owned or affiliate-owned Studios. As of December 31, 2022, there were 217 Franchised Studios operating in the United States and 8 Franchised Studios operating in 8 other countries. We are not engaged in any other business activities and have never offered franchises in any other lines of business, except our Subfranchisor Program (which we have discontinued) and our Area Representative Program (both are described below).

We also own and operate the Life’s Better When You Dance and Online Trophy System video platforms offering exercise, dance, technique, and curriculum-based videos to students and members of the public. In addition, we operate a Dance Store E-commerce website.

### **Parents, Predecessors and Affiliates**

We are a wholly owned subsidiary of Fred Astaire Dance of North America, Inc., a Delaware corporation incorporated on February 8, 1993 (“**FADNA**”). FADNA is a wholly owned subsidiary of FADS Holding, LLC (“**FADS Holdco**”), a Delaware limited liability company. The name and principal business address of each of the companies that directly or indirectly control us, our affiliates and our parent company are:



<b>Name of Company</b>	<b>Principal Business Address</b>	<b>Ownership or Control of Company</b>
<u>Fred Astaire Dance of North America, Inc.</u> A Delaware corporation incorporated on February 8, 1993	151 Hazard Avenue Suite 12-13 Enfield, CT 06082	Wholly owned subsidiary of FADS Holding, LLC
<u>FADS Holding, LLC</u> A Delaware limited liability company formed on September 19, 2017	151 Hazard Avenue Suite 12-13 Enfield, CT 06082	Parent Company

Before we were formed on January 10, 1995, the franchisor for the Studios was our affiliate, Fred Astaire Dance Studios, Inc., a Florida corporation incorporated on September 17, 1964 (“**FADS IP Holder**”). FADS IP Holder was originally incorporated under the name Ronby Corp. In February 1995, FADS IP Holder assigned all of its interests in its existing franchise, subfranchise and area representative agreements to us. Before FADS IP Holder served as the franchisor for the Studios, Fred Astaire Dance Studios Corporation (“**FADSC**”), a Florida corporation incorporated on January 4, 1963, served as the franchisor. In 1969, FADSC assigned all of its interests in its existing franchise, subfranchise and all other agreements to FADS IP Holder.

Each of the affiliated entities shown in the table below was formed in order to hold certain assets of or perform certain activities on behalf of the FRED ASTAIRE DANCE STUDIOS® brand, as applicable. All of our affiliates maintain their offices at 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082 (Tel: 413-567-3200).

<b>Affiliate</b>	<b>Primary Purpose</b>
<u>Fred Astaire Dance Studios, Inc.</u> A Florida corporation incorporated on September 17, 1964	Holder of certain FRED ASTAIRE DANCE STUDIOS® intellectual property assets.
<u>Fred Astaire Dance International Corp.</u> A Florida corporation incorporated on February 9, 2011	Holder of certain FRED ASTAIRE DANCE STUDIOS® intellectual property assets and is the franchisor for Studios in certain foreign jurisdictions.
<u>FADS International, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Conducts certain international business relating to the FRED ASTAIRE DANCE STUDIOS® brand.
<u>Fred Astaire Dance Board, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Certifies and licenses third parties to use certain intellectual property to (i) examine, test and certify students; (ii) examine, test and certify instructors; and (iii) judge at FRED ASTAIRE DANCE STUDIOS® branded competitions and events according to our standards.

Affiliate	Primary Purpose
<u>FADS Distribution, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Acts as approved supplier or vendor for certain items and services used in the operation of Studios and manages required and approved supplier and vendor arrangements
<u>FADS Events, LLC</u> A Delaware limited liability company formed on January 31, 2019	Organizes certain FRED ASTAIRE DANCE STUDIOS® branded competitions, events, conferences and related activities.
<u>FADS CHC, Inc. (“CHC”)</u>	In 2023, we are launching a prepaid lesson liability program and will form this entity. Once launched, franchisees must pay CHC to maintain an escrow account to be used for prepaid lesson refunds.
<u>FADS CIG LLC (“CIG”)</u>	In 2023, we are launching a prepaid lesson liability program and will form this entity. Once launched, franchisees must pay CIG for captive market insurance to cover refunds for pre-paid lessons.

We did not have any predecessors during the 10-year period immediately before the close of our most recent fiscal year.

**The Buyout Transaction**

On September 27, 2017, FADS Global, LLC completed a leveraged buyout transaction to acquire a controlling ownership interest in FADNA. As part of the buyout transaction, some of our assets and those of some of our affiliates (including payments under certain subfranchisor agreements) were pledged as security for repayment of notes.

**The Business and Franchises Offered**

We are offering, under the terms of this Disclosure Document, the opportunity to become a franchisee to develop and operate a Studio (as defined above). A Studio specializes in dance and dance fitness classes led by our trained instructors (“**Astaire Pros**”). We market our classes to customers of all ages and economic levels, but we target adults between the ages of 18 and 75. Our current form of Franchise Agreement is attached as **Exhibit B** to this Disclosure Document.

A Studio operates under the Marks. We may designate other trade names, service marks and trademarks as Marks.

A Studio operates under a prescribed system of specifications and operating procedures that we have developed and will continue to develop (the “**FADS System**”). The distinguishing characteristics of the FADS System include, but are not limited to, our studio designs, layouts and identification schemes (collectively, the “**Trade Dress**”), our specifications for equipment,

inventory and accessories; our dance and dance fitness programs and classes; our website or series of websites for the Studios (the “**FADS System Website**”); our relationships with vendors; our software and computer programs, including, but not limited to, our proprietary studio operations software; our booking system; the accumulated experience reflected in our training program, operating procedures, customer service standards and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules and requirements (the “**FADS System Standards**”) set out in our operations manuals (the “**Manuals**”) and otherwise by us in writing. We may change, improve, add to and further develop the elements of the FADS System from time to time.

A typical Studio occupies approximately 2,000 to 4,500 square feet of space that may be either owned or leased from a third party at a mutually agreed upon site (the “**Site**”) within an area (the “**Site Selection Area**”) that we will specify in your Franchise Agreement. All Studios are constructed to our specifications as to size, layout, décor and the like. Studios are typically located in a metropolitan area or surrounding suburbs, and proximity to high traffic areas is desirable. A Studio may be located in a freestanding building or in an in-line retail plaza space. Ample parking, good visibility and availability of prominent signage are necessary for a Studio.

You will have no obligation, and you will not have any right, to open any additional Studios. Under the Franchise Agreement, you do not have the right to use the Marks or the FADS System at any location other than the Site or to use the Marks or the FADS System in any wholesale, e-commerce or other channel of distribution other than the operation of the Studio at the Site. We and our affiliates have the right to use, or license the use of, the Marks, or any other trademark or service mark, in your designated area of responsibility. See **Item 12**.

If you are a corporation, limited liability company, partnership or other legal entity, you must designate an Owner with at least a 10% ownership interest in you as your “**Operating Principal**.” The Operating Principal must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. In addition, you must appoint a trained manager (the “**Key Manager**”) to manage the day-to-day business of your Studio. Your Key Manager and your Operating Principal may be the same individual. If you are an entity, all owners of a legal or beneficial interest in the entity are referred to as “**Owners**” for purposes of this disclosure document.

### **Development Program**

In addition, for qualified franchisees who desire the right to develop multiple Studios within a designated territory (the “**Development Area**”) and meet certain conditions, we offer the opportunity to enter into a Development Agreement with us (the “**Development Agreement**”) to develop a mutually agreed upon number of Studios in accordance with a development schedule specified in the Development Agreement (the “**Development Schedule**”). Our current form of Development Agreement is included as **Exhibit C** to this Disclosure Document.

By each “**Fee Deadline**” specified in the Development Schedule, you must have delivered to us the Training Fee (as defined in **Item 5**) and a signed copy of our then-current standard form of Franchise Agreement, which may contain terms and conditions that are materially different than

the form of Franchise Agreement that is attached as **Exhibit B** to this Disclosure Document. If you fail to open and continue to operate the required number of Studios in accordance with the mutually agreed Development Schedule, we will have the right to terminate the Development Agreement. If the Development Agreement is terminated, you will lose all of your rights to develop the Development Area and the initial fees paid for any Studios for which Franchise Agreements have not been signed. However, the Franchise Agreement for each Studio which has been opened will not be terminated solely by reason of the termination of the Development Agreement.

Unless you sign a Development Agreement, you have no obligation, nor do you have any right, to open any additional Studios.

### **Area Representative Program**

In a separate disclosure document, we offer qualified parties the opportunity to operate as a FRED ASTAIRE DANCE STUDIOS® area representative (an “**Area Representative**”). An Area Representative operates an area business in accordance with an Area Representative Agreement with us. Area Representatives recruit individuals interested in purchasing Franchises from us and assist us in providing certain support and services to Franchises located in a designated area. Area Representatives are also required, unless waived by us in writing, to operate at least one Studio pursuant to a Franchise Agreement.

If we have appointed, or appoint in the future, an Area Representative to operate an area business in the area in which your Studio is located, the Area Representative may provide training, support, marketing and other services to you on our behalf. The Area Representative will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement. We may, without your consent, appoint an Area Representative or a substitute for the Area Representative at any time. Information about our current Area Representatives is attached as **Exhibit I**.

### **Subfranchisor Program**

We previously offered, and neither we nor any of our affiliates currently offer, qualified parties the opportunity to operate as a FRED ASTAIRE DANCE STUDIOS® subfranchisor (a “**Subfranchisor**”). A Subfranchisor operates a subfranchise business in accordance with a Subfranchisor Agreement with us. Subfranchisors recruit individuals interested in purchasing franchises from the Subfranchisor (a “**Subfranchise**”) pursuant to a Subfranchise Agreement.

If a Subfranchisor operates a subfranchise business in the area in which your Studio is located, the Subfranchisor is responsible for providing you training, support, marketing and other services pursuant to the Subfranchise Agreement between you and the Subfranchisor.

### **Competition**

The market for dance and dance fitness classes is competitive. Competition for FRED ASTAIRE DANCE STUDIOS® dance classes is primarily from local dance studios, and those local dance studios may be franchisees or licensees of other national or regional chains, such as

Arthur Murray Dance Studio®. Competition for FRED ASTAIRE DANCE STUDIOS® dance fitness classes is primarily from the general physical fitness industry, including health clubs, gymnasiums, yoga and Pilates studios and other fitness and workout programs. The market for our services is year-round, but the market will fluctuate to some degree depending on the time of the year.

### **Industry Specific Regulations**

You will have to comply with the laws and regulations that are applicable to businesses generally, including workers' compensation, OSHA and the Americans with Disabilities Act. You will have to comply with laws applicable to dance studios (and, if you offer dance fitness classes, health and fitness clubs), requiring registration of the facility, requiring bonds if a facility sells memberships valid for more than a specified period of time, requiring facility owners to deposit into escrow certain amounts collected from customers before the facility opens or services are provided, imposing other restrictions on memberships and class packages that facilities may sell, requiring financial disclosures to customers and requiring compliance with consumer protection requirements.

In addition, you must comply with the terms and conditions of the Federal Trade Commission Modified Order, Docket No. 8560 (the "**FTC Modified Order**"). The FTC Modified Order is attached as **Exhibit E** to our current form of Franchise Agreement, and our current form of Franchise Agreement is **Exhibit B** to this Disclosure Document.

Federal, state and local governmental laws and regulations periodically change. It is your responsibility to learn and comply with all federal, state and local governmental laws and regulations. You should investigate these laws and regulations, and you should consult with your attorney about laws and regulations that may affect your Studio.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Luann Pulliam: Chief Executive Officer, President & Board Member**

Ms. Pulliam, who is also known as Patricia Luann Pulliam-Trillegi, has been our Chief Executive Officer, President and a member of our Board of Directors since September 2017. From September 1996 to September 2010, Ms. Pulliam served as our one of our National Dance Directors. Ms. Pulliam was a co-owner of ALX of Ft. Walton Beach, Florida, Inc., which is based in Fort Walton Beach, FL and serves as our subfranchisor for certain territory in Florida from October 1995 to December 2016, and Ms. Pulliam has been the vice-president of ALX of Ft. Walton Beach, Florida, Inc. since December 2016. Ms. Pulliam was a co-owner of B J Corp. of Fort Walton Beach, Inc., which is based in Fort Walton Beach, FL and is one of our subfranchised studios, from January 1983 to September 2017. Additionally, Ms. Pulliam has been the owner and president of North Florida Coast Inc., which is based out of Shalimar, FL and serves as our subfranchisor for certain territory in Florida, from March 2021 to the present. Ms. Pulliam has been the owner and manager of South Citrus Coast LLC, which is based out of Shalimar, FL and serves as our subfranchisor for certain territory in Tampa Bay, FL from February 2022 to the present. Ms. Pulliam serves in her present capacities in Fort Walton Beach, FL.

**Gaetano Noce: Vice President, Chief Operating Officer, Chief Development Officer & Board Member**

Mr. Noce, who is also known as John Gates, has been our Chief Operating Officer, Chief Development Officer, one of our Vice Presidents and a member of our Board of Directors since September 2017. From September 2013 to September 2017, Mr. Noce served as our National Competition Director. Mr. Noce previously served on the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., from November 2016 to September 2017. Additionally, Mr. Noce has been a co-owner and a managing member of Dance Works of Wisconsin, LLC, which is based in Pewaukee, WI and serves as our subfranchisor for the State of Wisconsin, since January 2005. Mr. Noce serves in his present capacities in Pewaukee, WI.

**Stephen Knight: Vice President, Chief Dance Director & Class Experience Officer & Board Member**

Mr. Knight has been our Chief Dance Director & Class Experience Officer, one of our Vice Presidents and a member of our Board of Directors since September 2017. From September 2012 to September 2017, Mr. Knight served as our National Dance Director. Mr. Knight previously served on the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., from November 2013 to October 2014. Additionally, Mr. Knight has been a co-owner and a managing member of Dance Works of Wisconsin, LLC, which is based in Pewaukee, WI and serves as our subfranchisor for the State of Wisconsin, since January 2005. Mr. Knight serves in his present capacities in Pewaukee, WI.

**John Dearing II: Chief Financial Officer**

Mr. Dearing has served as our Chief Financial Officer since September 2017. Mr. Dearing joined us in January 2012 and has held various positions within our financial department since that time. Mr. Dearing serves in his present capacities in Enfield, CT.

**Pahjmon Lipsey: Vice President of Franchising and Business Development**

Mr. Pahjmon Lipsey has been our Vice President of Franchising and Business Development since August 2019. From July 2004 to June 2019, Mr. Lipsey served as the chief executive officer and director of Jadcyn, Inc. in Humble, Texas. Mr. Lipsey serves in his present capacities in Houston, TX.

**Susan Clark: Director, Branding & Design**

Ms. Clark has been our Director, Branding & Design since March 2018. Ms. Clark joined us in November 2013 as our Art Director. From April 2011 to November 2013, Ms. Clark was Senior Graphic Designer for Nutmeg Exhibit Co., Inc., a company specializing in the design and fabrication of trade show displays based in Windsor, Connecticut. Ms. Clark serves in her present capacities in Enfield, CT.

### **Jessica Lengenfelder: Director, Events & Competitions**

Ms. Lengenfelder has served as our Director, Events & Competitions since September 2017. Prior to that, Ms. Lengenfelder served as the Director of Operations of our affiliate, Fred Astaire Dance Studios, Inc., from February 2015 to September 2017. Ms. Lengenfelder has been the co-owner and president of In the Swing, Inc., which is based in West Hartford, CT and is one of our subfranchised studios, since May 2001. Ms. Lengenfelder serves in her present capacities in Enfield, CT.

### **Tobias von Dein: Director, Studio eLearning**

Mr. von Dein has been our Director, Studio eLearning since March 2018. Mr. von Dein joined us in March 2014 as our Product Development Manager. Prior to that, Mr. von Dein served as the Marketing Manager for Florian Properties LLC, a property management company based in Southington, CT, from November 2013 to March 2014. From September 2007 to November 2013, Mr. von Dein served as the Manager of In Harmony 2 LLC, which was the operating company for one of our Franchised Studios in South Windsor, CT. Mr. von Dein serves in his present capacities in Enfield, CT.

### **Danny Joy: Director of World Cup Series Events and National Competition Director**

Mr. Joy has been our Director, World Cup Series Events and National Competition Coordinator since November 2018. Mr. Joy has served as the Chairman of Judges for all three Fred Astaire Dance Studios national events since April 2015, and since 1999 has been a member of the National Dance Council of America, Inc. Additionally, Mr. Joy was the owner of Tampa Bay Area Development Association, Inc., which was based in St. Petersburg, FL and served as our subfranchisor for certain territory in Florida, from December 2002 to December 2018. Mr. Joy serves in his present capacities in St. Petersburg, FL.

### **Rae Aguila: Board Member**

Ms. Aguila, who is also known as Rae Josephs, has served on our Board of Directors since September 2017. Since November 2013, Ms. Aguila has previously served as a member of the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., multiple times. Ms. Aguila has been the owner and chief executive officer of Great Lakes Franchising, Inc., which is based out of St. Charles, IL and serves as our subfranchisor for certain territory in Illinois, from January 2005 to the present. Additionally, Ms. Aguila has served as an adjudicator for the National Dance Council of America, Inc. from January 1998 to the present.

### **Charles Penatello: Board Member**

Mr. Penatello has served on our Board of Directors since September 2017. Since November 2014, Mr. Penatello has previously served multiple times on the board of directors of our parent entity, Fred Astaire Dance of North America, Inc. Mr. Penatello has served as the co-owner, president and chief executive officer of CJ Dance Enterprises, LLC, which is based in East Stroudsburg, PA and serves as our subfranchisor for the State of New Jersey, since February 2009.

Additionally, Mr. Penatello has served as an adjudicator for the National Dance Council of America, Inc. from March 1985 to the present, and Mr. Penatello has served as an international adjudicator for the World Dance Council, Ltd. from March 1985 the present.

### **Elizabeth Joy: Board Member**

Ms. Joy has served on our Board of Directors since January 2019. Ms. Joy has served as the co-owner and President of Tampa Bay Area Development Association Inc., which is based in St. Petersburg, FL and served as our subfranchisor for the Tampa Bay, Florida Area, from September 2003 to December 2018. Additionally, Ms. Joy was a co-owner of Phupica Corporation which is based in St. Petersburg, FL which operated a Fred Astaire Studio, from May 1990 to March 2015. Since 1999, Ms. Joy has been a member of the National Dance Council. Ms. Joy serves in her present capacities in St. Petersburg, FL.

## **ITEM 3 LITIGATION**

### **Prior Actions**

*Rick Lavinsky, et al. v. Fred Astaire Dance Studios, Inc., et al.*, Civil Action No. 2010-CV-01584 (Fairfield County, Ohio). On December 29, 2010, plaintiffs, Rick Lavinsky and Peggy Lavinsky, filed a complaint in Ohio state court against us and related entities, including a subfranchisor and a former franchisee. Plaintiffs were customers of a franchisee located in Lancaster, Ohio. The claims include: violation of the Ohio Consumer Sales Practices Act, fraud, negligent misrepresentation, violation of Ohio's RICO statute, civil conspiracy, and respondeat superior. Plaintiffs allege, among other things, that we were negligent and failed to prevent a former franchisee's allegedly wrongful acts with respect to the sale of dance services. Plaintiffs sought over \$100,000.00 in damages. Without any admission of liability, the parties have settled this litigation pursuant to a settlement agreement dated October 10, 2013. In exchange for the plaintiffs dismissing all claims, the subfranchisor paid \$150,000 to plaintiffs while we, along with FADS and FADNA, paid \$75,000 to plaintiffs.

### **Franchisor Initiated Litigation**

*None*

### **Governmental Actions**

#### *FTC Modified Consent Order*

The Fred Astaire Dance Studios Corporation ("**FADSC**"), one of our predecessors as a franchisor of the mark FRED ASTAIRE DANCE STUDIOS® and certain franchisees in the Washington, D.C. area, entered into a 1964 Cease and Desist Order, Docket No. 8560 (the "**1964 Order**") with the Federal Trade Commission (the "**FTC**") concerning sales practices related to the sale and refunding of prepaid dance lessons. In 1989 the FTC and Ronby Corporation, a successor to FADSC and a predecessor to FADS IP Holder (see **Item 1**), reached an understanding to modify the 1964 Order (the "**Modified Order**"). The Modified Order applies to us and our affiliates and places obligations on all Studios concerning, among other things, the handling of prepaid moneys



and procedures for cancellation and refunding of prepaid moneys. The Modified Order prohibits, among other things, certain sales techniques used to induce the purchase of dance instruction, including “relay salesmanship” and any promise that instruction will enable a student to achieve a given standard of dancing proficiency. The Modified Order also requires, among other things, that Studios allow dance students to cancel dance instruction contracts and provide refunds, subject to terms set forth in the Modified Order.

The Modified Order is **Exhibit E** to the Franchise Agreement, which is **Exhibit B** to this Disclosure Document.

#### *Virginia Settlement Order*

On December 20, 2016, we entered into a Settlement Order (the “**Order**”) in Case No. SEC-2016-00057 (the “**Case**”) with the Commonwealth of Virginia, State Corporation Commission’s Division of Securities and Retail Franchising (the “**Division**”). The Case involved allegations that we had sold an unregistered franchise in Virginia during April 2015. Without admitting or denying the allegations, we agreed to pay the Commonwealth of Virginia \$4,500 in settlement and \$3,000 to defray the costs of the investigation. We also agreed to provide a copy of the Order to each Virginia Franchisee and further agreed not to violate the Virginia Retail Franchising Act in the future. In return, the Division has dismissed the Case.

See **Exhibit I** for information regarding our Area Representatives.

Other than the above, no litigation is required to be disclosed in this Item.

#### **ITEM 4      BANKRUPTCY**

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

See **Exhibit I** for information regarding our Area Representatives.

#### **ITEM 5      INITIAL FEES**

##### **Franchise Fee**

The initial franchise fee (the “**Franchise Fee**”) for a single Studio ranges from \$30,000 to \$50,000 based upon the location of the Studio and the cost of living of the area in which your Studio is located. The Franchise Fee is due upon execution of the Franchise Agreement.

If we determine that you are financially and operationally qualified to develop multiple Studios, we may offer you the opportunity to enter into a Development Agreement, in which you will commit to develop a certain number of Studios that you and we determine to be appropriate. If you enter into a Development Agreement, the Franchise Fee will vary based on the number of Studios that you commit to develop. Based on the number of Studios you commit to develop, the Franchise Fee per Studio ranges from \$15,000 to \$35,000.

## **Development Fee**

If you enter into a Development Agreement, you must pay us a development fee equal to the sum of the Franchise Fees due for each Studio that you agree to develop (the “**Development Fee**”). The Development Fee will **range** between \$70,000 to \$150,000 if you commit to develop between 2 to 10 Studios. The low range is based on a commitment to develop 2 Studios (in which case the Franchise Fee under each Franchise Agreement would be \$35,000 per Studio). For each additional Studio you commit to develop under the Development Agreement, we will reduce the Franchise Fee by \$2,500 per Studio for up to 10 Studios. The high range is based on a commitment to develop 10 Studios (in which case the Franchise Fee under each Franchise Agreement would be \$15,000 per Studio). The Development Fee is due upon execution of the Development Agreement, and will be applied to the Franchise Fee for each Studio developed pursuant to the Development Agreement. In 2022, we collected \$90,000 in Development Fees and rebated \$12,000 in Development Fees.

## **Training Fee**

In addition to the Franchise Fee, you must pay us an initial training fee of \$5,000 (the “**Initial Training Fee**”) upon execution of the Franchise Agreement for the cost of providing our initial training program to your Operating Principal and your Key Manager (the “**Required Trainees**”). The Initial Training Fee includes the cost of up to two trainees attending a single session. You are responsible for the travel and living expenses of your trainees and for training fees incurred by subsequent trainees, replacement trainees or trainees that retake the program. The initial training program is described in more detail in **Item 11**. If your Operating Principal or Key Manager have worked in or been affiliated with the FADS System for at least the past 3 consecutive years, (i) we may, in our sole discretion, waive your all or part of your Initial Training; and (ii) we will waive \$2,500 of the Initial Training Fee per Required Trainee (for example, if your Key Manager has 3 consecutive years of affiliation with the FADS System, but your Operating Principal does not, then your Initial Training Fee is \$2,500). If you enter into a Development Agreement, you must pay us the Initial Training Fee for each Studio that you develop pursuant to the Development Agreement at the time each Franchise Agreement is signed.

## **Required Purchases**

Before you open your Studio, you will purchase approximately \$1,000 in supplies, marketing materials and equipment from us and our affiliates. In addition, you must purchase certain components of the Studio Management and Technology System from FADS Distribution, Inc. (“FADSD”), including the software. We estimate that the total cost to purchase the Studio Management and Technology System will range from approximately \$15,000 to \$20,000.

## **Opening Extension**

If you request our approval to open your Studio after the Opening Deadline, and we approve your request, you must pay us an opening extension fee of \$2,000 for each month (or portion of a month) for which the Opening Deadline is extended. We may require you to execute a general release as a condition for us agreeing to such an extension. Your “**Opening Deadline**”

is the earlier of: (a) 180 days after possession of the Site is delivered to you by your landlord; or (b) 270 days after the effective date of the Franchise Agreement.

The fees disclosed in this Item 5 are not refundable under any circumstances. Except as described above, these fees are uniform for all franchisees and must be paid in a lump sum.

## ITEM 6 OTHER FEES

TYPE OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Royalty Fee	7% of your Gross Revenue for the preceding week.	Weekly within seven calendar days after the end of each calendar week	See the definition of Gross Revenue. <sup>(2)</sup> We will debit your business bank account for the Royalty Fee due. Your first Royalty Fee payment is due in the first full week after the date your Studio opens and shall be paid based on Gross Revenue accrued prior to the opening date and during your first full or partial week of operations.  If you fail to report or generate Gross Revenues for 3 consecutive weeks, the Royalty Fee will be equal to the average weekly Royalty Fee owed during the 12-month period immediately preceding the calendar month in which the failure to report or generate Gross Revenues occurred.
Performance Royalty Fee <sup>(3)</sup>	The difference between the amount of Royalty Fees actually paid and the amount of Royalty Fees you would have paid if you had met your minimum performance levels	Within 10 days of demand	You are responsible for the payment of Royalty Fees to us even if your minimum performance levels have not been met.
Renewal Fee	50% of your original Franchise Fee	Upon execution of a renewal Franchise Agreement	Payable if you renew your Franchise Agreement. There are other conditions to renew.
Advertising Fees	Currently \$100, may increase up to \$200 in 2023	Monthly	You will pay to us the Advertising Fees with respect to each calendar month. We reserve the right to increase the Advertising Fees once annually, and by no more than \$100 per increase, by providing you with written notice of any change at least 180 days prior to the implementation. The Advertising Fees are due and payable by the 7th day of each month for the prior month.

<b>TYPE OF FEE<sup>(1)</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Technology Fee	Currently, \$50 per week for the first year of the initial term; \$75 per week for the second year of the initial term; and \$100 per week for the third year and each subsequent year of the initial term, subject to change annually in increments of \$25 upon written notice to you	Weekly	We begin charging the Technology Fee once you open your Studio. The Technology Fee currently includes fees related to your access to and usage of our proprietary studio operational software; our franchise relationship management software; our customer relationship management software; our proprietary learning management system; our FADS System website; server hosting and data protection; internet domain names and e-mail addresses; and any mobile applications that we develop. We may add, delete or otherwise modify the products and services that are included in the Technology Fee. The cap for the Technology Fee is \$250 per week
Initial Licensing Fees	Then-current fee	Within 10 days of demand	FADSD does not currently charge any fees for the acquisition or initial licensing of the studio management software or learning management system, but FADSD reserves the right to charge initial licensing fees in the future.
PCI Compliance Program	Then-current fee	Within 10 days of demand	You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program.
Transfer Fee	The greater of \$4,000 or 2% of the purchase price for any transfer resulting in a change of control; \$2,500 for non-change of control transfers and transfers to entities for convenience of ownership	\$4,000 nonrefundable deposit due with written notice of proposed change of control transfer, and the balance is due at closing of the change of control; non-change of control transfer fees are due at closing of the transfer	No Transfer Fee is due for transfers to a trust or transfers upon death or incapacity.
Relocation Fee	\$2,500	Within 10 days of demand	Payable if you relocate your Studio from the Site to a new location.
Non-Compliance Fee	\$150	Within 10 days of demand	Beginning January 1, 2022, we may assess a non-compliance fee for violations of the Franchise Agreement or the Manuals, and we reserve all other rights and remedies.

TYPE OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Interest and Late Fees	10% per annum (or the maximum rate permitted by law if less than 10%) calculated from the due date until paid and compounded weekly, plus \$25 for each week or portion of a week that a payment is paid after the due date for the payment specified	On demand when amount owed becomes past due	Required whenever a payment to us is made after its due date.
Initial Training for Additional or Replacement Trainees	Currently, \$2,500 per trainee	Within 10 days of demand	We provide initial training to 2 trainees as part of the Initial Training Fee. We require the initial training of your Operating Principal and Key Manager. We may charge you a fee for training (i) each person in excess of 2 trainees; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent Operating Principal, Key Manager or employee who attends the course. We may increase the amount we charge for additional or replacement training upon 90 days' written notice to you. You are responsible for travel and living expenses incurred during training.
Optional Training Programs	Varies based on program	Prior to attending any optional training program	We may charge you a reasonable fee for optional training programs that we may provide.
Remedial Training Fee	Currently, \$500 per day or partial day	Within 10 days of demand	We may periodically require you, your employees or your Required Trainees to attend and complete to our satisfaction any supplemental, refresher or remedial training programs we provide. We may increase the amount we charge for Remedial Training.
Consulting Fee	Currently, \$500 per employee or agent for each full or partial day, plus any travel and living expenses for each employee or agent	Within 10 days of demand	Payable if we (or one of our agents) provides requested consulting services in person at a place other than our offices (or the offices of one of our agents). We may increase the amount we charge for Consulting Fees.
Continuing Business Education Fee	Currently, \$250 per hour per person trained	Within 10 days of demand	We require you and your Operating Principal to obtain twenty-four (24) hours of business education every 2 years following the completion of Initial Training. If you fail to obtain all 24 hours of business education, we may require you and your Operating Principal to attend business education classes provided by us or one of our affiliates. We may charge a reasonable, market-rate hourly fee for business education classes that we or our affiliates provide.

TYPE OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Required Conferences	Reasonable registration fee	Prior to attending any required conference; within 10 days of demand for failure to attend any required conference	We will charge a reasonable, market-rate registration fee for you and your Required Trainees for any conferences or meetings that we require you to attend. The amount may vary from conference to conference based on the costs and expenses that we expect to incur and the vendor contributions we expect to collect. You are responsible for the travel and living expenses of you and your employees.
Temporary Key Manager	Currently, the sum of (i) the actual costs and expenses incurred; and (ii) the temporary Key Manager's salary and travel and living expenses.	Within 10 days of demand	Payable if we provide a Key Manager to work at your Studio, after the departure of your previous Key Manager, until a new Key Manager is hired and trained.
Temporary Astaire Pro	Currently, \$500 per Astaire Pro for each full or partial day, plus their travel and living expenses	Within 10 days of demand	Payable if we provide a temporary Astaire Pro to teach your classes.
Product, Service, Supplier and Service Provider Review	Our reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs	Within 10 days of demand	Payable if you wish to offer products or use any supplies, equipment or services that we have not approved or wish to purchase from a supplier or service provider that we have not approved, whether or not we approve the item, service, supplier or service provider.
Independent Competition Fee	Currently, \$400 per student or Astaire Pro from your Studio <sup>(4),(5), (6)</sup>	No later than 10 days before the date of any Independent Competition	Payable if (i) you fail to send the total required number, in the aggregate for that calendar year, of amateur entries by students or Astaire Pros to National Competitions or Regional Competitions as required; and (ii) you fail to obtain written approval from us, or, if applicable, your Area Representative, for any Independent Competition we have not pre-approved. We may increase the Independent Competition Fee once annually upon 180 days' written notice to you.
Competition Fee <sup>(7),(8)</sup>	\$200 per member, in the aggregate for that calendar year for student or Astaire Pro that you failed to send to National Competitions and Regional Competitions	Within 10 days of demand	Payable if you fail to send the minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to National Competitions or Regional Competitions for a calendar year. We reserve the right to increase the Competition Fee once annually upon 180 days' written notice to you.

<b>TYPE OF FEE<sup>(1)</sup></b>	<b>AMOUNT</b>	<b>DUE DATE</b>	<b>REMARKS</b>
Insurance	Cost and expenses of the premium plus a reasonable fee for our services in procuring the insurance	Within 10 days of demand	Payable only if you fail to maintain the minimum insurance we require and if we choose to procure the required insurance for you.
Escrow	Currently, \$5,000 to \$25,000 plus 3% of Gross Revenue per month until \$25,000 in escrow account	Initial fee paid when Studio opens and monthly	Payable to CHC. See Note 9
Captive Market Insurance	Currently, \$200 to \$800 per month	Monthly	Payable to CIG. See Note 9
Local Marketing Spending Requirement	2% of your Gross Revenue for the previous quarter	Payable by the end of the month	In addition to your Advertising Fee, beginning in the first full month after the date your Studio opens, you must spend 2% of your Gross Revenues for the previous quarter local advertising and promotional activities. The local marketing is payable directly to third party vendors, which may include our affiliates. If you fail to pay the required amount in any month, we may require you to pay us the shortfall as an additional Advertising Fees or to pay us the shortfall for us to spend on local marketing for your Studio.
Grand Opening Advertising	A minimum of \$5,000	Between the four weeks prior to opening your Studio and the four weeks after opening your Studio	In connection with the opening of your Studio, you must submit a grand opening plan to us for our approval. We have the right to modify your grand opening plan and may require you to use a public relations firm to assist with your grand opening.
Advertising Cooperative	If a cooperate is formed in your area, you must pay the then-current fee for your regional or local advertising cooperative	Established by us.	Your contributions to any regional or local advertising cooperatives will be credited toward your local marketing obligations.
Inspection	Our reasonable expenses incurred in inspecting your business (whether ourselves, through our employees, Area Representatives or agents), including travel and living expenses, wages and other expenses for our employees, Area Representatives and agents	Upon demand	Payable if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Franchise Agreement.

TYPE OF FEE <sup>(1)</sup>	AMOUNT	DUE DATE	REMARKS
Audit	Our costs and expenses, including costs for an independent accountant and attorneys' fees and related travel and living expenses	Within 10 days of demand	Payable if (i) you failed to furnish reports, supporting records, other information or financial statements that you are required to submit to us; (ii) you failed to furnish such reports, records, information or financial statements on a timely basis as required; or (iii) if an understatement of Gross Revenues is determined by any audit or inspection to be greater than 2%
Remedial Expenses	Our reasonable expenses incurred in correcting your operational deficiencies	Upon demand	Payable if we correct deficiencies that we have identified during a Site inspection and that you failed to correct within a reasonable time after notice from us.
Temporary Management	3% of the Studio's Gross Revenue during the period of management, plus any direct out of pocket costs and expenses	Within 10 days of receipt of an invoice	Payable if we exercise our right to manage your Studio after a default
Indemnification	Amount of our liabilities, fines, losses, damages, costs and expenses (including reasonable attorneys' fees)	Upon demand	Payable if we incur losses due to your breach of the Franchise Agreement or any other action or inaction by you or any other person relating to your Studio
Enforcement Expenses	Our reasonable costs and expenses (including reasonable attorneys' fees) incurred in enforcing our rights and remedies; our reasonable costs and expenses incurred in de-identifying your Studio	Upon demand	Payable (i) if you breach your Franchise Agreement, and we take steps to enforce our rights and remedies under the Franchise Agreement; or (ii) if your Franchise Agreement expires or is terminated and you fail to de-identify your Studio, and we take steps to do so

**NOTES:**

- (1) All fees and expenses described in this **Item 6** are non-refundable and uniformly imposed. Except as indicated in the chart above, we impose all of the fees and expenses listed, and they are payable to us. We may require you to pay any or all periodic or recurring fees to us by electronic funds transfer. You must furnish us and your bank with any necessary authorizations to make payment by methods we require.
- (2) **“Gross Revenue”** means all revenue that you receive or otherwise derive from operating the Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of when you actually provide the products or services in exchange for the revenue. Gross Revenue does not include (i) promotional



allowances or rebates paid to you in connection with your purchase of products or supplies; (ii) any bona fide returns and credits that are actually provided to customers; and (iii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Revenue calculation.

- (3) You are responsible for the payment of Royalty Fees to us even if your minimum performance levels have not been met. Starting with calendar year 2020, we require you to meet the following minimum performance levels (the “**Performance Standards**”) during the term of your Franchise Agreement:

<b>Time Period</b>	<b>Gross Revenues (non-cumulative)</b>
Year 1	Listed on <b>Schedule 2</b> to <b>Exhibit A</b> to the Franchise Agreement
Year 2	50% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 3	55% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 4	60% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 5 and after	65% of the average Gross Revenues for all Mature Studios for the previous calendar year

Year 1 begins on the Opening Date and ends on the first December 31 after your Opening Date. Each subsequent year runs from January 1 to December 31. The Year 1 Performance Standard is based upon a yearly Gross Revenue of \$149,650 and calculated for Year 1 pro rata on a daily basis, using a 365-day calendar and including the Opening Date and December 31. For example, if your Studio Opening Date is April 12, then your Year 1 Performance Standard is \$108,240, and if your Studio Opening Date is August 22, then your Year 1 Performance Standard is \$54,120. Your Year 1 Performance Standard calculation is provided on **Schedule 2** to **Exhibit A** to the Franchise Agreement.

You must meet the Performance Standards for the Territory during each of the time periods specified in the chart above. If you do not achieve the Performance Standards during any year, then you must pay to us the difference between the Royalty Fees actually paid and the amount of Royalty Fees you would have paid if you had met the Performance Standards, within 10 days of our invoice. If you do not achieve the Performance Standards for two (2) consecutive years, then we may (A) terminate your rights to the Territory; (B) reduce the scope of the geographic area comprising the Territory in which you have rights; or (C) terminate the Franchise Agreement.

A “**Mature Studio**” is any Studio in the United States that is in its second year of operation or more and that has submitted to us all required Gross Revenue reports for at least 49 weeks of the calendar year.

- (4) “**Competitions**” means, collectively, any competitions, contests, challenges, tournaments or other “entry based” activities in which individuals or couples compete against one another.

- (5) **“Independent Competitions”** means, collectively, any Competitions that are not organized or sponsored by us, our affiliates or one of our Area Representatives.
- (6) By October 1 of each calendar year, we will identify a list of pre-approved Independent Competitions for the following calendar year.
- (7) We require you to send the following minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to National Competitions during the term of your Franchise Agreement:

<b>Time Period</b>	<b>Number of Required Students or Astaire Pros</b>
Year 1	None; you are only required to send your Operating Principal and Key Manager to one National Competition
Year 2 and thereafter	The quotient of dividing your Gross Revenues from the prior year by \$200,000.

Year 1 starts on the Effective Date and ends on the first December 31st of the initial term. Your Year 1 may be less than a full twelve (12) calendar months. Each subsequent year runs from January 1 to December 31.

**“National Competitions”** means, collectively, any Competitions that we or our affiliates organize, or contract with a third-party to organize on our behalf, for participation by all Studios regardless of a Studio’s location.

- (8) We require you to send the following minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to Regional Competitions during the term of your Franchise Agreement:

<b>Time Period</b>	<b>Number of Required Students or Astaire Pros</b>
Year 1	None; you are only required to send your Operating Principal and Key Manager to one Regional Competition
Year 2 and thereafter	The quotient of dividing your Gross Revenues from the prior year by \$100,000.

Year 1 starts on the Effective Date and ends on the first December 31st of the initial term. Your Year 1 may be less than a full twelve (12) calendar months. Each subsequent year runs from January 1 to December 31.

**“Regional Competitions”** means, collectively, any Competitions that your Area Representative (if applicable) organizes for participation by all Studios located in your Area Representative’s territory.

(9) In 2023, we will launch and you must participate in a prepaid lesson liability program offered by our affiliates. There are two obligations under this program:

a. **Escrow Account.** When you open your Studio, you must pay CHC between \$5,000 to \$25,000, as we determine, to CHC which will be deposited into an escrow account that CHC maintains on your behalf. After opening, you will pay 3% of Gross Revenues into that escrow account until your account balance reaches the required account balance, currently \$25,000. You may use these amounts to refund prepaid dance lessons to students. We may modify the required account balance at any time upon 60 days' notice. If at any time your escrow account balance falls below the required account balance, you must begin contributing 3% of monthly Gross Revenues again until the escrow account has the full required account balance.

b. **Captive Market Insurance.** In addition, you must pay CIG a premium for prepaid lesson insurance, currently estimated to be \$200 to \$800 per month. If you refund prepaid dance lessons, using the escrow account, you can submit a claim to CIG to cover the refund paid. Any insurance claim proceeds will be deposited back to the escrow account to reach the prior account balance.

**ITEM 7 ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

**(SINGLE STUDIO DEVELOPED UNDER FRANCHISE AGREEMENT)**

<b>TYPE OF EXPENDITURE</b>	<b>LOW ESTIMATE</b>	<b>HIGH ESTIMATE</b>	<b>PAYMENT METHOD</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
Franchise Fee <sup>(1)</sup>	\$30,000	\$50,000	Lump sum	On signing Franchise Agreement	Us
Initial Training Fee <sup>(2)</sup>	\$0	\$5,000	Lump sum	On signing Franchise Agreement	Us
Travel Expenses to Training <sup>(3)</sup>	\$1,000	\$3,500	As incurred	As incurred	Airlines, hotels and restaurants
Security Deposits for Leasehold and/or Utilities <sup>(4)</sup>	\$5,000	\$15,000	As incurred	As incurred	Landlord, utility company
Rent for 3 Months <sup>(5)</sup>	\$15,000	\$45,000	As incurred	As incurred	Landlord
Construction Management <sup>(6)</sup>	\$0	\$15,000	As incurred	As incurred	Third party vendors
Construction Due Diligence <sup>(7)</sup>	\$1,000	\$5,000	As incurred	As incurred	Third party vendors
Design, Architecture, Engineering <sup>(8)</sup>	\$5,000	\$20,000	As incurred	As incurred	Third party vendors
Construction Permits and Permit Management <sup>(9)</sup>	\$1,000	\$10,000	As incurred	As incurred	Government Agencies
Net Leasehold Improvements <sup>(10)</sup>	\$100,000	\$250,000	As incurred	As incurred	Third party vendors

<b>TYPE OF EXPENDITURE</b>	<b>LOW ESTIMATE</b>	<b>HIGH ESTIMATE</b>	<b>PAYMENT METHOD</b>	<b>WHEN DUE</b>	<b>TO WHOM PAYMENT IS MADE</b>
Furniture, Fixtures and Equipment <sup>(11)</sup>	\$10,000	\$30,000	As incurred	As incurred	Third party vendors
Studio Management and Technology System Components <sup>(12)</sup>	\$15,000	\$20,000	As incurred	As incurred	FADS Distribution
Signage and Graphics <sup>(13)</sup>	\$10,000	\$15,000	As incurred	As incurred	Third party vendors & FADS Distribution
Supplies and Accessories <sup>(14)</sup>	\$4,000	\$14,000	As incurred	As incurred	Third party vendors
Supplies and Marketing Materials <sup>(15)</sup>	\$1,000	\$1,000	As incurred	As incurred	Us and FADS Distribution
Business Licenses <sup>(16)</sup>	\$500	\$2,500	As incurred	As incurred	Government Agencies
Technology Fee for 3 Months <sup>(17)</sup>	\$600	\$600	As incurred	As incurred	Us
Professional Fees <sup>(18)</sup>	\$2,500	\$10,000	As incurred	As incurred	Attorneys, bankers, accountants and other professionals
Insurance <sup>(19)</sup>	\$3,000	\$5,500	As incurred	Prior to opening	Insurance agent or carrier
Captive Market Insurance	\$25,600	\$25,600	As incurred	At opening and monthly	CHC
Grand Opening Marketing Budget <sup>(20)</sup>	\$5,000	\$5,000	As incurred	As incurred	Third party vendors or us
Working Capital for 3 Months <sup>(21)</sup>	\$50,000	\$70,000	As incurred	As incurred	Employees, third party vendors, suppliers, us, etc.
<b>TOTAL<sup>(22)</sup></b>	<b>\$285,200</b>	<b>\$617,700</b>			

**NOTES:**

- (1) The standard Franchise Fee for opening a single unit ranges from \$30,000 to \$50,000 based upon the cost of living in the area where the unit would be located. See **Item 5**.
- (2) The Initial Training Fee includes the cost of providing our initial training program to your Required Trainees. If your Required Trainees have worked in or been affiliated with the FADS System for at least the past three (3) consecutive years, we may, in our sole discretion, waive all or part of your Initial Training Fee. The low estimate would be a waiver of all of the Initial Training Fee.
- (3) This estimate is for the cost of two people to attend initial training in Connecticut. You are responsible for the travel and living expenses, wages and other expenses incurred by your trainees during initial training. The actual cost will depend on your point of origin, method of travel, class of accommodations and dining choices.
- (4) This estimate includes deposits payable to the landlord and any deposits on utilities required to open the Studio. These amounts will vary based on your location and the terms of your lease.
- (5) If you do not already own suitable commercial space, the premises must be purchased or leased. We anticipate that most Franchisees will lease the premises. We require a

commercial space of 2,000 to 4,500 square feet of interior space. The cost of leasing or purchasing space will vary, depending on location and other market factors, and cannot be accurately projected by us. As a result, the costs shown above may be low or high. The initial investment assumes you will rent the premises. If you purchase the premises, your initial investment will increase dramatically.

- (6) This estimate includes the cost of hiring a third party vendor to be the project manager for the construction of your Studio. The low estimate assumes that the Area Representative for the territory where your Studio is located serves as your project manager. The high estimate assumes variable costs of the project manager traveling to visit the Site multiple times during the construction process to monitor progress and verify adherence to designs and standards.
- (7) This estimate includes an as-built/conditions survey, site investigation report, space planning, LOI review, lease review and a due diligence summary.
- (8) This estimate includes the cost of hiring designers, architects and engineers to draft the construction plans for your Studio. This estimate also includes the cost of shipping and printing such plans.
- (9) This estimate includes the cost of acquiring construction permits. The high end assumes that you hire a third party to assist in managing, expediting and acquiring permits. Your costs will vary depending upon your Studio's location and the costs of required permits in your market.
- (10) These estimates include the net cost of leasehold improvements, including floor coverings, dance floor installation, wall treatments, ceilings, painting, electrical, carpentry, plumbing, HVAC and similar work, as well as materials and the cost of labor.

These estimates do not assume any negotiation by you with your landlord for tenant improvement allowances. If you are able to negotiate a tenant improvement allowance from your landlord, your landlord may require you to provide proof that you have actually paid for the leasehold improvements before reimbursing you. As a result, your actual out-of-pocket costs and the cost of any construction financing that you may need to obtain may be significantly higher than the net leasehold improvement costs presented in these estimates.

Your actual costs will depend on the condition and size of the site, the local cost of contract work and the location of your Studio. In certain markets, especially large metropolitan markets (e.g., Boston, New York, San Francisco, Chicago, etc.), your costs could be substantially higher due to the prevailing market rates for labor and materials. As a result, we cannot accurately estimate your costs.

- (11) This estimate includes the furniture, fixtures and equipment to be used in the Studio, including cabinetry, retail displays, lockers, benches, audio equipment, lighting systems, computer systems, telephones, office furniture and appliances.

- (12) You must purchase certain components of the Studio Management and Technology System from FADS Distribution, including the software. We estimate that the total cost to purchase the Studio Management and Technology System will range from approximately \$15,000 to \$20,000. This range is also inclusive of any and all technology system license fees, including the \$200 license fee to us as a re-seller for the FADS Beats system.
- (13) This estimate includes the cost of outdoor identification on the Studio and displays and signage throughout the Studio. You will purchase certain marketing materials from FADS Distribution, and the remaining items will be purchased from third party suppliers.
- (14) This estimate includes the cost of purchasing an initial supply of office supplies and cleaning supplies, a defibrillator, decorative items, bathroom accessories and other ancillary items used in the operation of the Studio.
- (15) Before you open your Studio, you will purchase approximately \$1,000 in supplies, marketing materials and equipment from us and our affiliates.
- (16) This estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Studio's location and the costs of required licenses and permits in your market.
- (17) This cost is the payment of the Technology Fee to us for your first 3 months of operation. We do not collect the Technology Fee until you open your Studio. The Technology Fee is described in **Item 6** and currently includes fees related to your access to and usage of our proprietary studio operational software; our franchise relationship management software; our customer relationship management software; our proprietary learning management system; our FADS System website; server hosting and data protection; internet domain names and e-mail addresses; and any mobile applications that we develop.
- (18) This estimate includes the cost of professional fees that you may incur in establishing your business. Such costs may include fees paid to attorneys, accountants and finance originators.
- (19) This estimate includes the cost to obtain insurance for your Studio that meets the minimum requirements established by the FADS System Standards (see **Item 8**). You must obtain insurance prior to opening your Studio. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of any deposit (if required). The cost of coverage will vary based upon the area in which your Studio is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage and other factors beyond our control. You should check with your insurance agent or insurance broker regarding any additional insurance that you may wish to carry above our required minimums.
- (20) You must spend a minimum of \$5,000 for grand opening advertising and promotions in the four weeks prior to opening your Studio and the four weeks after opening the Studio in

accordance with a plan that you must submit to us. Your costs may be higher based on the length of time you wish to run opening promotions. We have the right to modify your grand opening plan, in our sole discretion. You must provide us with supporting documentation that evidences your expenditures upon our request. This estimate is in addition to both the Advertising Fees contributions you are required to make. See **Item 6** for a description of the Advertising Fee.

- (21) This estimate is an estimate of the amount of additional operating capital that you may need during the first 3 months after opening your business. This estimate includes additional funds you may need to pay employee wages and salaries (including payroll for pre-opening training of your staff and any payroll taxes), utilities, music licenses, Royalty Fees, Advertising Fees, legal and accounting fees, additional advertising, health and workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses and other miscellaneous items. The preceding list is not an exhaustive list of the possible expenses you may incur in your first 3 months. The expenses you incur during your start-up period will depend on factors such as your local economic and market conditions, your business experience and the level of traffic at your location. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate or that you will not need additional funds after your first three months of operation. You should contact your accountant or your financial advisor for additional guidance.
- (22) The estimated initial investments shown are based primarily on the costs incurred by other Franchised Studios when constructing and operating similar Studios. Your costs may vary based on a number of different factors, including, but not limited to, the geographic area in which you open your Studio, your local market conditions, the size of your Studio and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop a business plan and budget. We also strongly recommend that you investigate the specific costs in your area. Your actual costs for each category and your actual total costs may be higher or lower than the costs estimated in this table. You should independently investigate the costs of opening a dance studio in the geographic area in which you intend to open a Studio. You should review all of the figures and categories in this table carefully with a business advisor before you make a decision to purchase the Franchise.

We do not offer any direct or indirect financing for your initial investment for a Studio (see **Item 10**). The availability and terms of financing with third party lenders and finance originators will depend on factors such as the availability of financing generally, your credit worthiness, the collateral which you may have available and policies of lending and financial institutions concerning the type of business operated.

All payments to us outlined above are not refundable. The refundability of other payments will depend on arrangements you make with third parties.

We cannot estimate your initial investment under a Development Agreement, other than the Development Fee. The Development Fee will range between \$70,000 to \$150,000 if you

commit to develop between 2 to 10 Studios. The low range is based on a commitment to develop 2 Studios (in which case the Franchise Fee under each Franchise Agreement would be \$35,000 per Studio). For each additional Studio you commit to develop under the Development Agreement, we will reduce the Franchise Fee by \$2,500 per Studio for up to 10 Studios. The high range is based on a commitment to develop 10 Studios (in which case the Franchise Fee under each Franchise Agreement would be \$15,000 per Studio). The Development Fee will be applied to the Franchise Fee for each Studio developed pursuant to the Development Agreement. We do not offer separate financing for multiple unit franchisees.

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

### **Required Products and Services**

We have the right to require that furniture, fixtures, signs and equipment (the “**Operating Assets**”) and products, supplies and services that you purchase for resale or purchase or lease for your Studio: (i) meet our specifications that we establish from time to time; (ii) be a specific brand, kind or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates).

You must offer Studio customers only the products and services we approve in writing. In addition, you must offer the specific products and services that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

You must conduct all classes in accordance with the FADS System and under the leadership of a trained Astaire Pro. You must offer at the Studio any classes or programs that we deem to be mandatory. Any classes that you or your Astaire Pros develop must be consistent with the FADS System Standards that we specify from time to time. If we disapprove of any class or program that you offer, you must immediately discontinue offering the class or modify the class in accordance with our instructions.

You must use and retain the services of a person who is a member of our affiliate, Fred Astaire Dance Board, Inc. (“**FADB**”), to examine, judge, qualify or certify your Astaire Pros or your customers against your dancing standards and manuals. You are required to pay such person a fee (including travel and living expenses) for their services examining, judging, qualifying or certifying your Astaire Pros or your customers. The size of the fee is determined by the person whom you retain, and neither we nor FADB have any control over the size of the fee the person may charge you. Neither we nor FADB currently derive any revenue from your retention of members of FADB, but we and FADB reserve the right to receive revenue or commissions in the future.



You must send a minimum number, in the aggregate for any year, of amateur entries by students or Astaire Pros from your Studio to National Competitions and, if applicable, Regional Competitions.

### **Insurance**

You must obtain before you begin construction or development of the Studio and must maintain at all times the types of insurance and minimum policy limits specified in the Manuals. The types of insurance and minimum policy limits will include: (i) general liability insurance in the amount of \$1,000,000 per occurrence and \$2,000,000 in annual aggregate; (ii) workmen's compensation insurance; (iii) general property/casualty insurance, which must include certain endorsements as stated in the Manuals, covering the full replacement cost of the Studio and inventory; and (iv) employment practices liability insurance (whether as a standalone policy or as an endorsement to your general liability insurance) in the amount of \$100,000 per each occurrence and \$300,000 in the aggregate. However, you may be required to acquire additional insurance by the laws in your territory. All of your insurance carriers must be rated A or higher by A.M. Best and Company, Inc. (or such similar criteria as we periodically specify). These insurance policies must be in effect on or before the deadlines we specify. All coverage must be on an "occurrence" basis, except for the employment practices liability insurance coverage, which is on a "claims made" basis. All policies shall apply on a primary and non-contributory basis to any other insurance or self-insurance that we or our affiliates maintain. We must be named as an additional insured under each policy that we require. Upon our request or as specified in the Manuals, you must provide us with certificates of insurance, duplicate insurance policy, insurance policy endorsements and other evidence of compliance with these insurance requirements as we periodically require evidencing the required coverage. We may require additional types of coverage or increase the required minimum amount of coverage upon 90 days' notice to you.

You must participate in our prepaid lesson liability program. Under that program, you will deposit \$5,000 to \$25,000 with our affiliate, CHC, when you open your Studio and pay to CHC 3% of Gross Revenues each month until you reach the required account balance (currently \$25,000) that will be available to you to refund prepaid dance lessons. In addition, you must pay our affiliate, CIG, monthly insurance premiums (currently \$200 to \$800 a month) to cover claims for prepaid dance lesson refunds.

### **Studio Management and Technology System**

You are required to purchase and use most of the components of the Studio Management and Technology System that we specify, including computer hardware and software, from suppliers that we approve or designate. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute any software license agreements that we or the licensor of the software (who may be an affiliate of ours) require and any related software maintenance agreements.

Currently we require you to acquire and use a proprietary studio management software from our affiliate, FADSD. FADSD is the only approved supplier of our proprietary studio management software. FADSD does not currently charge any fees for the acquisition or initial

licensing of the studio management software, but FADSD reserves the right to charge an initial licensing fee in the future.

Currently we require you to acquire and use a proprietary learning management system from our affiliate, FADSD. FADSD is the only approved supplier of our proprietary learning management system. FADSD does not currently charge any fees for the acquisition or initial licensing of the learning management system, but FADSD reserves the right to charge an initial licensing fee in the future.

Currently we require you to use the customer relations management and franchise relationship management software included in the internal franchising platform software system (“Internal Franchising Platform”) and the Astaire Management Program (“AMP”) through the Dance Store Kiosk. The costs of the AMP and Internal Franchising Platform are included within your Technology Fee (see **Item 6**).

### **Authorized Suppliers and Approval Process**

In addition to the above, we may require that you, at your expense, enter into agreements with suppliers approved by us. Currently you are required to purchase marketing materials (such as posters, banners, tables, clothes, plaques, and front door mats), certain construction materials for your build-out (such as lighting, flooring, lockers, tile, bathroom and shower fixtures, plastic laminate, paint, corner guards, reception desk and retail merchandise display wall), certain electronic and computer equipment (such as servers, computers, tablets, software licenses, computer accessories, LED displays and mounting and cabling products), manuals, sales book, an initial mandatory start-up kit of inventory of branded FRED ASTAIRE DANCE STUDIOS® retail merchandise and dance shoes and equipment only from suppliers designated as required, recommended or approved by us. We also require you to purchase certain supplies, marketing materials and equipment from us or our affiliates. We may change approved and required suppliers from time to time, and we or our affiliates may be approved or designated suppliers for certain items.

We will provide you with a current list of approved suppliers (including required and recommended suppliers) through updates to the Manuals or other forms of communication.

If you desire to offer products or to lease, purchase or use any supplies, Operating Assets or services that we either have not pre-approved or from a supplier or service provider that we have not pre-approved, you must submit to us sufficient written information about the proposed new supplier to enable us to approve or reject either the supplier or the particular items. We have the right to inspect the proposed supplier’s facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us a charge not to exceed the reasonable cost of the inspection and our actual cost (including personnel and travel costs) of testing the proposed product or evaluating the proposed service or service provider whether or not the item, service, supplier or service provider is approved. We have the right to grant, deny or revoke approval of products, services, suppliers or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 90 days after submitting all of

the information that we request, our failure to respond will be deemed a rejection of the request. You acknowledge that the products and services that we approve for you to offer in your Studio may differ from those that we permit or require to be offered in other Studios.

We reserve the right to re-inspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider at and to revoke approval of the item, service, supplier or service provider if any fail to meet any of our then-current criteria. If we revoke approval of a previously approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to 30 days following our disapproval. We have the right to shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the 30-day period, or any shorter period that we designate, you must dispose of your remaining formerly approved inventory as we direct.

We may limit the number of approved suppliers with whom you may deal, designate sources that you must use or refuse requests for alternative suppliers for any reason, including that we have already designated an exclusive source (which may be us or our affiliates) for any particular item or service if we believe doing so is in the best interests of our franchise system.

### **Proportion of Purchases Subject to Specifications**

We estimate that the cost to purchase or lease all equipment, inventory and other items and services that we require you to obtain from us or our affiliates, from designated suppliers or in accordance with our specifications ranges from 35% to 65% of the total cost to purchase or lease equipment, inventory and other items necessary to establish a Studio and 35% to 65% of the total cost to purchase or lease equipment, inventory and other items to operate a Studio.

### **Revenue from Purchases**

We or our affiliates may receive revenues or profits or other material consideration from the purchases you make from us or our affiliates. We intend to earn revenue from your purchase of apparel and merchandise, furniture, fixtures, equipment, technology, signage and graphics, audio-visual equipment and other items from us or our affiliates that we may specify from time to time.

In our last fiscal year ending December 31, 2022, we received \$312,203 in revenue from all required purchases and leases of products and services by franchisees, including purchases of items to be resold in Franchised Studios. This was 2% of our total revenue of \$13,104,724 as reported in our audited financial statements (see **Exhibit E**). In our last fiscal year ending December 31, 2022, our affiliates did not receive any revenue from required purchases and leases of products and services by franchisees.

Some of our officers own a direct or indirect interest in FADS Holdco, the parent company of us and FADSD. No officer owns a material interest in any other supplier.

## **Revenue from Rebates**

We or our affiliates may negotiate with suppliers, service providers and manufacturers to receive rebates, commission or other consideration based on certain items that you purchase or lease. The rebate programs vary depending on the supplier and the nature of the product or service. We may currently earn compensation or rebates on account of franchisees' required purchases from certain approved suppliers. Not every supplier pays rebates or commissions.

We and our affiliates have the right to receive payments or other benefits like rebates, discounts and allowance from authorized suppliers based upon their dealings with you and other franchisees, and we may use the monies we receive without restriction for any purpose we deem appropriate or necessary. We may receive fees from a supplier as a condition of our approval of that supplier. In the last fiscal year, we received rebates from one authorized supplier of 15% of franchisee purchases. Suppliers may pay us based upon the quantities of products our franchisees purchase from them.

In our last fiscal year ending December 31, 2022, we received \$35,303 in revenue from commissions for services from certain approved service providers. This was 2.69% of our total revenue of \$13,104,724 as reported in our audited financial statements (see **Exhibit E**).

## **Cooperatives and Purchase Arrangements**

We are not involved in any purchasing or distribution cooperatives. We may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, we have not negotiated any such arrangements.

## **Material Benefits**

We do not provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

## **Site Selection and Development of the Studio**

We must accept the Site for your Studio, and the Site must meet our then-current site criteria. If you lease the Site for your Studio, you are required to have the landlord sign the Lease Rider attached as **Exhibit F** to the Franchise Agreement, which is **Exhibit B** to this Disclosure Document. Under the Lease Rider, we will be granted the right, but not the obligation, to take possession of your Studio premises if your franchise agreement is terminated.

It is your responsibility to prepare all required construction plans and specifications to suit the premises for the Studio in accordance with our approved plans and specifications and to make sure that these plans and specifications comply with applicable ordinances, building codes, permit requirements and lease requirements and restrictions. You are obligated, at your expense, to have an architect designated or approved by us prepare all required construction plans and specifications, based on our design drawings and specifications, which may change from time to

time and which you are responsible to keep apprised of through our Manuals and intranet platforms during your Studio development process, to suit the shape and dimensions of the site for your Studio and to ensure that such plans and specifications comply with applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. You must, at your expense, use construction contractors designated or approved by us. You will not engage any architects or contractors that we have not approved. You must send us a site approval form with initial space plans and other materials we may request for our approval prior to and during your lease negotiations and LOI (letter of intent) process. Once we approve the initial space plans in writing (which includes approval via e-mail), and your LOI has been approved by us in writing (which includes approval via e-mail), you must provide us with a copy of the proposed lease/sublease for review before you sign it. Our review will be limited to ensuring that the terms of the lease/sublease are consistent with our rights under the terms of your Franchise Agreement. You must receive a signed certificate of approval from us before executing your lease/sublease for the Studio.

We must provide you with a written certificate of approval before you apply for any permits. You must also send us all revised or “as built” plans and specifications during construction and once construction is complete for our approval. You may not begin construction of your Studio without a written certification from us that the final plans and specifications have been approved (see **Item 11**). Our review is limited to ensuring your compliance with our design requirements. We will not assess compliance with federal, state or local laws and regulations or state and local environmental requirements and building codes. Compliance with those laws is your responsibility. We may inspect the Site while you are developing your Studio.

You must adhere to our standards and specifications for the construction and design of the Studio, which will include requirements for the interior and exterior layout, signage, equipment, fixtures and trade dress, including our signature color scheme. If we have designated an approved/required supplier (which may be us or our affiliates), you must obtain the items from such supplier. If we have not designated an approved/required supplier for certain items, then you may purchase them from any supplier that meets our standards and specifications, including our preferred suppliers.

### **Issuance of Specifications and Standards**

To the extent that we establish specifications, require approval of suppliers or service providers or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals. We may, at any time, in our discretion, change, delete or add to any of our specifications or quality standards. Such modifications, however, will generally be uniform for all franchisees. These changes, deletions, additions or modifications may require additional expenditures by you. We will notify you of any changes to our Manuals, specifications or standards in writing, which we may transmit to you electronically or through the Internal Franchising Platform.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

**This table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the Franchise Agreement and in other items of this Disclosure Document.**

	<b>Obligation</b>	<b>Section in Franchise Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Sections 6.01, 6.02 & 6.04	Item 11
b.	Pre-opening purchases/leases	Sections 6.04, 8.08 and 8.11	Items 6, 7, 8 & 11
c.	Site development and other pre-opening requirements	Sections 6.04 and 6.05	Items 7, 8 & 11
d.	Initial and ongoing training	Article VII	Items 6, 7 & 11
e.	Opening	Section 6.06	Items 6 and 11
f.	Fees	Articles V and Sections 2.06, 6.06, 6.07, 7.01, 7.03, 7.04, 7.06, 7.08, 7.09, 8.02, 8.10(b), 8.10(c), 8.17(c), 9.02(a), 9.03, 9.04, 10.04, 10.05, 10.06, 15.04, 15.05, 15.06, 16.02 and 19.09	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/operating manual	Sections 7.04, 7.05, Article VIII, Sections 9.01, 9.03, 9.05, 11.01, 12.03	Items 7, 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	Articles XI and XII	Items 13, 14 and 17
i.	Restrictions on products/services offered	Sections 8.03, 8.07, 8.08 and 8.09	Items 8 and 16
j.	Warranty and customer service requirements	Sections 8.08, 8.12 and 8.14	Items 8 and 16
k.	Territorial development and sales quotas	Section 2.06	Items 6, 12 and 17
l.	Ongoing product/service purchases	Sections 8.08 and 8.11	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	Sections 6.05, 8.05 and 8.06	Items 7, 8 and 11
n.	Insurance	Section 8.17	Items 7 and 8
o.	Advertising	Section 5.04 and Article IX	Items 6, 7, 8 and 11
p.	Indemnification	Article XIV	Item 6
q.	Owner's participation/management/staffing	Sections 2.08, 2.09 and 8.02	Items 11 and 15
r.	Records and reports	Article X	Items 6 and 17
s.	Inspections and audits	Article X	Items 6 and 11
t.	Transfer	Article XV	Items 6 and 17
u.	Renewal	Sections 4.02 & 4.03	Item 17
v.	Post-termination obligations	Article XVII	Item 17
w.	Non-competition covenants	Article XIII and Section 17.10	Item 17
x.	Dispute resolution	Article XIX	Item 17

**This table lists your principal obligations under the Development Agreement. It will help you find more detailed information about your obligations in the Development Agreement and in other items of this Disclosure Document.**

	<b>Obligation</b>	<b>Section in Development Agreement</b>	<b>Disclosure Document Item</b>
a.	Site selection and acquisition/lease	Not Applicable	Not Applicable
b.	Pre-opening purchases/leases	Not Applicable	Not Applicable
c.	Site development and other pre-opening requirements	Sections 3, 4(A)	Items 7, 8 & 11
d.	Initial and ongoing training	Section 2	Items 6, 7 & 11
e.	Opening	Sections 3, 4	Items 6 and 11
f.	Fees	Section 2	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/operating manual	Not Applicable	Not Applicable
h.	Trademarks and proprietary information	Section 1	Items 13, 14 and 17
i.	Restrictions on products/services offered	Not Applicable	Not Applicable
j.	Warranty and customer service requirements	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	Sections 1, 3, 4	Items 6, 12 and 17
l.	Ongoing product/service purchases	Not Applicable	Not Applicable
m.	Maintenance, appearance and remodeling requirements	Not Applicable	Not Applicable
n.	Insurance	Not Applicable	Not Applicable
o.	Advertising	Not Applicable	Not Applicable
p.	Indemnification	Section 9	Item 6
q.	Owner's participation/management/staffing	Section 9	Items 11 and 15
r.	Records and reports	Not Applicable	Not Applicable
s.	Inspections and audits	Not Applicable	Not Applicable
t.	Transfer	Section 7	Item 17
u.	Renewal	Not Applicable	Item 17
v.	Post-termination obligations	Sections 6, 8	Item 17
w.	Non-competition covenants	Section 8	Item 17
x.	Dispute resolution	Section 9	Item 17

## **ITEM 10 FINANCING**

We and our affiliates do not offer direct or indirect financing arrangements for any purpose in establishing or operating your Studio. We and our affiliates do not guarantee your promissory note, lease or any other obligation you may make to third parties.

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

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

We may delegate the performance of any or all of our obligations under the Franchise Agreement to an Area Representative, affiliate, agent, independent contractor or other third party. If we have appointed, or appoint in the future, an Area Representative to operate an Area Business in the area in which your Studio is located, such Area Representative may provide the training, support, marketing and other services described in this **Item 11** to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement.

### **Pre-Opening Obligations**

Before you open your Studio, we will:

1. Designate your site selection area. (Franchise Agreement Sec. 1.01).
2. Provide you with site selection guidelines and review and accept or reject the proposed site for your Studio (as discussed in more detail in the Site Selection and Studio Development provisions below in this Item). The Site must meet our criteria for the location of a Studio, which includes a “core customer base” determined by us based on a myriad of factors, including demographic characteristics including the traffic patterns, parking, character of neighborhood and competition from and proximity to other businesses. Our criteria, and our evaluation of them, may vary periodically and from location to location. You must secure a site that we have approved by signing a site lease or purchase agreement within 90 days after the effective date of the Franchise Agreement. We may extend this deadline by 90 days in our sole discretion. If we and you are unable to agree on a site for your Studio, we may terminate the Franchise Agreement. (Franchise Agreement Secs. 5.01, 5.02 and 5.04).
3. Review and approve your LOI (letter of intent) before you sign such LOI (which approval may be through e-mail). We must also review and approve the proposed lease, sublease or purchase agreement (as applicable) for the approved Site for your Studio before you sign it. We will approve the lease, sublease or purchase agreement in writing through a Certificate of Lease Approval. (Franchise Agreement Secs. 5.02 and 5.04).
4. Loan to you a set of sample architectural and design plans and mandatory and suggested specifications, including requirements for dimensions, design, color scheme, image, interior layout, décor, fixtures, equipment, signs and furnishings, for a Studio. You must independently, at your expense, have the architectural and design plans and specifications adapted for construction of the Studio in accordance with our approved plans and specifications. (Franchise Agreement Sec. 5.05).



5. Approve in writing, or our project manager will approve in writing, the architectural and engineering firms and general contractors to develop your architectural and design plans and assist with the construction of your Studio. We require you to use only firms that we or our project manager have pre-approved or approved in writing. In developing your Studio, you must follow the steps described in the Site Selection and Studio Development provisions below in this Item. (Franchise Agreement Sec. 5.05).
6. Provide you with access to our Manuals (in the medium we decide, which may be written or electronic), which will be on loan for as long as the Franchise Agreement or a successor franchise agreement remains in effect. (Franchise Agreement Sec. 7.01).
7. Provide the Initial Training described below in this Item. (Franchise Agreement Sec. 6.01)
8. Assist you in planning the grand opening marketing program for your Studio, which will include parameters that must be met before you obtain our approval to open your Studio. (Franchise Agreement Sec. 8.03(d)).
9. Provide you with information regarding approved, required and preferred suppliers, and we will advise you as to initial orders of merchandise and supplies, development of class schedules and local marketing and networking efforts. (Franchise Agreement Sec. 6.02).
10. Approve your Studio opening, provided that you have met all of our requirements for opening, including providing us with a certificate of occupancy and building the Studio in compliance with the plans that we approved.
11. Provide you with an opening kit which will contain marketing materials as set forth in the Manuals.

### **Continuing Obligations**

After you open the Studio, we will:

1. Provide you with information regarding approved, required and preferred suppliers and evaluate suppliers proposed by you. (Franchise Agreement Sec. 7.08).
2. If we do not require you to use only the advertising or promotional programs or materials that we produce, we will review any advertising or promotional programs or materials that you propose to use. We may grant or withhold our approval in our sole discretion. (Franchise Agreement Sec. 8.03(b)).
3. Provide to you additional consulting services with respect to the operation of the Studio upon your reasonable request and subject to the availability of our personnel or the personnel of any Area Representative at a mutually convenient time. We will make available to you information about new developments, techniques and improvements in the areas of merchandising, advertising, management, operations and Studio design. We may provide such additional consulting services through the distribution of printed or filmed

material, an Intranet or other electronic forum (including e-learning modules), meetings or seminars, teleconferences, webinars or in person. If such services are rendered in person other than at our offices, you must pay us a fee and our expenses. (Franchise Agreement Sec. 6.06).

4. Provide any necessary remedial training courses and require you to attend. We may charge you a reasonable fee for such training (see **Item 6**), and you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Franchise Agreement Secs. 6.03 and 6.04).
5. Maintain and administer the general marketing and development fund (the “**FADS Advertising Fund**”). The FADS Advertising Fund is discussed in more detail below in this Item. (Franchise Agreement Sec. 8.02).
6. Evaluate sites to which you propose to relocate your Studio in accordance with the Site Selection and Studio Development provisions described below in this Item. (Franchise Agreement Sec. 5.07).
7. Make periodic visits to the Studio, conduct audits of your Studio for compliance with the FADS System Standards and evaluations of the products and services rendered to customers (Franchise Agreement Secs. 9.04 and 9.05).
8. Arrange a mystery shopping service to shop your Studio. (Franchise Agreement Sec. 9.06).
9. Establish and maintain an Internet website or home page for you and provide a link from our Website to information about your Studio. (Franchise Agreement Sec. 8.05(b)).

### **Advertising, Marketing and Promotion**

#### *Our Marketing*

We may from time to time formulate, develop, produce and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available for you to purchase approved advertising and promotional materials, including signs, posters and collaterals, that we have prepared. Currently we require you to use only the materials that we have approved and that you purchase from an approved supplier. We may change this policy in the future at any time.

We have not conducted media advertising for the FRED ASTAIRE DANCE STUDIOS® concept. If we conduct media advertising, we may use direct mail, print, radio, Internet or television, which may be local, regional or national in scope. We may produce the marketing materials in-house or employ a local, regional or national advertising agency. We are not obligated to conduct any marketing or advertising programs within your Territory or market.

### *Local Marketing*

You must use your best efforts to promote the use of the Marks in your territory and market area. You must spend 2% of your Gross Revenues for the previous calendar quarter on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Advertising Fee. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement. If you fail to spend (or prove that you spent) the Marketing Spending Requirement in any calendar quarter, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Advertising Fee or to pay us the shortfall for us to spend on local marketing for your Studio.

You must participate in such advertising, promotional and community outreach programs that we may specify from time to time at your expense. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we and franchisees in neighboring territories agree otherwise. You must ensure that all of your advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to the Studio is completely clear, factual and not misleading, complies with all applicable laws and regulations and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify. You must conduct all advertising in a dignified manner and in conformance with the standards and requirements that we specify in the Manuals or otherwise in writing.

You must submit to us in writing for our prior approval all sales promotional materials and advertising that have not been prepared by or previously approved by us. If our written approval is not received within 14 days from the date we received the material, the material is deemed approved. We will have the final decision on all creative development of advertising and promotional messages and are not required to approve any advertising materials that we have not created. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

### *Grand Opening Advertising*

In connection with the opening of the Studio, you must spend a minimum of \$5,000 for grand opening advertising and promotion in the four weeks prior to opening the Studio and the four weeks after opening the Studio in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole discretion, and we may require you to use a public relations firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward the Marketing Spending Requirement. You must provide us with supporting documentation evidencing these expenditures upon request.

### *FADS Advertising Fund*

Upon the opening of your Studio, you must begin paying a monthly Advertising Fees (see **Item 6**) as a contribution to the FADS Advertising Fund (currently, \$100 per calendar month). We reserve the right to increase the Advertising Fees once annually, and by no more than \$100 per increase, by providing you with written notice of any change at least 180 days prior to the implementation. Contributions to the FADS Advertising Fund will be paid on a monthly basis via automatic debit from your bank operating account. We will maintain and administer the FADS Advertising Fund as follows:

1. The FADS Advertising Fund is intended to maximize general public recognition and acceptance of the Marks and to enhance the collective success of all Studios. We will direct all advertising programs produced using the FADS Advertising Fund, and we will have sole discretion to approve or disapprove the creative concepts, materials and media used in those programs, the placement of the advertisements and the allocation of the money in the FADS Advertising Fund to production, placement or other costs. In administering the FADS Advertising Fund, we and our affiliates undertake no obligation to make expenditures for you which are equivalent or proportional to your contribution or to ensure that you or any particular Studio benefits directly or pro rata from the placement of advertising.
2. The FADS Advertising Fund may be used to satisfy any and all costs associated with advertising (media and production), branding, marketing, public relations or promotional programs and materials, and any other activities that we believe would benefit the FRED ASTAIRE DANCE STUDIOS® brand or Studios generally, including local, regional or national advertising campaigns in various media; creation, maintenance and optimization of the Website or other websites; keyword or adword purchasing programs; conducting and managing social media activities; direct mail advertising; market research, including secret shoppers and customer satisfaction surveys; branding studies; employing advertising or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We have the right to direct all marketing programs with the final decision over creative concepts, materials and media used in the programs and their placement.
3. All sums paid to the FADS Advertising Fund will be maintained in a separate account by us and may be used to defray any of our administrative costs and overhead that we incur in activities related to the administration or direction of the FADS Advertising Fund and advertising programs for franchisees and all Studios. The FADS Advertising Fund and its earnings will not otherwise inure to our benefit. The FADS Advertising Fund is operated solely as a conduit for collecting and expending the Advertising Fees.
4. We will not use the FADS Advertising Fund for anything whose sole purpose is the marketing of franchises or prospective franchisees. However, the Website, public relations activities, community involvement activities and other activities supported by the FADS Advertising Fund may contain information about franchising opportunities.

5. In no event will we be deemed a fiduciary with respect to any Advertising Fees that we receive or administer. We have no fiduciary duty to you, or any other franchisees, or your Owners, or any Owners of other franchisees, with regard to the operation or administration of the FADS Advertising Fund. We are not required to have an independent audit of the FADS Advertising Fund completed. We will prepare an unaudited statement of contributions and expenditures for the FADS Advertising Fund make it available within 90 days after the close of our fiscal year to franchisees who make a written request for a copy. We may use monies in the FADS Advertising Fund to pay for an independent audit of the FADS Advertising Fund, if we elect to have it audited.
6. It is anticipated that all FADS Advertising Fund contributions will be expended for programs during the fiscal year in which such contributions are made. If excess amounts remain in the FADS Advertising Fund at the end of the year, all expenditures in the following fiscal year will be made first out of such excess amounts, including any interest or other earnings of the FADS Advertising Fund, and next out of current contributions. We may spend in any fiscal year an amount greater or less than the contributions to the FADS Advertising Fund in that fiscal year. The FADS Advertising Fund may borrow from us, one of our affiliates or other lenders to cover deficits of the FADS Advertising Fund. If we or our affiliates lend money to the FADS Advertising Fund, we may charge a reasonable rate of interest on the amount loaned.
7. We will, for any Studio operated by us or our affiliates, contribute to the FADS Advertising Fund on the same basis as a majority of franchisees.
8. Although the FADS Advertising Fund is intended to be of perpetual duration, we may terminate the FADS Advertising Fund. If the FADS Advertising Fund is terminated, we have no obligation to return or refund any Advertising Fees you have paid into the FADS Advertising Fund.

We determine the use of monies in the FADS Advertising Fund. We are not required to spend any particular amount on marketing, advertising or promotions in the territory or market in which your Studio is located. No funds from the FADS Advertising Fund will be used principally for preparation of franchise sales solicitation materials. However, a brief statement about availability of information regarding the purchase of franchises may be included in advertising and other items produced and/or distributed using the FADS Advertising Fund.

During our last fiscal year ending December 31, 2022, we spent 36% of advertising fees on production, 10% on media placement, 10% on administrative expenses, and 44% on other costs.

#### *Internet Website*

We have established and maintain an Internet website at the uniform resource locator [www.fredastaire.com](http://www.fredastaire.com) that provides information about the FADS System and FRED ASTAIRE DANCE STUDIOS® (the “**Website**”). We have enhanced our Website to include a series of interior pages that identify Studios by address and telephone number. We may (but are not required

to) include at the Website an interior page containing additional information about your Studio. All information is subject to our approval before posting.

We will have sole discretion and control over the Website's content and design. We have the sole right to approve any linking to, or other use of, the Website. We have no obligation to maintain the Website indefinitely, and we may discontinue it at any time without liability to you. Since we have no control over the stability or maintenance of the Internet generally, we are not responsible for damage or loss caused by errors of the Internet.

You may not establish or maintain any website or any type of presence on the Internet or World Wide Web that in any manner whatsoever uses the Marks without our prior written consent, which we may revoke at any time. You must ensure that none of your owners, managers or employees use our Marks on the Internet or World Wide Web, except in strict compliance with the social media policies that we establish from time to time in the Manuals or otherwise in writing.

### *Digital Marketing*

We may, in our sole discretion, establish and operate websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or ad purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications or other means of digital advertising on the Internet or any electronic communications network (collectively, "**Digital Marketing**") that are intended to promote the Marks, your Studio and the entire network of Studios. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Studio.

As part of our Digital Marketing, we or our affiliates have the right, but not the obligation, to offer daily deals or other discounted class promotions, coupons, vouchers or gift certificates on third party websites or apps (such as Groupon, Living Social, etc.) or other similar promotions designed to drive new customers to Studios ("**Deals**"). If we or our affiliates offer any Deals, we and our affiliates have the right to collect and retain any revenue from such Deals, including any customer payments to such third parties and we and our affiliates will pay all such amounts we and they receive into the FADS Advertising Fund. You must provide classes or other products or services to any customers redeeming any vouchers, gift certificates or coupons related to such Deals in accordance with the standards and other terms that we periodically specify. You will not be entitled to receive any payment or reimbursement from us, our affiliates, customers who purchase Deals or third parties for any classes, products or services that you provide to customers who purchase Deals.

Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Studio, our network of Studios or the FADS System. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines or content requirements that we establish periodically and must immediately modify or delete any Digital Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines or requirements. We may withdraw our approval for any Digital Marketing at any time.

You are not authorized to have a website for your Studio or to have a webpage related to your Studio in any third party website, including social networking sites. As part of our Digital Marketing, we (or one of our affiliates or designees) will operate and maintain the Website.

### *Promotional Programs*

You must participate in all in-Studio promotional programs that we offer to franchisees. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards or coupons (including Groupons and similar discounts) unless approved or offered by us.

### *Advertising Cooperatives*

We currently do not have any advertising cooperatives and have no plans to form such cooperatives in the immediate future. However, you must join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or that are established at our direction for the purpose of promoting, coordinating and purchasing advertising in local, regional or national areas where there are multiple Studios. Each Studio located within the designated area of a cooperative will be a member of the cooperative. We or members of the cooperative and their designated officials may be responsible for administering the cooperative. Studios that we or our affiliates own and operate are not obligated to participate in any cooperative we form or approve. Each cooperative must adopt written governing documents, which we have the right to mandate or approve. A copy of the governing documents of the cooperative (if one has been established) for your market area will be available upon request. If you join an advertising cooperative, the advertising cooperative may require you to spend additional funds on marketing programs conducted by the advertising cooperative, which may be in addition to your Advertising Fees, but will be counted toward your Marketing Spending Requirement. The cooperative will determine the amount of your contribution; provided that if the cooperative is unable or unwilling to designate the amount of the contribution, we may designate the contribution amount.

### *Advertising Councils*

We currently have no advertising council composed of franchisees to advise us on our advertising policies. We may decide to implement an advertising council in the future, using a form and process set forth in the Manuals. If we establish an advertising council, the council will have an advisory role but not any operational or decision-making power. We may change the structure and process of the council or dissolve the council at any time. If we establish a council, you must participate in all council-related activity that either the council or we determine are mandatory activities.

## **Computer System**

You must obtain, maintain and use the Studio Management and Technology System that we specify periodically in the Manuals for all sales processing, inventory, customer relations management, accounting, operations and other functions as we may otherwise require in the Manuals and as we may from time to time otherwise prescribe in writing. Among other functions, the Studio Management and Technology System may include the use of remote servers, off-site electronic information storage and Internet connections. You will use the computer systems we prescribe and will sign any necessary licensing agreements with third party developers or manufacturers of those systems. The Studio Management and Technology System will use third party software from our approved vendors and our Internal Franchising Platform. For any proprietary software or third party software that we require you to use, you must execute and be responsible for the fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require.

Currently we require you to install and maintain one server, two computers, three tablets, one printer, one media box to operate the FADS Beats music system, one television per ballroom and related equipment. Components of the Studio Management and Technology System must be connected to the Internet via a high-speed Internet connection.

We are currently in the process of implementing the Studio Management and Technology System. As of the issuance date of this Disclosure Document, we estimate that the Studio Management and Technology System will cost approximately \$15,000 to \$20,000, which includes the cost of the hardware, software licenses, related equipment and network connections, including related costs. Our affiliate, FADS Distribution, currently acts as the sole approved supplier for several of the components of the Studio Management and Technology System, including the software used to manage and operate your Studio.

You must maintain the Studio Management and Technology System at your expense and must purchase any hardware or software maintenance or technical support programs that we require. You must replace, upgrade or update the Studio Management and Technology System as we may require from time to time. We estimate the cost of optional or required maintenance, updates and upgrades will be \$0 to \$5,000 per year. We will establish reasonable deadlines for implementation of any changes to our Studio Management and Technology System requirements, but there are no contractual limitations on our right to require you to enter into maintenance, updating, upgrading or support contracts related to the Studio Management and Technology System. Vendors may be able to offer optional maintenance, updating, upgrading or support contracts to you, but the charges would vary by vendor and cannot be reasonably estimated by us. FADSD will provide certain helpdesk services for the Studio Management and Technology System. We, our affiliates, and third-party suppliers are not currently required to provide any other ongoing maintenance, repairs, upgrades or updates to you.

You must, at all times, give us unrestricted and independent electronic access (including user IDs and passwords, if necessary) to the Studio Management and Technology System for the purposes of obtaining the information relating to your Studio. You must permit us to download and transfer data via a high-speed Internet connection or such other connection that we specify on



a real-time basis. We may access and retrieve daily any information concerning the Studio stored on the Studio Management and Technology System or any off-site server, including information regarding gross revenues, customer information, inventory, expenditures, marketing information and such other information contained or stored on the Studio Management and Technology System. It will be a material event of default under the Franchise Agreement if you fail to make electronic access to the Studio Management and Technology System accessible to us at all times throughout the term of the Franchise Agreement. There are no contractual limitations on our right to access data stored in the Studio Management and Technology System.

You must comply with all laws and payment card provider standards relating to the security of the Studio Management and Technology System, including the Payment Card Industry Data Security Standards. You must participate in our designated Payment Card Industry (“PCI”) compliance program if we establish such a program and pay the then-current fee associated with such program.

You must dedicate your computer system for use as the Studio Management and Technology System only and use the Studio Management and Technology System in accordance with our policies and operational procedures. Your employees must complete any and all training programs we reasonably require for the proper operation and use of the Studio Management and Technology System. You may not use any other cash registers or computer systems in your Studio.

### **Site Selection and Studio Development**

You must select the Site for the Studio and submit a site approval request, on a form prescribed by us. The proposed site must comply with our site selection criteria. We do not select or endorse your Site. We will use reasonable efforts to review and approve or disapprove a proposed Site within 15 days from the date you submit all required information. If we do not accept the proposed site within such 15-day period, the proposed site is deemed rejected. You may not proceed to develop a Studio or enter into a letter of intent or other binding commitment for the proposed site unless we have approved the site in writing (e-mail approval is considered valid). You may not sign the applicable lease, sublease or purchase agreement for the Site until you have received a written Certificate of Lease Approval from us. You must locate an approved Site and provide us with a signed copy of your lease/sublease (including a signed copy of our standard Lease Rider) or purchase agreement, in each case on terms acceptable to us, within 90 days from the effective date of the Franchise Agreement. We may extend this deadline by an additional 90 days in our sole discretion and may require you to execute a general release as a condition of such extension. If you fail to locate an approved Site within 90 days, or fail to obtain an extension, we may terminate your Franchise Agreement.

We will make available to you a copy of our Manuals (in the medium that we decide, including via an electronic format) containing site selection guidelines. The guidelines may require, at your sole expense, an evaluation of the demographics of the market area for the proposed location (including the core customer base, population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, proximity to residential neighborhoods and proximity to shopping centers, entertainment studios and other businesses that attract customers and generate traffic. We will provide you with such site selection

counseling and assistance, and on-site evaluations, as we consider necessary and appropriate as part of our evaluation of the proposed site.

Simultaneously with the negotiation of your lease/sublease, or shortly thereafter, you must provide us with complete space plans, architectural drawings, construction plans and specifications for review. You must receive our written approval before you apply for permitting or begin construction or build-out of the Studio. You must follow these steps for building your Studio and preparing for its opening. Failure to do so may result in delays in opening your Studio.

1. Your construction drawings (“CDs”) must be approved by us. You must receive a written certificate of approval from us before you apply for any state or local permits or place an order for furniture, equipment, supplies or fixtures. You and your general contractor are not permitted to change the plans once they have been approved by us, and any unauthorized changes will result in a delay in your opening. You will be required to fix any deviations before opening. Our review is limited to ensuring your compliance with our design requirements. We will not assess compliance with federal, state or local laws and regulations or any state and local environmental requirements and building codes. Compliance with those laws is your responsibility. We may inspect the Site while you are developing your Studio.
2. You must provide us with a copy of all required permits and the proposed construction schedule from your general contractor.
3. Before any on-site Studio training and Studio opening, you must submit to us for review and approval: (i) a certificate of occupancy; (ii) copies of all required insurance policies or other evidence of coverage satisfactory to us; (iii) a complete set of required photographs of the Studio; (iv) a completed final pre-training/opening checklist (in a form that we specify); and (v) final build-out costs (in a form that we specify).
4. Once the above documentation is received and approved by us, you will receive final written approval from us. Your Studio will be considered open on the date of your grand opening.

At your written request, we may, in our sole discretion and subject to the availability of our personnel, furnish you with additional site selection or development guidance and assistance which is beyond the nature and scope of the services we are then providing to new franchisees as part of the Franchise Fee. If, in our sole discretion, we elect to provide such additional services, you and we will agree upon and document the nature and scope of this additional assistance. We may charge you our then-current Consulting Fee for such services.

### **Site Selection – Development Agreement**

You will assume all responsibility and expense for selecting the sites for each Studio you open under the Development Schedule and submit a site approval request, on a form prescribed by us. The proposed site must comply with our site selection criteria. Using our then-current standards, we must approve the location and territory of each site.

## **Time to Opening**

We estimate that the typical length of time between the signing of the Franchise Agreement or the first payment of any consideration for the franchise (whichever occurs first) and the opening of your Studio is approximately 6 months. Factors that may affect this period include whether you have selected a Site when you sign the Franchise Agreement, your ability to obtain an acceptable Site, arrange leasing and financing, make leasehold improvements, install fixtures, equipment and signs, decorate the Studio, meet local requirements, obtain inventory and similar factors.

You must open the Studio for business no later than the Opening Deadline. You may not open your Studio until you have received our written approval. If you fail to begin operations by the Opening Deadline, we may terminate the Franchise Agreement.

If you enter into a Development Agreement, we and you will have agreed to a Development Area and a Development Schedule which identifies the number of Studios you will develop, the date by which you must sign a Franchise Agreement for each Studio, and the deadline by which the Studios must be developed.

## **Manuals**

After you sign the Franchise Agreement, we will provide you with electronic access to a copy of our Manuals. The Table of Contents of the Franchisee Manual is attached as **Exhibit F** to this Disclosure Document. We are currently in the process of updating the Manuals. As of the issuance date of this Disclosure Document, the Manuals consist of 403 pages. We may amend, modify or supplement the Manuals at any time, so long as such amendments, modifications or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the FADS System. You must promptly comply with revised standards and procedures after we transmit the updates.

## **Initial Training**

Your Required Trainees must personally attend and satisfactorily complete our initial training program (“**Initial Training**”) before you open your Studio. Initial Training currently consists of 3 consecutive days of training to be held at our offices (or such other location that we designate in writing) and 2 consecutive days of training at another Studio, at least 10 days prior to your Opening Deadline. The Initial Training may also include e-learning modules. We hold Initial Training sessions by appointment only, and your Initial Training will be provided as soon as practicable after you sign your Franchise Agreement and schedule your Initial Training session. We reserve the right to modify the length, location and timing of the Initial Training. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training. You are responsible for the travel and living expenses incurred by the Required Trainees, and any other trainees who you send, in connection with Initial Training.

We will provide instructors, facilities and materials for Initial Training for up to two of your representatives (including your Required Trainees) for the Initial Training Fee provided that all of your trainees are trained during the same training session. If space is available, you may bring more than two representatives to Initial Training. We reserve the right to charge a training fee of \$2,500, which we may increase upon 90 days' written notice to you, for (i) each person in excess of two trainees who attends Initial Training; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent Operating Principal, Key Manager or employee who attends the course.

If we have appointed an Area Representative for the area in which your Studio is located, the Area Representative may provide the on-site portions of your Initial Training at their Studio or another Studio in their territory.

We are currently in the process of revising the Initial Training program. As of the issuance date of this Disclosure Document, the Initial Training currently consists of the following:

### **TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-Site Training	Location
Introduction, mission and vision	0.75	0	Classroom training at our headquarters in Enfield, CT* and on-site training at another franchised Studio or your Area Representative's Studio
Overview & getting started timeline	0.25	0	
Area representative duties	1	0	
Owner duties	1	0	
Studio development overview	0.5	0	
Site selection, LOIs & leases	0.5	0	
Construction & design	1.5	0	
Studio atmosphere & class experience	1	4	
Marketing & promotions	3	0	
Grand opening	0.5	0	
Brand standards	2	1	
Studio operations	2	2	
AMP tutorial	3	2	
Proprietary Software tutorial	3	1	
Reporting & metrics	1.5	0.5	
Accounting & royalties	1	0	
Staff recruiting & human resources	1.5	0.5	
Q&A	1	1	
<b>TOTAL</b>	<b>25</b>	<b>12</b>	

\* Portions of the Initial Training program may be provided via online "e-learning" modules.

The time periods allocated to the subjects listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons begin trained. The instructional materials used in the Initial Training program will

consist primarily of our Manuals, PowerPoint presentations, marketing and promotional materials, videos and other handouts. Our Initial Training is conducted by the following employees. Their experience relating to the subjects taught and with respect to the operation of Studios are as follows:

**Luann Pulliam** has been our President and Chief Executive Officer since September 2017. She has over 25 years of experience in the subjects she is teaching.

**Gaetano Noce**, who is also known as John Gates, has been one of our Vice Presidents, our Chief Operating Officer and our Chief Development Officer since September 2017. He has over 25 years of experience in the subjects he is teaching.

**Stephen Knight** has been one of our Vice Presidents and our Chief Dance Director & Class Experience Officer since September 2017. He has over 25 years of experience in the subjects he is teaching.

**John Dearing** has been our Chief Financial Officer since September 2017. He has over 10 years of experience in the subjects he is teaching.

**Susan Clark** has been our Director, Branding & Design since March 2018. She has over 10 years of experience in the subjects she is teaching.

**Jessica Lengenfelder** has been our Director, Events & Competitions since September 2017. She has nearly 20 years of experience in the subjects she is teaching.

**Tobias von Dein** has been our Director, Studio eLearning since March 2018. He has over 5 years of experience in the subjects he is teaching.

Additional employees who have experience in some facet of the operation of a Studio (for example, opening, operations or systems management) may also assist in training. Such persons have a minimum of at least 12 months' experience with our system or have numerous years of training in a corporate or franchise capacity. See **Exhibit I** for the training experience of our Area Representatives.

We will determine, in our discretion, what constitutes successful completion of Initial Training. If your Required Trainees are unable to successfully complete Initial Training to our satisfaction for any reason, as determined by us in our sole discretion, your Required Trainees must repeat Initial Training, or you must send replacement Required Trainees to complete Initial Training. Your Required Trainees must successfully complete Initial Training at least 10 days before the Opening Deadline. If your Required Trainees fail to successfully complete Initial Training, we may terminate the Franchise Agreement, and we will not refund any initial fees paid by you.

## **Additional Training**

We may periodically conduct mandatory or optional training programs for your Required Trainees or your employees at our office or another location that we designate. Except as described below, there will be no charge for training programs that we require you or your employees to attend, but we may charge you a reasonable fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar or any other means as we determine. As of the Issuance Date, we require your Operating Principal or Key Manager(s) to attend our annual Fred Astaire Conference & Training (“FACT”). We reserve the right to change or modify which FADS Conference is required.

We may require your Required Trainees or employees to satisfactorily complete any additional training programs and attend conferences that we specify. We may require your Required Trainees to participate in refresher or advanced training each year.

If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, require you, your Operating Principal or Key Manager to repeat Initial Training or attend additional training programs at a location we designate. We may charge a reasonable fee for each trainer assigned to your Studio and any remedial training.

We may provide, in our sole discretion and upon your request, Astaire Pros to teach classes at your Studio on a temporary basis for a reasonable fee. If your Key Manager ceases to be employed by you at the Studio and if you are unable to immediately appoint and train a new Key Manager, we may, in our sole discretion and for a reasonable fee, provide a Key Manager to work at your Studio temporarily until a new Key Manager is appointed and trained.

## **Training by You**

You and your Operating Principal and your Key Managers are responsible for training all of your other employees (and subsequent Key Managers) in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards, we may require you to delay the opening of your Studio, prohibit you from training additional employees or require you to complete remedial training.

## **ITEM 12 TERRITORY**

### **Franchise Program**

**Site.** Your franchise is for the specific Site that we approve. You must locate an acceptable site within the non-exclusive Site Selection Area that we specify. The site will be added to the Franchise Agreement once we accept it and once you secure it. Your Site Selection Area is not exclusive and is only intended to give you a general indication of the area within which you may locate the Site for the Studio.

You may sell products and services only from your Studio. You have no rights to sell products through the Internet or worldwide web, mail order or catalogs or through any other form

of distribution channel or method. You have no right to use the Marks in connection with any business other than a Studio located at the Site.

You may not advertise on the Internet or establish or maintain any Website or any presence on the Internet without our prior written permission.

We impose no restriction on the retail customers you may serve at your Studio, but you may not make any sales of products or services outside of your Studio, conduct classes outside of your Studio or use vendor relationships that you establish through your association with us or the FRED ASTAIRE DANCE STUDIOS® brand for any other purpose besides the operation of your Studio, unless we consent in writing. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we consent in writing. While there are no territorial restrictions from accepting business from customers that reside or work or are otherwise based outside of your Territory if these customers contact you, we reserve the right to implement rules and restrictions regarding the solicitation of such customers in the future in our Manuals or otherwise in writing.

**Relocation of the Studio.** If you would like to relocate your Studio, you must receive our written consent. Our approval will not be unreasonably withheld, provided (i) the new location for the Studio is satisfactory to us and within your original Site Selection Area; (ii) your lease, if any, for the new location complies with our then-current requirements; (iii) you comply with our then-current requirements for constructing and furnishing the new location; (iv) the new location will not, as we determine in our sole discretion, materially and adversely affect the Gross Revenue of any other Studio; (v) you have fully performed and complied with each provision of your Franchise Agreement within the last 3 years prior to, and as of, the date we consent to the relocation (the “**Relocation Request Date**”); (vi) you are not in default, and no event exists which with the giving of notice or the passage of time would constitute a default, as of the Relocation Request Date; and (vii) you have met all of our then-current training requirements. If you lose your lease, you must secure our approval of another site and enter into a lease for the new approved site within 10 days after you lose your site lease. Unless you comply with the criteria in our Manuals for site relocation, you must pay us a Relocation Fee. The Relocation Fee is described in **Item 6**.

**Territory.** Once you have secured the Site, we will provide you an area in which you will have certain rights (the “**Territory**”). Your Territory will be determined based upon the density and demographics of the geographic area around your Studio, and will have a minimum population of 30,000 people. For example, if your Studio is located in a major metropolitan area or heavily populated business district, the size of your Territory may be smaller than if your Studio was located in a rural or suburban location. The size of your Territory will vary from the territory granted to other franchisees based on the location and demographics surrounding a Studio.

The boundaries of your Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

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

During the term of the Franchise Agreement, provided you are not in default under the Franchise Agreement (including your obligation to meet your Performance Standards (see **Note 3** in **Item 6**)), we will not operate, or license others to operate, a Studio using the FADS System and the Marks inside the Territory. The territory of another Franchised Studio may overlap with your Territory, but other Franchised Studios will not be located inside your Territory. As long as you are in compliance with the Franchise Agreement (including your obligation to meet your Performance Standards), your rights in the Territory will not be modified for any reason, except by mutual agreement signed by both parties.

We will not reduce the size of your Territory even if the population in your Territory decreases or the demographics of your Territory change. However, if you fail to meet your Performance Standards during any year, then (i) you must pay to us the difference between the Royalty Fees actually paid and the amount of Royalty Fees you would have paid if you had met the Performance Standards; and (ii) we may either (a) terminate your rights to your Territory; (b) reduce the scope of the geographic area comprising the Territory in which you will have rights; or (c) terminate the Franchise Agreement. The Performance Standards are described in **Note 3** in **Item 6**.

You have no right of first refusal or similar rights to acquire additional franchises or establish additional Studios.

**Reserved Rights.** We and our affiliates reserve all rights not specifically granted to you under the Franchise Agreement. For the sake of example, and not by way of limitation, we and our affiliates have the right, directly or indirectly, without compensation to you, to:

- (a) ourselves operate, or to grant other persons the right to operate, Studios outside of the Territory;
- (b) offer, promote and sell the products and services that Studios offer, promote, sell or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Territory;
- (c) sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;
- (d) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory and on the Internet (or any other existing or future form



of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing using the Marks;

(e) acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, or studios anywhere (including inside the Territory) and, (i) if such businesses are not located in the Territory, convert the other businesses to the FRED ASTAIRE DANCE STUDIOS® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system (subject to the restriction on developing and offering ballroom dance instruction franchise concepts in (f) below; or (iii) permit the businesses to operate under another name; and

(f) develop and offer franchise concepts that (i) do not use any of the Marks; (ii) do not offer ballroom dance instruction; and (iii) may offer, promote and sell products and services similar or complementary to the products and services that Studios offer.

Neither we nor our affiliates currently operate or franchise competitive concepts under a different trademark that sells goods or services that are the same as or similar to those offered by your Studio, but we may in the future. Such franchise competitive concepts may be established in close proximity to your Studio.

We will not compensate you for any actions we take in your Territory or Development Area.

### **Development Program**

**Development Area.** If you enter into a Development Agreement, you will have the right to develop a mutually agreed upon number of Studios in the Development Area in accordance with your Development Schedule. The total number of Studios to be opened in your Development Area, as well as the size of your Development Area, will be dependent upon a number of factors, such as: (i) the number of Studios we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations.

You must execute a Franchise Agreement for each Studio that you develop pursuant to a Development Agreement. We will designate a Territory for each Studio as described above.

Other than the Studios specified in your Development Schedule, you will not have the right to open additional Studios nor will you have any rights of first refusal on any location under the Development Agreement.

The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Development Area will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

While the Development Agreement is in effect, if you open and operate Studios in accordance with your Development Schedule and if the minimum number of Studios that you open and operate at any given time in your Development Area is not less than the minimum required under your Development Schedule, then we and our affiliates will not operate, or license any person other than you to operate, a Studio under the Marks and the FADS System within the Development Area.

You must comply with your development obligations under the Development Agreement, including your Development Schedule, to maintain your right to develop Studios in your Development Area. If you do not comply with your Development Schedule we may terminate your Development Agreement, and we may terminate any further development rights you have under your Development Agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

If a Studio is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business (a “**Destruction Event**”), you must diligently work to repair and restore the Studio to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. Under such circumstances, the Studio will continue to be deemed a “Studio in operation” for the purpose of the Development Agreement for up to 180 days after the date of the Destruction Event. If a Studio (i) is closed in a manner other than those described in the Development Agreement or as otherwise agreed by us in writing; or (ii) fails to open within 180 days after a Destruction Event, then we may terminate the Development Agreement, and all of your territorial rights will be eliminated.

The Development Agreement and your right to develop Studios in your Development Area will expire on the last development deadline in your Development Schedule, unless the Development Agreement is terminated sooner. Upon the expiration or termination of your Development Agreement, your right to develop Studios within your Development Area will be terminated. However, Studios that you have opened will continue to operate under the terms of the applicable Franchise Agreements. Upon the expiration or termination of your Development Agreement, you will not have any rights in the Development Area, except for the Territory specified in the Franchise Agreement for each Studio that remains in effect.

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

**Reserved Rights.** We and our affiliates reserve all rights not specifically granted to you under this Agreement. For the sake of example, we and our affiliates have the right, directly or indirectly, without compensation to you, to:

- (a) ourselves operate, or to grant other persons the right to operate, Studios outside of the Development Area;

- (b) offer, promote and sell the products and services that Studios offer, promote, sell or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Development Area;
- (c) sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Development Area;
- (d) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Development Area and on the Internet (or any other existing or future form of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing using the Marks;
- (e) acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, or studios anywhere (including inside the Development Area) and (i) if such businesses are not located in the Development Area, convert the other businesses to the FRED ASTAIRE DANCE STUDIOS® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system (subject to the restriction on developing and offering ballroom dance instruction franchise concepts in (f) below; or (iii) permit the businesses to operate under another name; and
- (f) develop and offer franchise concepts that (i) do not use any of the Marks; (ii) do not offer ballroom dance instruction; and (iii) may offer, promote and sell products and services similar or complementary to the products and services that Studios offer



## **ITEM 13 TRADEMARKS**

### **Principal Mark**

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating your Studio. The primary trademark we use is “FRED ASTAIRE DANCE STUDIOS®.”

### **Trademark Registration**

The status of the registration of the principal trademarks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”) is as follows:

Mark	Registration or Serial No.	Registration or Application Date	Use
FRED ASTAIRE DANCE STUDIOS	0833115	August 1, 1967	Dance instruction
	2910230	December 14, 2004	Dance studio instructional services; organization and running of dance contests, recitals and competitions
	3121190	July 25, 2006	Clothing used in the field of dance classes, performances and competitions
ASTAIREWEAR	2952642	May 17, 2005	Clothing used in the field of dance classes, performances and competitions
SHARE THE EXPERIENCE	3076492	April 4, 2006	Dance events, instruction and schools
INTEGRITY IN ACTION	3240615	May 8, 2007	Dance events, instruction and schools; production of AV works for dance instruction
LIFE'S BETTER WHEN YOU DANCE	6165096	September 29, 2020	Dance events, instruction and schools; production of AV works for dance instruction and various promotional items

The registrations summarized in the table above have been renewed as applicable. We have filed all required affidavits in connection with the registration of the principal trademarks described above and intend to renew the registration at the times required by law.

The following principal trademarks are not registered on, nor have applications been submitted for registration on, the (i) Principal Register or the Secondary Register of the USPTO; or (ii) any state trademark administrative body:

Fred Astaire  
Astaire  
For the Love of Dance  
Freddy Ball  
Trophy Ball  
Trophy System  
Astaire Pro  
Share the Romance, Share the Dance  
To Be the Best, Learn from the Best  
To Be the Best, Join the Best  
Cross Country Dance Championships  
A Dance to Remember  
Team Astaire  
One Team, One Dream  
Marriage is Better When You Dance  
The World is Better When You Dance  
Romance is Better When you Dance  
Health is Better When you Dance

We do not have a federal registration for the principal trademarks listed above, as well as those listed in the above table as “application pending.” Therefore, these principal trademarks do not have as many legal benefits and rights as a federally registered trademark. If our right to use any of the above trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

### **License Agreement**

We do not own the Marks. All of the Marks are owned by our affiliate FADS IP Holder (see **Item 1**) and licensed to us pursuant to a License Agreement, dated March 1, 1995 and renewed

March 1, 2015 (the “**License Agreement**”). In the License Agreement, FADS IP Holder authorized us to use the Principal Mark and other related Marks in connection with the offer, sale and support of Studios. The License Agreement does not contain any significant limitations on our right to use or license the Marks to you and has a term of 20 years. Upon any expiration or termination of the License Agreement, we must immediately discontinue the use of the Marks, and FADS IP Holder may unilaterally assume all of our Franchise Agreements licensing the use of the Marks. FADS IP Holder has agreed to assume all obligations under such agreements arising from and after their assignment.

Other than the License Agreement, there currently are no agreements that significantly limit our rights to use or license the use of the Marks in the United States in a manner material to the franchise.

### **Material Determinations**

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation involving our principal marks. All required affidavits have been filed.

### **Use of the Marks**

You must follow our rules when you use the Marks. Your right to use the Marks (including any additional trademarks or service marks we authorize you to use) is derived solely from the Franchise Agreement. Your right to use the Marks is limited to the operation of your Studio in accordance with the terms of the Franchise Agreement and the Manuals. You may not use any of our company names or Marks as part of any corporate or legal business name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we license to you). For example, your business name may not include any of our company names or Marks or any variation of them (like “FADS,” “Fred Astaire,” “Fred Astaire Dance” or “Fred Astaire Dance Studios”). You may not use your name in connection with our Marks in advertising your Studio (like “John Smith’s Fred Astaire Dance Studios”). You may not use any Mark in any other manner we have not expressly authorized in writing. The Marks may only be used by you for the purpose of operating a Studio and cannot be used for any purpose or in any manner not authorized by us. You may only use our Marks on vehicles if you obtain our prior written consent.

Your employees do not have rights to use the Marks unless approved by us in writing. It is your obligation to protect the use of the Marks and notify your employees of such policies.

### **Notice of Contractor Status**

You must display in a conspicuous location in or upon the Studio, or in a manner that we specify, a sign containing the following notice (or an alternative notice that we specify): “This business is independently owned and operated by [name of franchisee] as an authorized licensed user of the trademark “Fred Astaire Dance Studios®”, which is a registered trademark owned by Fred Astaire Dance Studios, Inc. and licensed to us by FADS USA, Inc.” You must include this

notice, or similar language that we specify, on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary and other written materials that we designate.

### **Infringements**

You must promptly notify us if any other person or Entity attempts to use any of the Marks or any colorable imitation of any of the Marks. You must immediately notify us of any infringement of or challenge to your use of any of the Marks. We will have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Marks or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks. We will have the right to control any administrative proceeding or litigation related to the Marks. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Marks. We are not currently aware of any superior prior rights or infringing uses that could materially affect your use of the Marks.

### **Indemnification**

If (i) you are using any of the Marks according to the terms of the Franchise Agreement and our Manuals; (ii) you are not otherwise in breach of your Franchise Agreement; and (iii) you timely notify us of any claim, we will indemnify, defend and hold you harmless from and against, and reimburse you for, all damages for which you are held liable to third parties in any proceeding arising out of your authorized use of any of the Marks.

We will not indemnify you against the consequences of your use of the Marks unless your use of the Marks is authorized and in accordance with your Franchise Agreement. We have the right to control the defense of any proceeding arising from your use of any Mark, including the right to compromise, settle or otherwise resolve the claim and to determine whether to appeal a final determination of the claim.

### **Changes to the Marks**

If we decide that you should modify or discontinue using any of the Marks, or if we decide that you should use one or more additional or substitute service marks or trademarks, you must comply with our directions in the time that we reasonably specify. Neither we nor any of our affiliates will have any obligation to reimburse you for the cost of comply with our directions.

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

### **Patents**

No patents are required to be disclosed in this Item.

## Copyrights

We do not own the below registered copyrights (collectively, the “**Registered Copyrights**”). All of the Registered Copyrights are owned by our affiliate FADS IP Holder (see **Item 1**) and licensed to us pursuant to the License Agreement described in **Item 13**. The status of the registration of the Registered Copyrights with the United States Copyright Office (“USCO”) is as follows:

<b>Title</b>	<b>Registration No.</b>	<b>Registration or Application Date</b>
Ballroom Dancing	PA0000751638	March 15, 1995
Bronze Dance Series	PAu002259952	December 8, 1997
Bronze Syllabus Dance Manual	TXu000832705	December 12, 1997
Fred Astaire Franchised Dance Studios Advanced Bronze Syllabus Dance Manual	TX0006142097	April 1, 2005
Fred Astaire Franchised Dance Studios Associate Major Silver Manual, version 2	TX0006142096	April 1, 2005
Fred Astaire Dance Studios Bronze Dance Manual	TX0001403681	August 8, 1984
Fred Astaire Franchised Dance Studios Bronze Course Plan	TX0006140315	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Advanced Foundation Program	TX0006140318	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Beginning Chart	TX0006140316	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Social Foundation Program	TX0006140317	April 1, 2005
Fred Astaire Franchised Dance Studios: Country Western Dancing	PA0000751633	March 15, 1995
Fred Astaire Franchised Dance Studios: Latin Dancing	PA0000751635	March 15, 1995
Fred Astaire Franchised Dance Studios: The Swing Dancing	PA0000751634	March 15, 1995
Fred Astaire Franchised Dance Studios: Top 40 Dancing	PA0000751632	March 15, 1995
Fred Astaire Franchised Dance Studios Gold Course Plan	TX0006140320	April 1, 2005
Fred Astaire Franchised Dance Studios Silver Course Plan	TX0006140319	April 1, 2005
Fred Astaire Gold DanceSport Syllabus	PA0001274017	April 1, 2005
The Silver Program	PA0001274016	April 1, 2005
Social & Dancesport Silver Syllabus Dance Manual	TX0005949685	January 13, 2004
Social Foundation Dance Series	PAu002260351	December 12, 1997
Syllabus Dance Manual	TXu000829617	December 12, 1997



Title	Registration No.	Registration or Application Date
Theatre Arts, Exhibition Ballroom Dancing	A86627	September 2, 1968
Theatre Arts Manual Incorporating Theatre Arts Dancing, Exhibition Ballroom Dancing, Open International Latin Dancing	TX000280339	February 2, 1978

We claim copyright ownership with respect to our advertising materials and Manuals, as well as other materials we may periodically develop (collectively, the “**Unregistered Copyrights**” and, together with the Registered Copyrights, the “**Copyrights**”).

Any Copyrights used by you in the Studio, including with respect to advertising your Studio, belong solely to us or our affiliates.

*License Agreement*

Other than the License Agreement (see **Item 13**), there currently are no agreements that significantly limit our rights to use or license the use of the Copyrights in the United States in a manner material to the franchise.

*Material Determinations*

There are no currently effective material determinations of the USCO, any state court or any federal court, nor are there any pending infringements, opposition or cancellation proceedings or material litigation involving the Copyrights, including any of the Registered Copyrights. All required affidavits have been filed.

*Your Use of Copyrights*

You must follow our rules when you use the Copyrights. Your right to use the Copyrights (including any additional copyrights we authorize you to use) is derived solely from the Franchise Agreement. Your right to use the Copyrights is limited to the operation of your Studio in accordance with the terms of the Franchise Agreement and the Manuals. You may not use any of the Copyrights in any other manner we have not expressly authorized in writing. The Copyrights may only be used by you for the purpose of operating a Studio and cannot be used for any purpose or in any manner not authorized by us.

*Infringements and Indemnification*

You must promptly notify us if any other person or Entity attempts to use any of the Copyrights or any colorable imitation of any of the Copyrights. You must immediately notify us in writing of any infringement of or challenge to, or any suspected infringement of or challenge to, your use of any of the Copyrights. We will have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Copyrights or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any

of the Copyrights. We will have the exclusive right to control any administrative proceeding or litigation related to the Copyrights. We will have the exclusive right to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Copyrights.

#### *Changes to the Copyrights*

If we decide that you should modify or discontinue using any of the Copyrights, or if we decide that you should use one or more additional or substitute copyrights, you must comply with our directions in the time that we reasonably specify. Neither we nor any of our affiliates will have any obligation to reimburse you for the cost of comply with our directions. If so requested by us, you will discontinue the use of the subject matter covered by any copyright used in with your Studio.

#### **Authorized Images**

The License Agreement (see **Item 13**) permits us a non-exclusive right to use certain pictures and images of Fred Astaire (such pictures and images, the "**Authorized Images**"). You must follow our rules when you use the Authorized Images.

#### *Your Right to Use Authorized Images*

Your right to use the Authorized Images is derived solely from the Franchise Agreement. Your right to use the Authorized Images is limited to the operation of your Studio in accordance with the terms of the Franchise Agreement and the Manuals. You may not use any of the Authorized Images in any other manner we have not expressly authorized in writing. The Authorized Images may only be used by you for the purpose of operating a Studio and cannot be used for any purpose or in any manner not authorized by us.

#### *License Agreement*

Other than the License Agreement, there currently are no agreements that significantly limit our rights to use or license the use of the Authorized Images in the United States in a manner material to the franchise.

#### *Material Determinations*

There are currently no effective determinations by any state or federal court regarding the Authorized Images.

#### *Infringement and Indemnification*

You must immediately notify us in writing of any infringement of or challenge to, or any suspected infringement of or challenge to, your use of any of the Authorized Images. We will

have the right to take any action that we deem appropriate, but the Franchise Agreement does not require us to take any action to protect your right to use any of the Authorized Images or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Authorized Images. We will have the exclusive right to control any administrative proceeding or litigation related to the Authorized Images. We will have the exclusive right to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You agree to execute all documents and, render any other assistance we may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Authorized Images.

### *Changes to the Authorized Images*

If we decide that you should modify or discontinue using any of the Authorized Images, or if we decide that you should use one or more additional or substitute pictures or images, you must comply with our directions in the time that we reasonably specify. Neither we nor any of our affiliates will have any obligation to reimburse you for the cost of comply with our directions.

### **Development of New Concepts**

If you or any of your Owners or employees develop any new concept, process, product or improvement in operating or promoting the Studio, you must promptly notify us and give us all necessary information about the new process or improvement. You and your Owners agree that any of these concepts, processes or improvements will become our property, and we may use or disclose them to other Studios as we determine appropriate.

### **Proprietary Information**

During the term of your Franchise Agreement, we or our affiliates may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information relating to the FADS System, our business, our vendor relationships, our classes or the construction, management, operation or promotion of the Studio (collectively, "**Proprietary Information**"). You may not, nor may you permit any person or Entity, to use or disclose any Proprietary Information (including any portion of the Manuals) to any other person, except to the extent necessary for your employees to perform their functions in the operation of your Studio. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. If we or our affiliates so request, you must obtain from your officers, directors, Owners, Key Managers and Astaire Pros confidentiality agreements in a form satisfactory to us or our affiliates. You will be responsible for any unauthorized disclosure of Proprietary Information by any person to whom you have disclosed Proprietary Information.

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

At all times that your Studio is open for business, it must be under the personal, on-premises supervision of either you, your Operating Principal, your Key Manager or a trained attendant. Your Key Manager or another trained manager must be available at all times the Studio is open for business. You or your Operating Principal and your Key Manager must successfully complete our training program and any other training programs that we may require. You may not permit your Studio to be operated, managed, directed or controlled by any other person without our prior written permission.

Your Operating Principal must have at least a 10% ownership interest in your Entity, must have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. We must approve the Operating Principal. Additionally, you must appoint a Key Manager to manage the day-to-day business of your Studio. Your Key Manager and your Operating Principal may be the same person. You must provide us with written notice of your Operating Principal and Key Manager at least 60 days prior to opening and may not change your Operating Principal or Key Manager without our prior approval.

We may also require you to obtain from your officers, directors, Key Managers, Owners' spouses and other individuals involved in your Studio with access to our Proprietary Information to execute agreements containing nondisclosure and noncompete covenants in a form acceptable to us and which specifically identify us as having an independent right to enforce them and specifically includes a media release in favor of us and our affiliates.

Each Owner, including the Operating Principal, must sign the Personal Payment and Performance Guaranty (the "**Guaranty**"), which is attached **Exhibit C** to our current form of Franchise Agreement, which is **Exhibit B** to this Disclosure Document. We may also require the spouse of any Owner to also sign the Guaranty. By signing the Guaranty, each guarantor is agreeing to assume and discharge all obligations of the franchisee under the Franchise Agreement and agreeing to comply with the confidentiality, indemnification, covenants not to compete and assignment provisions of the Franchise Agreement. If you are party to a Development Agreement, each individual with a direct or indirect ownership interest in your Entity must sign the Guaranty to the Development Agreement.

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

You may offer for sale in your Studio only the products and services that we have approved in writing. In addition, you must offer the specific products and services that we identify in the Manuals, or otherwise in writing, as required products and services. We may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms and packages that we have approved. You must maintain a sufficient supply of required products to meet the inventory standards we may prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we do not prescribe specific standards).

We may change the types, amounts or specifications of the goods or services that you may offer. We may, in our sole discretion, revoke approval of a previously approved product or service that you have been selling. If we revoke approval, you must immediately discontinue offering the service, and you may only continue to sell the product from your existing inventory for 30 days following the date of our revocation of approval. We have the right to shorten this time period if, in our opinion and sole discretion, the continued sale of the product or service would prove detrimental to our reputation. After the 30-day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

We impose no restriction on the retail customers you may serve at your Studio, but you may not make any sales of products or services outside of your Studio, conduct classes outside of your Studio or use vendor relationships that you establish through your association with us or the FRED ASTAIRE DANCE STUDIOS® brand for any other purpose besides the operation of your Studio, unless we consent in writing. You agree to purchase products solely for resale to retail customers and not for resale or redistribution to any other party, including other Franchised Studios. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing.

## **ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

### **THE FRANCHISE RELATIONSHIP**

**The table below lists certain important provisions of our Franchise Agreement. You should read these provisions in our current form of Franchise Agreement, which is attached to this Disclosure Document as Exhibit B.**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of franchise term	Section 4.01	Ten years from the effective date of your Franchise Agreement
b.	Renewal or extension of the term	Section 4.02	If you meet the conditions, you may enter into one successor ten-year renewal term which may contain materially different terms than the Franchise Agreement
c.	Requirements for franchisee to renew or extend	Section 4.03	You notified us in writing at least six, but no more than twelve, months in advance. You signed and delivered to us our then current form of Franchise Agreement, which may contain terms materially different than those your original Franchise Agreement. You refurbished or renovated your Studio to our then current image and specifications. You signed and delivered a general release in favor of us and our affiliates. You, your Operating Principal and your Key Manager completed all of our then current training requirements. You secured the right from your landlord to continue operating at the Site during the renewal term; You substantially and timely complied with the terms and conditions of your Franchise Agreement during the initial term. No Event of Default (as defined in our current form of Franchise Agreement), or event which with the giving of notice or passage of time would constitute an Event of Default, exists. You paid us the Renewal Fee thirty days before the end of your initial term.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
d.	Termination by franchisee	Section 16.03	If we commit a material breach of the Franchise Agreement and fail to cure the breach or take reasonable steps to cure the breach within 60 days after we receive written notice from you, you may terminate the Franchise Agreement. (subject to state law)
e.	Termination by franchisor without cause	Not applicable	
f.	Termination by franchisor with cause	Section 16.02	We can terminate the Franchise Agreement only if you default (see <b>(g)</b> and <b>(h)</b> of this table below).
g.	“Cause” defined – curable defaults	Section 16.01	10 business days to cure a failure to communicate with us after we send you written notice of our attempts to contact you; 30 days to cure any violation of the Modified Order; 30-45 days to cure failure to obtain CBE Requirements either from us or third parties; 24 hours to cure non-compliance with any law, regulation or ordinance which results in a threat to the public’s health or safety; 10 days to cure non-payment of any amounts owed to us or our affiliates or your failure to make sufficient funds available to us; and 30 days to cure a failure comply with any other provision of the Franchise Agreement that is not described here or in <b>(h)</b> of this table below.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
h.	“Cause” defined – non-curable defaults	Section 16.01	You make a material misrepresentation or omission to us; your Required Trainees fail to satisfactorily complete initial training; you fail to meet your minimum Performance Standards; you fail to submit a site or fail to obtain our approval of a site or site lease in the prescribed time; you do not use any designated real estate broker or general contractor; you open your Studio without our consent; you fail to open your Studio in the prescribed time; you fail to rebuild your Studio after its destruction; you fail to timely refurbish your Studio; you fail to maintain possession of the premises and obtain a new, accepted site within 90 days after the expiration or termination of the lease; you suspend operations of your Studio for more than 10 consecutive business days without our written consent; you, your Operating Principal or your Key Manager miss two or more required conferences; you attend or send your students or instructors to an Independent Competition within 1 week before or after an National Competition or Regional Competition; you default under any other franchise agreement or other agreement with us if the default would permit the termination of the other franchise agreement or other agreement; you abandon or surrender your Studio; you or any of your Owners, officers or directors is charged with, convicted of or pleads nolo contendere to a felony, a crime involving moral turpitude or consumer fraud or any other crime or offense that impairs the goodwill associated with our Marks, or engages in activities or commits any act that impairs the good will associated with our Marks; you or any of your Owners, officers or directors engages in harassing or offensive conduct resulting in a complaint to us, our affiliates or a local, state or federal agency or authority that we reasonably determine is meritorious; you misuse the Marks; you use unapproved marketing materials; you fail to participate in required marketing programs; you disclose Confidential Information (as defined in our current form of Franchise Agreement); you or your Owners make an improper transfer; you or your Owners violate the noncompete covenants of the Franchise Agreement; you become insolvent or bankrupt, you make an assignment for the benefit of your creditors, or a suit to foreclose any lien or mortgage against you is not dismissed within 30 days; you fail to pay suppliers and trade creditors an amount exceeding \$2,000 for more than 60 days; you fail to pay your taxes; you underreport Gross Revenues by more than 2% twice in any two year period or by 5% at any time; you fail to permit us to inspect or audit your books and records; you fail to timely file reports three times in twelve months; and you are in default three or more time in any 12 month period.
i.	Franchisee’s obligations on termination/non-renewal	Article XVII	Pay all amounts due to us or our affiliates; discontinue use of the Marks and the FADS System; return Confidential Information, customer data and Manuals; close vendor accounts; cancel assumed name registration; cancel or transfer telephone number, post office boxes, domain names, social media accounts and directory listings; complete de-identification of the Site; reimburse customers; refrain from disclosing Confidential Information; and comply with the noncompete covenants (see (o) and (r) of this table below).
j.	Assignment of contract by franchisor	Section 15.01	We may assign your Franchise Agreement to any person or entity that we choose in our sole discretion.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
k.	“Transfer” by franchisee – defined	Section 15.02	Includes the sale, assignment, pledge or encumbrance of the Franchise Agreement, the Studio, substantially all of the assets of the Studio or, if you are an Entity, ownership in you.
l.	Franchisor approval of transfer by franchisee	Section 15.03	You must obtain our consent before any transfer.
m.	Conditions for franchisor approval of transfer	Section 15.04 & Section 15.05	The following conditions may apply: you must pay us a non-refundable deposit to review the transfer, you must pay us the Transfer Fee; all of your monetary obligations are satisfied; you are not in default; you and your Owners sign a general release; you and your Owners remain liable for obligations incurred or arising prior to the transfer; you comply with the noncompete covenants and confidentiality obligations; your landlord consents to the transfer of your lease; the new franchisee agrees to discharge all of your obligations; the new franchisee qualifies as a franchisee, meets our training requirements and signs our then current form of Franchise Agreement; the new franchisee upgrades the Studio to our then current image and specifications; the new franchisee covenants to continue to operate the Studio under the Marks; the franchisee’s owners execute our then current form of Guaranty; and we determine the purchase price is acceptable and financing arrangements are subordinate to our interests.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 15.08	We can match any offer for your Studio, your Studio’s assets or any ownership interest, except for certain transfers to spouses, trusts, children or existing Owners.
o.	Franchisor’s option to purchase franchisee’s business	Section 17.05	Upon expiration or termination of the Franchise Agreement, we can purchase any or all of the inventory, supplies, Operating Assets (as defined in our current form of Franchise Agreement) and other assets related to the operation of your Studio for the fair market value of the assets, less any amounts then owed to us by you. We may also assume your lease or sublease or purchase or lease the premises from you or your affiliates if you or your affiliates own the premises.
p.	Death or disability of franchisee	Section 15.07	Executor or representative must transfer your interest to a third party approved by us within 120 days. No Transfer Fee is required. If the deceased or incapacitated person is you or the Operating Principal, we will have the right to take over operation of your Studio until the transfer is completed and to charge a reasonable management fee for our services.



	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
q.	Non-competition covenants during the term of the franchise	Section 13.01	You and your Owners may not: own, manage, engage in, be employed by, advise, make loans to or have any other interest in (i) any business, including any gymnasium, studio, athletic club, exercise or aerobics facility or similar facility or business, that offers dance, dance fitness or performing arts products or services or any other product or service that we authorize you to provide using our Marks; or (ii) any entity that grants franchises or licenses for any of these types of businesses (a “ <b>Competitive Business</b> ”) at any location in the United States; divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Business by direct or indirect inducement; perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the FADS System; use any vendor relationship established through your associate with us for any purpose other than to purchase products or equipment for use or retail in your Studio; or directly or indirectly solicit for employment any individual who is currently, or who at any time within the immediate past 12 months has been, employed as an officer, manager, or director of us, any of our affiliates or any Area Representative. (subject to state law)
r.	Non-competition covenants after the franchise is terminated or expires	Section 13.02	For 2 years after the Franchise Agreement expires or terminates, you and your Owners may not be involved in any Competitive Business that is (or is intended to be) located within a 25 mile radius of your former Studio or any other Studio that is operating or under development at that time and may not directly solicit for employment any officer, manager, director, or Astaire Pro who at any time within the immediate past 12 months has been employed by us, our affiliates, an Area Representative or our franchisees. Solicitation of individuals by general employment advertisements are not prohibited. (subject to state law)
s.	Modification of the agreement	Section 18.04	Except for modifications to the Manuals, modifications to the Franchise Agreement may only be made by a written document signed and agreed to by both parties.
t.	Integration/merger clause	Section 18.01	Only the terms of the Franchise Agreement are binding (subject to state law). Any other promises made outside of the Disclosure Document and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 19.01	Prior to filing most proceedings, each party has the right to demand non-binding mediation.
v.	Choice of forum	Section 19.03	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in the state where our then current headquarters is located. Currently, our headquarters is located in Connecticut.
w.	Choice of law	Section 19.02	Subject to applicable state laws, you and your Owners agree that the Franchise Agreement is governed by the law of the state where our then current headquarters is located without regard to conflicts or choice of law provisions. Currently, our headquarters is located in Connecticut.

## DEVELOPMENT AGREEMENT

**The table below lists certain important provisions of our Development Agreement. You should read these provisions in our current form of Development Agreement, which is attached to this Disclosure Document as Exhibit C.**

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
	Length of franchise term	Section 5	The term expires upon the deadline to open the last Studio to be opened pursuant to the Development Schedule.
b.	Renewal or extension of the term	Not applicable	Not applicable
c.	Requirements for franchisee to renew or extend	Not applicable	Not applicable
d.	Termination by franchisee	Not applicable	Not applicable
e.	Termination by franchisor without cause	Not applicable	Not applicable
f.	Termination by franchisor with cause	Section 6(A)	We can terminate the Development Agreement only if you default (see <b>(g)</b> and <b>(h)</b> of this table below).
g.	“Cause” defined – curable defaults	Not applicable	No curable defaults.
h.	“Cause” defined – non-curable defaults	Section 6(A)	You fail to timely execute a Franchise Agreement or fail to pay any initial franchise fee owed under a Franchise Agreement; you fail to have open and operating the minimum number of Studios specified in the Development Schedule at any deadline; any Franchise Agreement is terminated as a result of a default; or you breach or otherwise fail to comply fully with any provision of the Development Agreement.
i.	Franchisee’s obligations on termination/non-renewal	Section 6(B)	You will lose your right to develop additional Studios.
j.	Assignment of contract by franchisor	Section 7	We may assign your Development Agreement to any person or entity that we choose in our sole discretion.
k.	“Transfer” by franchisee – defined	Section 7	Includes the sale, assignment, pledge or encumbrance of the Development Agreement, any interest in the Development Agreement or, if you are an entity, any ownership in you.
l.	Franchisor approval of transfer by franchisee	Section 7	We retain the right to approve or disapprove of any transfer in our sole discretion.
m.	Conditions for franchisor approval of transfer	Section 7	We have sole discretion for setting conditions for our approval of a transfer.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 7	We have the right of first refusal on all transfers, exercisable within 30 days after receiving all documentation that we require.
o.	Franchisor's option to purchase franchisee's business	Not applicable	
p.	Death or disability of franchisee	Section 7	We retain the right to approve or disapprove of any transfer in our sole discretion.
q.	Non-competition covenants during the term of the franchise	Section 8(A)	You and your Owners may not: be involved in any Competitive Business in the United States; divert customers or potential customers to any Competitive Business; do acts injurious to our goodwill; use vendor relationships established through your associations with us for any other purpose besides the operation of your Studio; or directly or indirectly solicit for employment any individual who is currently, or who at any time within the immediate past 12 months has been, employed as an officer, manager, or director of us, any of our affiliates or any Area Representative.
r.	Non-competition covenants after the franchise is terminated or expires	Section 8(B)	For 2 years after the Development Agreement expires or terminates, you and your Owners may not be involved in any Competitive Business that is (or is intended to be) located within a 25 mile radius of your former Development Area or any other Studio that is operating or under development at that time and may not directly solicit for employment any officer, manager, director, or Astaire Pro who at any time within the immediate past 12 months has been employed by us, our affiliates, an Area Representative or our franchisees. Solicitation of individuals by general employment advertisements are not prohibited.
s.	Modification of the agreement	Section 10	No modifications unless made by a written document signed and agreed to by both parties.
t.	Integration/merger clause	Section 10	Only the terms of the Development Agreement and any Franchise Agreement are binding (subject to state law). Any other promises made outside of the Disclosure Document, the Development Agreement and the Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 9	Prior to filing most proceedings, each party has the right to demand non-binding mediation.

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
v.	Choice of forum	Section 9	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in the state where our then current headquarters is located. Currently, our headquarters is located in Connecticut.
w.	Choice of law	Section 9	Subject to applicable state laws, you and your Owners agree that the Development Agreement is governed by the law of the state where our then current headquarters is located without regard to conflicts or choice of law provisions. Currently, our headquarters is located in Connecticut.

## **ITEM 18 PUBLIC FIGURES**

The License Agreement (see **Item 13**) permits us to use the name and likeness of Fred Astaire in our trade name, trademarks, service marks, logos, designs, etc. and to use certain Authorized Images (see **Item 14**) for marketing and promoting dance services and activities. The Estate of Fred Astaire is not involved in our management or control and has no financial investment or ownership in us or any of our parents or affiliates.

In November 2018, we entered into an influencer agreement with Driton “Tony” Dovolani (the “Influencer Agreement”) to promote the FRED ASTAIRE DANCE STUDIOS® brand. Although the parties are no longer bound by the Influencer Agreement, we have agreed to pay Mr. Dovolani \$60,000 annually to participate in promotional events. Mr. Dovolani does not manage or own an interest in us.

## **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 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 this **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.

All Studios offer substantially the same products and services to the public. None of them received any services not generally available to our franchisees, and substantially the same services will be offered to new franchisees, except our affiliates receive centralized accounting, financial and management services.

We obtained the gross revenue figures, information on the number of initial classes, information on the number of renewals and information on the number of private classes from the Studio Weekly Activity Reports (the “**SWAR**”) that each Studio is required to submit to us on a

weekly basis. Neither we, any of our affiliates nor an independent accountant has independently audited or verified the information contained in the SWAR.

As used in the charts below, “Gross Revenue” means all revenue that you receive or otherwise derive from operating your Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of when you actually provide the products or services in exchange for the revenue. Gross Revenue does not include (i) promotional allowances or rebates paid to you in connection with your purchase of products or supplies; (ii) any bona fide returns and credits that are actually provided to customers; and (iii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Revenue calculation.

### **2022 AVERAGE GROSS REVENUE AND ACTIVITY INFORMATION**

The following information shows the average and median (x) gross revenue, (y) number of dance lessons sold and (z) number of dance lessons taught by an Astaire Pro in 2022 that (a) made a SWAR submission for 53 out of 53 calendar weeks in 2022; (b) were in operation for 12 months or more as of December 31, 2022; and (c) were located in the United States. International Studios and Studios that were in operation for less than 12 months as of December 31, 2022 are not included in this financial performance representation.

As of December 31, 2022, there were 225 Studios in operation. All of these Studios are franchised Studios. Of the 225 Studios in operation as of December 31, 2022, 186 met all of the criteria identified in the preceding paragraph. The remaining 39 Studios (i) did not make a SWAR submission for at least 53 weeks or made materially deficient SWAR submissions; (ii) were in operation for less than 12 months as of December 31, 2022; or (ii) were located internationally. Consequently, those 39 Studios are not included in the below 2022 charts. As described in Item 6, a “Mature Studio” means any Studio in the United States that is in its second year of operation or more.

#### **All Mature Studios**

<b>Average Type</b>	<b>Amount</b>	<b>Number and Percentage of Studios That Met or Exceeded the Amount</b>
Average Gross Revenue	\$680,830.58	69 out of 186 (37%)
Median Gross Revenue	\$536,438.37	93 out of 186 (50%)
Average Number of Dance Lessons Sold	4,287	70 out of 186 (38%)
Median Number of Dance Lessons Sold	4,332	70 out of 186 (38%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,634	76 out of 186 (41%)
Median Number of Dance Lessons Taught by an Astaire Pro	3,661	75 out of 186 (40%)

**Top 10 Mature Studios**

<b>Studio Name (City, State)</b>	<b>Gross Revenue</b>	<b>Dance Lessons Sold</b>	<b>Dance Lessons Taught</b>
Durham	\$2,842,804.13	18,929	18,265
Pleasant Prairie	\$2,326,910.74	11,632	10,113
Greensboro	\$2,292,427.32	18,291	16,152
Madison West	\$2,238,705.83	12,350	11,422
Brookfield WI	\$2,213,998.06	8,060	7,704
Cypress	\$2,084,360.85	9,452	8,340
Northbrook	\$1,871,263.56	6,960	6,435
Ft Walton Beach	\$1,821,603.31	11,992	8,806
Mequon	\$1,750,285.69	6,657	6,665
Ahwatukee	\$1,685,738.71	8,678	7,409

**Bottom 10 Mature Studios**

<b>Studio Name (City, State)</b>	<b>Gross Revenue</b>	<b>Dance Lessons Sold</b>	<b>Dance Lessons Taught</b>
Oceanside	\$164,458.60	1,331	1,287
East Greenwich	\$151,892.29	1,628	1,131
Imperial Point	\$149,213.36	1,442	1,007
Appleton	\$139,927.47	1,559	1,292
Warren	\$134,036.24	1,399	1,101
Suffield	\$131,354.30	871	714
Lancaster	\$126,368.00	1,117	1,266
Palm Beach Gardens	\$105,726.13	753	718
South Metro	\$98,364.28	1,016	695
Clarkston	\$33,780.00	438	240

**Studios in Year 5 or More of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$726,071.60	57 out of 151 (38%)
Median Gross Revenue	\$572,462.49	76 out of 151 (50%)

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Number of Dance Lessons Sold	4,470	55 out of 151 (36%)
Median Number of Dance Lessons Sold	3,923	73 out of 151 (48%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,800	64 out of 151 (42%)
Median Number of Dance Lessons Taught by an Astaire Pro	3,843	64 out of 151 (42%)

\*“Studios in Year 5 or More of Operation” are Studios that have completed four or more full calendar years of operations.

**Studios in Year 4 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$692,751.82	3 out of 9 (33%)
Median Gross Revenue	\$465,461.67	5 out of 9 (56%)
Average Number of Dance Lessons Sold	4,435	3 out of 9 (33%)
Median Number of Dance Lessons Sold	3,883	5 out of 9 (56%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,803	2 out of 9 (22%)
Median Number of Dance Lessons Taught by an Astaire Pro	3,402	5 out of 9 (56%)

\*“Studios in Year 4 of Operation” are Studios that have completed their third full calendar year of operations.

**Studios in Year 3 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$479,799.87	5 out of 13 (38%)
Median Gross Revenue	\$394,197.13	7 out of 13 (54%)
Average Number of Dance Lessons Sold	3,794	6 out of 13 (46%)
Median Number of Dance Lessons Sold	3,841	6 out of 13 (46%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,177	8 out of 13 (62%)
Median Number of Dance Lessons Taught by an Astaire Pro	3,540	6 out of 13 (46%)

\*“Studios in Year 3 of Operation” are Studios that have completed their second full calendar year of operations.

**Studios in Year 2 of Operation\***

Average Type	Average Number	Number and Percentage of Studios Exceeding Average
Average Gross Revenue	\$331,937.46	4 out of 10 (40%)
Median Gross Revenue	\$315,359.83	5 out of 10 (50%)
Average Number of Dance Lessons Sold	2,474	5 out of 10 (50%)
Median Number of Dance Lessons Sold	2,715	4 out of 10 (40%)
Average Number of Dance Lessons Taught by an Astaire Pro	1,991	4 out of 10 (40%)
Median Number of Dance Lessons Taught by an Astaire Pro	2,432	3 out of 10 (30%)

\*“Studios in Year 2 of Operation” are Studios that have completed their first full calendar year of operations.

Notes:

- (1) The range of high and low Gross Revenue for the various sections are included below:

2022					
	Mature Studios	Studios in Year 5	Studios in Year 4	Studios in Year 3	Studios in Year 2
<b>Range of Gross Revenue</b>	\$2,842,804.13 to \$33,780.00	\$2,842,804.13 to \$98,364.28	\$1,685,738.71 to \$229,083.88	\$829,819.62 to \$244,518.56	\$653,276.28 to \$33,780.00

- (2) The Performance Standards (as noted in **Note 3 of Item 6**) for a Studio in 2023 are based on the average Gross Revenue for all Mature Studios in 2022. For 2023, the Performance Standards are:

YEAR OF OPERATION	PERFORMANCE STANDARD
2	\$340,415.29
3	\$374,456.82
4	\$408,498.35
5+	\$442,539.88



## 2021 AVERAGE GROSS REVENUE AND ACTIVITY INFORMATION

The following information shows the average and median (x) gross revenue, (y) number of dance lessons sold and (z) number of dance lessons taught by an Astaire Pro in 2021 that (a) made a SWAR submission for 53 out of 53 calendar weeks in 2021; (b) were in operation for 12 months or more as of December 31, 2021; and (c) were located in the United States. International Studios and Studios that were in operation for less than 12 months as of December 31, 2021 are not included in this financial performance representation.

As of December 31, 2021, there were 197 Studios in operation. All of these Studios are franchised Studios. Of the 197 Studios in operation as of December 31, 2021, 177 met all of the criteria identified in the preceding paragraph. The remaining 20 Studios (i) did not make a SWAR submission for at least 53 weeks (9 Studios); (ii) were in operation for less than 12 months as of December 31, 2021; or (iii) were located internationally. Consequently, those 20 Studios are not included in the below 2021 charts. As described in Item 6, a “Mature Studio” means any Studio in the United States that is in its second year of operation or more.

### All Mature Studios

Average Type	Amount	Number and Percentage of Studios That Met or Exceeded the Amount
Average Gross Revenue	\$578,342 <sup>(1),(2)</sup>	64 out of 177 (36%)
Median Gross Revenue	\$427,796 <sup>(1)</sup>	89 out of 177 (50%)
Average Number of Dance Lessons Sold	3,129	109 out of 177 (62%)
Median Number of Dance Lessons Sold	2,706	89 out of 177 (50%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,294	109 out of 177 (62%)
Median Number of Dance Lessons Taught by an Astaire Pro	2,706	89 out of 177 (50%)

### Top 10 Mature Studios

Studio Name (City, State)	Gross Revenue	Dance Lessons Sold	Dance Lessons Taught
Brookfield WI	\$2,293,808	8,925	8,236
Pleasant Prairie	\$2,110,113	10,499	8,746
Greensboro	\$2,088,371	16,075	14,063
Durham	\$2,006,413	15,631	14,905
Cypress	\$1,748,401	6,887	6,461
Northbrook	\$1,737,773	6,210	5,390

Studio Name (City, State)	Gross Revenue	Dance Lessons Sold	Dance Lessons Taught
Ft Walton Beach	\$1,704,333	10,238	8,266
Sarasota	\$1,693,704	6,391	5,368
Lakewood Ranch	\$1,624,462	6,336	5,507
Bloomfield Hills	\$1,553,980	5,612	5,516

**Bottom 10 Mature Studios**

Studio Name (City, State)	Gross Revenue	Dance Lessons Sold	Dance Lessons Taught
Appleton	\$102,748	1,588	1,105
South Metro	\$99,871	772	743
Birmingham	\$98,424	1250	998
Reston	\$90,284	1,112	1,154
Las Vegas	\$84,499	891	874
Pasadena Fl	\$82,546	931	493
Brownsville	\$70,224	339	257
Oceanside	\$65,588	629	504
Lancaster	\$65,434	903	249
Anchorage	\$59,303	651	599

**Studios in Year 5 or More of Operation\***

Average Type	Average Number	Number and Percentage of Studios Exceeding Average
Average Gross Revenue	\$625,878 <sup>(1), (3)</sup>	51 out of 143 (36%)
Median Gross Revenue	\$510,224 <sup>(1)</sup>	71 out of 143 (50%)
Average Number of Dance Lessons Sold	3,972	85 out of 143 (59%)

Average Type	Average Number	Number and Percentage of Studios Exceeding Average
Median Number of Dance Lessons Sold	2,093	71 out of 143 (50%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,475	88 out of 143 (62%)
Median Number of Dance Lessons Taught by an Astaire Pro	2,965	71 out of 143 (50%)

\*“Studios in Year 5 or More of Operation” are Studios that have completed four or more full calendar years of operations.

**Studios in Year 4 of Operation\***

Average Type	Average Number	Number and Percentage of Studios Exceeding Average
Average Gross Revenue	\$499,671 <sup>(1)</sup>	3 out of 5 (60%)
Median Gross Revenue	\$570,859 <sup>(1)</sup>	3 out of 5 (60%)
Average Number of Dance Lessons Sold	4,803	3 out of 5 (60%)
Median Number of Dance Lessons Sold	2,932	3 out of 5 (60%)
Average Number of Dance Lessons Taught by an Astaire Pro	3,696	3 out of 5 (60%)
Median Number of Dance Lessons Taught by an Astaire Pro	2,987	3 out of 5 (60%)

\*“Studios in Year 4 of Operation” are Studios that have completed their third full calendar year of operations.

**Studios in Year 3 of Operation\***

Average Type	Average Number	Number and Percentage of Studios Exceeding Average
Average Gross Revenue	\$432,031 <sup>(1)</sup>	4 out of 13 (31%)
Median Gross Revenue	\$377,183 <sup>(1)</sup>	6 out of 13 (46%)
Average Number of Dance Lessons Sold	3,181	8 out of 13 (62%)
Median Number of Dance Lessons Sold	2,581	6 out of 13 (46%)
Average Number of Dance Lessons Taught by an Astaire Pro	2,622	8 out of 13 (62%)
Median Number of Dance Lessons Taught by an Astaire Pro	2,217	6 out of 13 (46%)

\*“Studios in Year 3 of Operation” are Studios that have completed their second full calendar year of operations.

**Studios in Year 2 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$256,750 <sup>(1)</sup>	9 out of 14 (64%)
Median Gross Revenue	\$273,628 <sup>(1)</sup>	7 out of 14 (50%)
Average Number of Dance Lessons Sold	2,367	8 out of 14 (57%)
Median Number of Dance Lessons Sold	2,253	7 out of 14 (50%)
Average Number of Dance Lessons Taught by an Astaire Pro	1,924	8 out of 14 (57%)
Median Number of Dance Lessons Taught by an Astaire Pro	1,823	7 out of 14 (50%)

\*“Studios in Year 2 of Operation” are Studios that have completed their first full calendar year of operations.

Notes:

- (3) The range of high and low Gross Revenue for the various sections are included below:

<b>2021</b>					
	<b>Mature Studios</b>	<b>Studios in Year 5</b>	<b>Studios in Year 4</b>	<b>Studios in Year 3</b>	<b>Studios in Year 2</b>
<b>Range of Gross Revenue</b>	\$2,293,808 to \$59,303	\$2,293,808 to \$59,303	\$1,024,019 to \$65,434	\$1,431,848 to \$70,224	\$629,459 to \$82,546

- (4) The Performance Standards (as noted in **Note 3** of **Item 6**) for a Studio in 2021 are based on the average Gross Revenue for all Mature Studios in 2021. For 2022, the Performance Standards are:

<b>YEAR OF OPERATION</b>	<b>PERFORMANCE STANDARD</b>
2	\$280,254
3	\$330,526
4	\$385,300
5+	\$435,918

**2020 AVERAGE GROSS REVENUE AND ACTIVITY INFORMATION**

The following information shows the average and median (x) gross revenue, (y) number of dance lessons sold and (z) number of dance lessons taught by an Astaire Pro in 2020 that (a) made a SWAR submission for 46 out of 52 calendar weeks in 2020 (4 Studios); (b) were in operation

for 12 months or more as of December 31, 2020; and (c) were located in the United States. International Studios and Studios that were in operation for less than 12 months as of December 31, 2020 are not included in this financial performance representation.

As of December 31, 2020, there were 179 Studios in operation in the United States. All of these Studios are franchised Studios. Of the 179 Studios in operation as of December 31, 2020, 167 met all of the criteria identified in the preceding paragraph. The remaining 12 Studios (i) did not make a SWAR submission for at least 46 weeks; (ii) were in operation for less than 12 months as of December 31, 2020; or (iii) were located internationally. Consequently, those 12 Studios are not included in the below 2020 charts. Due to state and local government restrictions in response to the COVID-19 pandemic, all of the Studios temporarily ceased operations for varying lengths of time during the period of March 1, 2020 and May 3, 2020, but were included in the information below. As of the Issuance Date of this disclosure document, all 167 Studios have reopened for in-person and/or virtual instruction.

### **All Mature Studios**

Average Type	Amount	Number and Percentage of Studios That Met or Exceeded the Amount
Average Gross Revenue	\$336,313 <sup>(1),(2)</sup>	61 out of 167 (37%)
Median Gross Revenue	\$235,639 <sup>(1)</sup>	84 out of 167 (48%)
Average Number of Dance Lessons Sold	2,416	64 out of 167 (38%)
Median Number of Dance Lessons Sold	1,947	84 out of 167 (48%)
Average Number of Dance Lessons Taught by an Astaire Pro	1,834	66 out of 167 (40%)
Median Number of Dance Lessons Taught by an Astaire Pro	1,485	84 out of 167 (48%)

### **Top 10 Mature Studios**

Studio Name (City, State)	Gross Revenue	Dance Lessons Sold	Dance Lessons Taught
Brookfield (Brookfield, WI)	\$1,793,934	7,742	3,888
Fort Walton Beach (Fort Walton Beach, FL)	\$1,254,301	8,327	4,729
Durham (Durham, NC)	\$1,179,854	10,967	8,240
Cypress (Cypress, TX)	\$1,058,091	4,761	4,257
New York West Side (New York City, NY)	\$1,010,309	6,872	2,778
Bloomfield Hills (Bloomfield Hills, MI)	\$946,214	3,939	2,921
Milwaukee	\$944,897	4,746	3,513

<b>Studio Name (City, State)</b>	<b>Gross Revenue</b>	<b>Dance Lessons Sold</b>	<b>Dance Lessons Taught</b>
(Milwaukee, WI)			
Madison West (Madison, WI)	\$942,764	5,925	4,492
Lakewood Ranch (Lakewood Ranch, FL)	\$925,655	4,668	4,499
Sarasota (Sarasota, FL)	\$903,421	4,555	3,996

**Bottom 10 Mature Studios**

<b>Studio Name (City, State)</b>	<b>Gross Revenue</b>	<b>Dance Lessons Sold</b>	<b>Dance Lessons Taught</b>
Venice (Venice, FL)	\$46,135	480	514
Anchorage (Anchorage, AK)	\$45,614	417	214
Brownsville (Brownsville, TX)	\$44,287	146	32
Cold Spring (Cold Spring, NY)	\$42,145	376	276
Wilmington (Wilmington, NC)	\$41,718	527	401
West Boca Raton (West Boca Raton, FL)	\$33,751	224	234
Hanover (Hanover, MA)	\$31,646	360	132
Birmingham (Birmingham, AL)	\$25,177	356	0
Greystone (Greystone, AL)	\$19,797	335	278
Panama City (Panama City, FL)	\$13,319	207	126

**Studios in Year 5 or More of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$355,805 <sup>(1), (3)</sup>	51 out of 135 (38%)
Median Gross Revenue	\$252,807 <sup>(1)</sup>	67 out of 135 (50%)
Average Number of Dance Lessons Sold	2,495	56 out of 135 (41%)
Median Number of Dance Lessons Sold	2,093	67 out of 135 (50%)

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Number of Dance Lessons Taught by an Astaire Pro	1,941	58 out of 135 (43%)
Median Number of Dance Lessons Taught by an Astaire Pro	1,652	67 out of 135 (50%)

\*“Studios in Year 5 or More of Operation” are Studios that have completed four or more full calendar years of operations.

**Studios in Year 4 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$338,844 <sup>(1)</sup>	4 out of 12 (33%)
Median Gross Revenue	\$309,982 <sup>(1)</sup>	6 out of 12 (50%)
Average Number of Dance Lessons Sold	2,401	5 out of 12 (42%)
Median Number of Dance Lessons Sold	2,307	6 out of 12 (50%)
Average Number of Dance Lessons Taught by an Astaire Pro	1,670	4 out of 12 (33%)
Median Number of Dance Lessons Taught by an Astaire Pro	1,361	6 out of 12 (50%)

\*“Studios in Year 4 of Operation” are Studios that have completed their third full calendar year of operations.

**Studios in Year 3 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$323,531 <sup>(1)</sup>	1 out of 5 (20%)
Median Gross Revenue	\$296,407 <sup>(1)</sup>	3 out of 5 (60%)
Average Number of Dance Lessons Sold	3,439	1 out of 5 (20%)
Median Number of Dance Lessons Sold	2,299	3 out of 5 (60%)
Average Number of Dance Lessons Taught by an Astaire Pro	2,059	1 out of 5 (20%)
Median Number of Dance Lessons Taught by an Astaire Pro	1,804	3 out of 5 (60%)

\*“Studios in Year 3 of Operation” are Studios that have completed their second full calendar year of operations.

**Studios in Year 2 of Operation\***

<b>Average Type</b>	<b>Average Number</b>	<b>Number and Percentage of Studios Exceeding Average</b>
Average Gross Revenue	\$183,504 <sup>(1)</sup>	5 out of 11 (45%)
Median Gross Revenue	\$131,640 <sup>(1)</sup>	6 out of 11 (55%)
Average Number of Dance Lessons Sold	1,555	5 out of 11 (45%)
Median Number of Dance Lessons Sold	1,221	6 out of 11 (55%)
Average Number of Dance Lessons Taught by an Astaire Pro	1,064	4 out of 11 (36%)
Median Number of Dance Lessons Taught by an Astaire Pro	820	6 out of 11 (55%)

\*“Studios in Year 2 of Operation” are Studios that have completed their first full calendar year of operations.

Notes:

- (5) The range of high and low Gross Revenue for the various sections are included below:

<b>2020</b>					
	<b>Mature Studios</b>	<b>Studios in Year 5</b>	<b>Studios in Year 4</b>	<b>Studios in Year 3</b>	<b>Studios in Year 2</b>
<b>Range of Gross Revenue</b>	\$1,793,934 to \$13,319	\$1,793,934 to \$13,319	\$800,891 to \$46,135	\$693,050 to \$93,936	\$677,181 to \$19,797

- (6) The Performance Standards for a Studio in 2021 are based on the average Gross Revenue for all Mature Studios in 2020. For 2021, the Performance Standards are:

<b>YEAR OF OPERATION</b>	<b>PERFORMANCE STANDARD</b>
2	\$289,254
3	\$318,926
4	\$347,104
5+	\$375,718

- (7) The performance standards for a Studio in 2020 were different than the Performance Standard that we currently use. This chart applies our current Performance Standards. The Performance Standards for a Studio is based on the average Gross Revenues of all Mature Studios in 2019. The average Gross Revenues of all Mature Studios in 2019 was \$613,124, the median of all Mature Studios in 2019 was \$509,636 (the high in the average was \$2,896,336, and the low in the average was \$138,022). For 2020, the Performance Standards were:



YEAR OF OPERATION	PERFORMANCE STANDARD
2	\$304,478
3	\$334,926
4	\$365,373
5+	\$395,493

The Gross Revenue and active student figures in the charts above are based on the historical results from existing and operating Studios.

We did not obtain information on, audit or verify the pricing for any services or products (including services and products that we require) offered by any of our Studios. During the past three fiscal years, we have not instituted a minimum pricing schedule in our franchise system, and our franchised Studios set their own prices for the services and products that they offer. Consequently, we cannot attest to any uniformity in pricing for services or products.

The Gross Revenues and active student figures of Studios are affected by seasonality. However, not every Studio will be similarly affected by seasonality due to a wide variety of factors, including location, proximity to tourist destinations and “snowbird” communities, population density of year-round residents, geographic location in winter-weather climates, market draw, local advertising and management efforts.

We have written substantiation in our possession to support the information above. Written substantiation of the information used in preparing this financial performance representation will be made available to you upon a reasonable, written request from you.

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.**

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations to you orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting the Legal Department, 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082, (413) 567-3200, the Federal Trade Commission and/or the appropriate state regulatory agency.

**ITEM 20 OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1  
System-Wide Studio Business Summary for Years 2020 to 2022**

<b>Studio Business Type</b>	<b>Year</b>	<b>Studio Businesses at the Start of the Year</b>	<b>Studio Businesses at the End of the Year</b>	<b>Net Change</b>
<b>Franchised</b>	2020	183	190	+7
	2021	190	197	+7
	2022	197	225	+28
<b>Company-Owned</b>	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
<b>Total Studio Businesses</b>	2020	183	190	+7
	2021	190	197	+7
	2022	197	225	+28

**Table No. 2  
Transfers of Studio Businesses from Franchisees to New Owners (other than Franchisor)  
for Years 2020 to 2022**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Arizona</b>	2020	1
	2021	0
	2022	1
<b>California</b>	2020	0
	2021	1
	2022	0
<b>Connecticut</b>	2020	3
	2021	1
	2022	1
<b>Florida</b>	2020	0
	2021	2
	2022	3
<b>Georgia</b>	2020	0
	2021	0
	2022	1
<b>Illinois</b>	2020	1
	2021	1
	2022	1

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Massachusetts</b>	2020	1
	2021	0
	2022	0
<b>New Jersey</b>	2020	1
	2021	0
	2022	1
<b>New York</b>	2020	0
	2021	1
	2022	0
<b>Ohio</b>	2020	2
	2021	0
	2022	1
<b>Pennsylvania</b>	2020	0
	2021	0
	2022	1
<b>Rhode Island</b>	2020	0
	2021	0
	2022	1
<b>Texas</b>	2020	0
	2021	0
	2022	1
<b>Virginia</b>	2020	0
	2021	1
	2022	1
<b>Wisconsin</b>	2020	1
	2021	2
	2022	1
<b>US TOTALS:</b>	2020	<b>10</b>
	2021	<b>9</b>
	2022	<b>14</b>
<b>South Africa</b>	2020	1
	2021	0
	2022	0
<b>SYSTEM TOTALS:</b>	2020	<b>11</b>
	2021	<b>9</b>
	2022	<b>14</b>

**Table No. 3**  
**Status of Studio Businesses for Years 2020 to 2022**

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
AL	2020	3	0	0	0	0	1	2
	2021	2	0	1	0	0	0	1
	2022	1	1	0	0	0	0	2
AK	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
AZ	2020	9	0	0	0	0	0	9
	2021	9	1	0	0	0	0	10
	2022	10	2	0	0	0	0	12
AR	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
CA	2020	7	1	0	0	0	1	7
	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
CO	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
CT	2020	16	0	0	0	0	0	16
	2021	16	1	0	0	0	0	17
	2022	17	0	0	0	0	0	17
FL	2020	30	3	1	0	0	1	31
	2021	31	2	1	0	0	0	32
	2022	32	2	0	2	0	0	32
GA	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
IA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
ID	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
IL	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
IN	2020	6	0	0	0	0	0	6
	2021	6	0	1	0	0	0	5
	2022	5	1	0	0	0	0	6
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MA	2020	6	1	0	0	0	0	7
	2021	7	1	0	0	0	0	8
	2022	8	0	0	0	0	0	8
MI	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	1	0	0	0	0	4
MN	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	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
NJ	2020	9	0	0	0	0	0	9
	2021	9	1	0	0	0	0	10
	2022	10	2	0	0	0	0	12
NY	2020	22	0	0	0	0	0	22
	2021	22	1	1	0	0	0	22
	2022	22	2	0	0	0	0	24
NC	2020	4	1	0	0	0	0	5
	2021	5	2	0	0	0	0	7
	2022	7	2	0	0	0	0	9
OH	2020	8	0	0	0	0	0	8
	2021	8	1	1	0	0	0	8
	2022	8	1	0	0	0	0	9
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
PA	2020	4	1	0	0	0	0	5
	2021	5	1	0	0	0	0	6
	2022	6	1	0	0	0	0	7
RI	2020	2	0	0	0	0	0	2
	2021	2	1	0	0	0	0	3
	2022	3	2	0	0	0	0	5
TN	2020	1	1	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
TX	2020	16	1	0	1	0	0	16
	2021	16	0	0	0	0	0	16
	2022	16	2	0	0	0	0	18
VA	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
WI	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	2	0	0	0	0	11
US TOTAL	2020	173	11	1	1	0	3	179
	2021	179	16	5	0	0	0	190
	2022	190	29	0	2	0	0	217
Austria	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Dominican Republic	2020	1	0	0	0	0	0	1
	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
Italy	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Jordan	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Lebanon	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Peru	2020	0	0	0	0	0	0	0

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Poland	2020	2	0	0	0	0	0	2
	2021	2	0	0	1	0	0	1
	2022	1	0	0	0	0	0	1
Romani	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
South Africa	2020	4	1	0	0	0	0	5
	2021	5	0	1	3	0	0	1
	2022	1	0	0	0	0	0	1
<b>SYSTEM TOTAL</b>	2020	<b>183</b>	<b>12</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>190</b>
	2021	<b>190</b>	<b>18</b>	<b>6</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>197</b>
	2022	<b>197</b>	<b>30</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>225</b>

**Table No. 4**  
**Status of Company Owned Studio Businesses for Years 2020 to 2022**

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Studio Businesses Reacquired from Franchisees	Studio Businesses Closed	Studio Businesses Sold to Franchisees	Studio Businesses at End of the Year
<b>Totals</b>	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

**Table No. 5**  
**Projected New Franchised Studios as of December 31, 2022**

State	Franchise Agreements Signed but Studio Not Opened	Projected New Franchised Studios in the 2023 Fiscal Year	Projected New Company Owned Studios in the 2023 Fiscal Year
Connecticut	0	1	0
Florida	0	1	0
New Jersey	0	1	0
New York	1	0	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Tennessee	0	1	0
Texas	5	0	0
Virginia	0	2	0
Dubai, UAE	1	0	0
Brescia, Italy	1	0	0
<b>TOTALS</b>	<b>8</b>	<b>8</b>	<b>0</b>

**Current and Former Franchisees**

**Exhibit G** to this Disclosure Document lists the names of all current franchisees and the address and telephone number of each other Studios.

**Exhibit H** to this Disclosure Document lists the names, city and state and the current business telephone number, or, if unknown, the last known home telephone number of every franchisee who had a Studio terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under any Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of this Disclosure Document’s issuance date.

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

**Trademark Specific Franchisee Organizations**

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

**Confidentiality Agreements**

During our last three fiscal years, we have not signed confidentiality agreements with current or former franchisees that would the ability of current or former franchisees from speaking openly with you about their experiences with our franchise system.



## ITEM 21 FINANCIAL STATEMENTS

Attached as **Exhibit E** to this Disclosure Document is a copy of our audited financial statements for the fiscal years ended December 31, 2020, December 31, 2021 and December 31, 2022. Also attached as **Exhibit E** are our unaudited financial statements as of March 31, 2023.

## ITEM 22 CONTRACTS

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

Agreement Name	Exhibit
Franchise Agreement	Exhibit B
Personal Payment and Performance Guaranty	Exhibit C to the Franchise Agreement
Electronic Transfer of Funds Authorization	Exhibit D to the Franchise Agreement
Lease Rider	Exhibit F to the Franchise Agreement
Telephone Number and Listings and Internet Addresses Assignment Agreement	Exhibit G to the Franchise Agreement
Development Agreement	Exhibit C
State-Required Franchise Agreement Riders	Exhibit D
State-Required Development Agreement Riders	Exhibit D
Sample Release of Claims	Exhibit D

## ITEM 23 RECEIPTS

The very last two (2) pages of this Disclosure Document (**Exhibit J**) are your and our copies of the Receipt of this Disclosure Document. The very last page of this Disclosure Document should be detached and returned to us acknowledging your receipt of this Disclosure Document. The next to last page is a duplicate receipt to be kept by you for your records. If these two (2) pages or any other pages or exhibits are missing from your copy of the Disclosure Document, please contact us at the following address or telephone number:

FADS USA, Inc.  
Attn: Legal Department  
151 Hazard Avenue, Suite 12-13  
Enfield, Connecticut 06082  
(413) 567-3200  
legal@fredastaire.com

**EXHIBIT A  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS**

**STATE ADMINISTRATORS AND  
AGENTS FOR SERVICE OF PROCESS**

<b>STATE</b>	<b>STATE ADMINISTRATOR/AGENT</b>	<b>ADDRESS</b>
California	Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation	320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344 1-866-275-2677
Illinois	Illinois Attorney General	500 South Second Street Springfield, IL 62706
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Maryland (State Administrator)	Office of the Attorney General Division of Securities	200 St. Paul Place Baltimore, MD 21202-2020
Maryland (Agent)	Maryland Securities Commissioner	200 St. Paul Place Baltimore, MD 21202-2020
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492
Rhode Island	Director, Department of Business Regulation, Securities Division	1511 Pontiac Avenue John O. Pastore Complex – Building 68-2 Cranston, RI 02920
Virginia (State Administrator)	State Corporation Commission Division of Securities and Retail Franchising	1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 804-371-9051
Virginia (Agent)	Clerk of the State Corporation Commission	1300 East Main Street, 1st Floor Richmond, VA 23219-3630
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

**EXHIBIT B  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT  
FRANCHISE AGREEMENT**



# FRED ASTAIRE

## DANCE STUDIOS®

### FRED ASTAIRE DANCE STUDIOS® FRANCHISE AGREEMENT

by and among

**FADS USA, INC.**  
*as Franchisor*

and

**[ENTITY NAME]**  
*as Franchisee*

and

**[OWNER NAME]**  
*as Owner*

effective as of

**[DATE]**

STUDIO ID: \_\_\_\_\_

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Exhibit A:	Franchise Specific Information
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Exhibit H:	Franchisee Compliance Questionnaire

## FRED ASTAIRE DANCE STUDIOS® FRANCHISE AGREEMENT

This Fred Astaire Dance Studios® Franchise Agreement (together with all Exhibits hereto, this “**Agreement**”), effective as of [\_\_\_\_\_, \_\_\_\_] (the “**Effective Date**”, regardless of the dates of the Parties’ signatures), by and among FADS USA, Inc. (f/k/a Megadance USA Corp.), a Delaware corporation with its principal office in Enfield, Connecticut (“**FUSA**”, “**we**”, “**us**” or “**our**”), and \_\_\_\_\_, a [STATE, CORPORATION / LIMITED LIABILITY COMPANY ] with its principal office in [CITY, STATE] (“**Franchisee**”, “**you**” or “**your**”), and, if you are an Entity, solely as applicable in this agreement, all of your owners of a legal and/or beneficial interest listed in **Exhibit A** (collectively, the “**Owners**”).

### RECITALS

- A.** We and our affiliates have accumulated knowledge and experience in the dance industry. On this basis we and our affiliates have expended considerable time, skill, effort and money to originate and develop (and continue to develop and modify) a unique and proprietary plan, method, specifications and operating procedures (collectively, the “**FADS System**”) for the operation of, sale of and support of studios offering dance instruction under the FRED ASTAIRE DANCE STUDIOS® mark.
- B.** The distinguishing characteristics of the FADS System include, but are not limited to, our studio designs, layouts and identification schemes (collectively, the “**Trade Dress**”), our specifications for equipment, inventory, and accessories; our dance programs and classes; our website or series of websites for the studios (the “**System Website**”); our relationships with vendors; our software and computer programs; our customer database; the accumulated experience reflected in our training and instruction programs, operating procedures, customer service standards, methods and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (collectively, the “**FADS System Standards**”) set out in our manuals for the operation of studios (the “**Manuals**”) and otherwise in writing. We may change, improve, add to and further develop the elements of the FADS System from time to time.
- C.** We identify the businesses operating under the FADS System by means of the mark “FRED ASTAIRE DANCE STUDIOS®” and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos as set forth on **Exhibit B** (collectively, the “**Marks**”). We may designate for use in connection with the Studios other trade names, service marks, and trademarks as Marks from time to time. These marks which will also be included in the term the “**Marks**.” We use and sublicense the Marks, Copyrights and Authorized Images with the permission of our affiliate, Fred Astaire Dance Studios, Inc., the owner of the Marks.
- D.** The dance studios operating under the FADS System and the Marks are referred to as “**Studios**” and are owned and operated by third party franchisees (“**Franchised Studios**”). As of this time, we do not own or operate any Studio directly. You desire to open and operate a Studio, and we are willing to grant to you a license to open and operate a Studio on the terms and conditions of this Agreement.

- E.** If you are a corporation, limited liability company, partnership, or other business entity (collectively, an “**Entity**” and, collectively with the Owners and FUSA, the “**Parties**”), the Owners are listed on **Exhibit A**. If you are an Entity, the individual owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your “**Operating Principal**.”
  
- F.** We may have engaged an area representative to provide certain services to you under this Agreement pursuant to an Area Representative Agreement. If an area representative will be providing you with services as of the Effective Date, such area representative will be listed on **Exhibit A** (the “**Area Representative**”). We may, without your consent, appoint an Area Representative or a substitute for the Area Representative at any time.

**NOW, THEREFORE,** for and in consideration of the foregoing promises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following:

## **ARTICLE I DEFINITIONS**

**Section 1.01. Definitions.** The following terms used in this Agreement, and not otherwise defined, shall have the meanings given to them below:

(a) “**Advertising Cooperative**” means any organizations or associations of franchisees or advertising cooperatives that we establish or approve for the purpose of promoting, coordinating and purchasing advertising in local, regional or national areas where there are multiple Studios.

(b) “**Anti-Terrorism Laws**” means, collectively, Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act and all other present and future federal, state and local laws, ordinances, regulations, policies, lists and any other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war.

(c) “**Applicable Laws**” means all applicable federal, state, and local laws, rules, regulations and ordinances.

(d) “**Area Representative**” has the meaning set forth in the Recitals.

(e) “**Authorized Images**” means certain images, photographs, videos, pictures or likenesses of Mr. Fred Astaire authorized for use by us.

(f) “**Competitions**” means any competitions, contests, challenges, tournaments or other “entry based” activities in which individuals or couples compete against one another.

(g) “**Competitive Business**” means, collectively, (i) any gymnasium, studio, athletic club, exercise or aerobics facility, or similar facility or business that offers dance and performing

arts instruction and services; or (ii) any Entity that grants franchises or licenses for any of these types of businesses.

(h) “**Confidential Information**” has the meaning set forth in **Section 12.01** (Nature of Information).

(i) “**Control Transfer**” means any Transfer of (i) this Agreement or any interest in this Agreement; (ii) your Studio or all or substantially all of your Studio’s assets; or (iii) any Controlling Ownership Interest in you (if you are an Entity), whether directly or indirectly through a transfer of legal or beneficial ownership interests in any Owner that is an Entity, and whether in one transaction or a series of related transactions, regardless of the time period over which these transactions take place.

(j) “**Controlling Ownership Interest**” means either (i) 25% or more of your direct or indirect legal or beneficial ownership interests in your Entity or (ii) an interest that the acquisition of which grants the power (whether directly or indirectly) to direct or cause the direction of management and policies of you or the Studio to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition.

(k) “**Copyrights**” means, collectively, any and all present or future copyrights relating to the FADS System or the FRED ASTAIRE DANCE STUDIOS® concept, including, but not limited to, the Manuals and marketing materials.

(l) “**Deals**” means, collectively, daily deals or other discounted class promotions, coupons, vouchers, or gift certificates on third-party websites or apps, such as Groupon and Living Social, or other similar promotions designed to drive new customers to Studios.

(m) “**Digital Marketing**” means, collectively, websites, social media accounts (such as Facebook, Twitter, Instagram, Pinterest, etc.), applications, keyword or adword purchasing programs, accounts with websites featuring gift certificates or discounted coupons (such as Groupon, Living Social, etc.), mobile applications, or other means of digital advertising on the Internet or any electronic communications network.

(n) “**Entity**” has the meaning set forth in the Recitals.

(o) “**Event of Default**” has the meaning set forth in **Section 16.01** (Events of Default).

(p) “**Exhibitions**” means any showcases, spotlights, trophy balls, dance camps, mini-matches and other “entry based” activities in which individuals or couples exhibit their skills.

(q) “**FADS Conferences**” means FRED ASTAIRE DANCE STUDIOS® conferences, teleconferences, conventions, meetings and demonstrations.

(r) “**Astaire Pro**” means any class instructor that successfully completes our training programs in accordance with our FADS System. Different levels of Astaire Pros exist, are detailed in our Manuals and are based upon level of certification.

(s) “**FADS System**” has the meaning set forth in the Recitals.

- (t) “**FADS System Standards**” has the meaning set forth in the Recitals.
- (u) “**Franchise Fee**” means the nonrefundable initial franchise fee listed in **Exhibit A** to this Agreement.
- (v) “**Franchised Studio**” has the meaning set forth in the Recitals.
- (w) “**Gross Revenue**” means all revenue that you receive or otherwise derive from operating your Studio, whether from cash, check, credit or debit card, gift card or gift certificate, or other credit transactions, and regardless of when you actually provide the products or services in exchange for the revenue. Gross Revenue does not include (i) promotional allowances or rebates paid to you in connection with your purchase of products or supplies; (ii) any bona fide returns and credits that are actually provided to customers; and (iii) any sales or other taxes that you collect from customers and pay directly to the appropriate taxing authority. You may not deduct payment provider fees (i.e., bank or credit card company fees and gift card vendor fees) from your Gross Revenue calculation.
- (x) “**Guaranty**” means the “Personal Payment and Performance Guaranty” that is attached to this Agreement as **Exhibit C**.
- (y) “**Identifiers**” means all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, your Studio or the Marks.
- (z) “**Indemnified Parties**” means us, our affiliates, our Area Representatives, our franchisees, and our and their respective owners, directors, officers, employees, agents, representatives, successors, and assignees.
- (aa) “**Independent Competition**” means any Competition that is not organized or sponsored by us, our affiliates or one of our Area Representatives.
- (bb) “**Independent Competition Fee**” has the meaning set forth in Section 8.10(b)(iii).
- (cc) “**Initial Term**” has the meaning set forth in **Section 4.01** (Term).
- (dd) “**Innovation**” means, collectively, all ideas, concepts, techniques or materials relating to a FRED ASTAIRE DANCE STUDIOS® Studio or the FADS System.
- (ee) “**Intellectual Property**” means, collectively, (i) the Marks, (ii) the Trade Dress, (iii) the Copyrights, (iv) the Authorized Images, and (v) any trade secrets, methods, or procedures that are part of the FADS System.
- (ff) “**IP Indemnified Parties**” means, collectively, you and your Owners, directors, officers, employees, agents, successors, and assigns.
- (gg) “**Key Manager**” means a manager, who does not need to have an ownership interest in the Entity, to manage the day-to-day business of your Studio that has satisfactorily completed the training we and, if applicable, your Area Representative require.

**(hh)** “**License**” means a non-exclusive license to operate one Studio using the Marks and the FADS System according to the terms of the Agreement.

**(ii)** “**Losses**” means any and all losses, expenses, obligations, liabilities, damages (actual, consequential, or otherwise), and reasonable defense costs that an Indemnified Party incurs, including accountants’, arbitrators’, mediators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, interest, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution, regardless of whether litigation, arbitration, or alternative dispute resolution is commenced.

**(jj)** “**Manuals**” has the meaning set forth in the Recitals.

**(kk)** “**Marks**” has the meaning set forth in the Recitals.

**(ll)** “**Mature Studio**” means any Studio in the United States that is in its second year of operation or more and that has submitted to us all required Gross Revenue reports for at least 49 weeks of the calendar year.

**(mm)** “**National Competitions**” means any Competitions that we or our affiliates organize, or contract with a third party to organize on our behalf, for participation by all Studios regardless of a Studio’s location.

**(nn)** “**Opening Date**” means the date on which you open your Studio for business.

**(oo)** “**Opening Deadline**” means the earlier of: (i) 180 days after possession of the Site is delivered to you by your landlord; or (ii) 270 days after the Effective Date.

**(pp)** “**Operating Assets**” means, collectively, all fixtures, furnishings, signs and equipment of and related to your Studio.

**(qq)** “**Operating Fees**” means your Royalty Fees, Advertising Fees and Technology Fees.

**(rr)** “**Operating Principal**” has the meaning set forth in the Recitals.

**(ss)** “**Package**” means any student or Astaire Pro with amateur entries at a Competition and does not include any individuals with only professional entries.

**(tt)** “**Performance Standards**” has the meaning set forth in **Section 2.06** (Performance Standards).

**(uu)** “**Personal Information**” means names, contact information, financial information and other personal information of or relating to the customers, members, and prospective customers and members of Studios.

**(vv)** “**Plans**” means, collectively, the architectural drawings and specifications for the construction of your Studio showing all leasehold improvements, interior designs and elevations.

(ww) “**Proceedings**” means, collectively, any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in **Section 14.01** (Indemnification by You) against an Indemnified Party.

(xx) “**Regional Competitions**” means any Competitions that your Area Representative (if applicable) organizes for participation by all Studios located in your Area Representative’s territory.

(yy) “**Renewal Fee**” means a renewal fee equal to fifty percent (50%) of the original Franchise Fee.

(zz) “**Renewal Term**” has the meaning set forth in **Section 4.02** (Renewal).

(aaa) “**Required Trainees**” means you (or your Operating Principal, if you are an Entity) and your Key Manager.

(bbb) “**Site**” means a site to be mutually agreed upon subsequent to the execution of this Agreement, pursuant to **Section 6.02** (Site Selection), and listed on **Schedule 1 to Exhibit A** to this Agreement.

(ccc) “**Site Lease**” means any lease or sublease for your Site.

(ddd) “**Site Selection Area**” means the area set forth on **Exhibit A** to this Agreement.

(eee) “**Studio Management and Technology System**” means, collectively, the hardware, software, other equipment, and network connections that we specify periodically in the Manuals necessary to operate our designated technology platform, the music system, the point of sale system, the customer relationship management system and the online reservation system.

(fff) “**Studios**” has the meaning set forth in the Recitals.

(ggg) “**System Website**” has the meaning set forth in the Recitals.

(hhh) “**Term**” means, collectively, the Renewal Term and the Initial Term.

(iii) “**Territory**” means a protected area within the confines of the Site Selection Area and listed on **Schedule 1 to Exhibit A** to this Agreement.

(jjj) “**Trade Dress**” has the meaning set forth in the Recitals.

(kkk) “**Transfer**” as a verb means to sell, assign, give away, transfer, pledge, mortgage, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, your Studio, substantially all the assets of your Studio, or in the ownership of the franchisee (if you are an Entity). “**Transfer**” as a noun means any such sale, assignment, gift, transfer, pledge, mortgage, or encumbrance.



**Section 1.02. Certain Terms.** The term “affiliate” is applicable to any company that, directly or indirectly, owns or controls, is owned or controlled by or under common control with another person. If two or more persons are at any time the franchisee, whether or not as partners or joint venturers, their obligations and liabilities to us are joint and several. The term “person” includes individuals and all business entities.

**Section 1.03. Interpretation.** For purposes of this Agreement, (a) the words “include,” “includes,” and “including” shall be deemed to be followed by the words “without limitation” and the terms following such words shall be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter; (b) the word “or” is not exclusive; and (c) the words “herein”, “hereof”, “hereby”, “hereto” and “hereunder” refer to this Agreement as a whole. The definitions given for any defined terms in this Agreement shall apply equally to both the singular and plural forms. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references in this Agreement to: (i) Articles, Sections and Exhibits mean the Articles and Sections of, and the Exhibits attached to, this Agreement; (ii) an agreement, instrument or other document means such agreement, instrument or other document, as amended, supplemented and modified from time to time to the extent permitted the provisions of such agreement, instrument or document; and (iii) a statute means such statute as amended from time to time and includes any successor legislation and any regulation promulgated thereunder.

## **ARTICLE II RIGHTS GRANTED**

**Section 2.01. Grant of Franchise.** Upon the terms and conditions of this Agreement, we grant to you the License. Your Studio will be located at the Site, within the Site Selection Area. You and your Owners have no right to (i) sublicense the Marks or the FADS System to any other person or Entity; (ii) use the Marks or the FADS System at any location other than the Site; or (iii) to use the Marks or the FADS System in any wholesale, ecommerce, or other channel of distribution besides the operation of your Studio at the Site.

### **Section 2.02. Franchise Rights Personal.**

(a) You and your Owners acknowledge that the License, and the rights associated with the License, is being granted upon the special relationship of trust and confidence that we and our affiliates have in your Owners. This special relationship is based upon your Owners’ (i) reputation and character; (ii) demonstrated skills, ability, knowledge and experience related to the management and operation of a business; and (iii) understanding of the importance of the Marks, the Intellectual Property and the FADS System Standards.

(b) You and your Owners acknowledge that the License, and the rights associated with the License, is granted to you only and to no other person. You and your Owners may not, except as expressly permitted by this Agreement, transfer to any other person by assignment, will or operation of Applicable Law the License or any of the rights associated with the License.

**Section 2.03. No Grant; No Authority.** For the avoidance of doubt, no License, or any rights associated with the License, is granted to any Owner. No Owner will make any agreement, guaranty or representation on behalf of us or our affiliates to a third party.

**Section 2.04. Acceptance; Strict Conformance.** You hereby accept the License and agree to operate your Studio in strict accordance with the terms and conditions of this Agreement for the Term. You and your Owners will perform your obligations under this Agreement strictly in accordance with the terms and provisions of this Agreement and our required policies as they may be developed, modified and supplemented from time to time.

**Section 2.05. Limited Territorial Protection.** Except as provided in **Section 2.07** (Reservation of Rights), as long as you are in compliance with this Agreement (including your obligation to meet the Performance Standards in **Section 2.06** (Performance Standards)), we and our affiliates will not open, or license a third party to open, a Studio within your Territory.

**Section 2.06. Performance Standards.** Starting with calendar year 2020, we expect you to meet certain performance levels during the Term of this Agreement (the “**Performance Standards**”). Your Performance Standards in the Territory are as follows for the following time periods during the Term:

<b>Time Period</b>	<b>Gross Revenues (non-cumulative)</b>
Year 1	Listed on <b>Schedule 2 to Exhibit A</b>
Year 2	50% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 3	55% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 4	60% of the average Gross Revenues for all Mature Studios for the previous calendar year
Year 5 and after	65% of the average Gross Revenues for all Mature Studios for the previous calendar year

Year 1 begins on the Opening Date and ends on the first December 31 after your Opening Date. Each subsequent year runs from January 1 to December 31. The Year 1 Performance Standard is based upon a yearly Gross Revenue of \$149,650 and calculated for Year 1 pro rata on a daily basis, using a 365-day calendar and including the Opening Date and December 31. For example, if your Studio Opening Date is April 12, then your Year 1 Performance Standard is \$108,240, and if your

Studio Opening Date is August 22, then your Year 1 Performance Standard is \$54,120. Your Year 1 Performance Standard calculation is **Schedule 2** to **Exhibit A**.

You must meet the Performance Standards for the Territory during each of the time periods specified in the chart above. If you do not achieve the Performance Standards during any year, then you must pay to us the difference between the Royalty Fees actually paid and the amount of Royalty Fees you would have paid if you had met the Performance Standards, within fifteen (15) days of our invoice. If you do not achieve the Performance Standards for two (2) consecutive years, then we may (A) terminate your rights to the Territory; (B) reduce the scope of the geographic area comprising the Territory in which you have rights; or (C) terminate this Agreement.

**Section 2.07. Reservation of Rights.** We and our affiliates reserve all rights not specifically granted to you by the License. For the sake of example, and not by way of limitation, we and our affiliates have the right, directly or indirectly, to:

(a) ourselves operate, or to grant other persons the right to operate, Studios outside of the Territory;

(b) offer, promote and sell the products and services that Studios offer, promote, sell and/or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Territory;

(c) sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;

(d) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory and on the Internet (or any other existing or future form of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing using the Marks;

(e) acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, or studios anywhere (including inside the Territory) and (i) if such businesses are not located in the Territory, convert the other businesses to the FRED ASTAIRE DANCE STUDIOS® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system (subject to the restriction on developing and offering ballroom dance instruction franchise concepts in **Section 2.07(f)(ii)** below); or (iii) permit the businesses to operate under another name; and

(f) develop and offer franchise concepts that (i) do not use any of the Marks; (ii) do not offer ballroom dance instruction; and (iii) may offer, promote and sell products and services similar or complementary to the products and services that Studios offer.

**Section 2.08. Operating Principal and Key Manager.** If you are an Entity, you must appoint an Operating Principal to have authority over all business decisions related to your Studio

and must have the power to bind you in all dealings with us. Your Operating Principal must have at least a 10% ownership interest in your Entity. We and, if applicable, your Area Representative must approve the Operating Principal, and the Operating Principal must satisfactorily complete the training we and, if applicable, your Area Representative require. In addition, you must appoint a Key Manager. Your Key Manager is not required to have an ownership interest in your Entity. Your Operating Principal may serve as your Key Manager, unless we or, if applicable, your Area Representative believe that he or she does not have sufficient experience or qualifications. Your Operating Principal and Key Manager (if known when this Agreement is signed) are listed on **Exhibit A**. You must provide us and, if applicable, your Area Representative with written notice of your Operating Principal and Key Manager(s) at least sixty (60) days prior to opening and may not change your Operating Principal or Key Manager without our and, if applicable, your Area Representative's prior written approval.

### **Section 2.09. Ownership and Guaranty.**

(a) **Owners.** If you are an Entity, all of your owners of a legal and/or beneficial interest in the Entity are Owners and are listed in **Exhibit A**.

(b) **Guaranty.** If you are an Entity, each of your Owners must execute the Guaranty. We also require the spouse of any Owner to also sign the Guaranty. By executing the Guaranty, each guarantor will be bound by the provisions contained in this Agreement, including the restrictions set forth in **Article XIII** (Covenant Not to Compete). Further, a violation of any of the provisions of this Agreement, including the covenants contained in **Article XIII**, by any guarantor will also constitute a violation by you of your obligations under this Agreement.

(c) **Governing Documents.** If you are (or Transfer this Agreement to) an Entity, you agree to furnish us with the documents set forth in **Section 2.08(d)(i)-(x)**, which includes, but is not limited to, a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books or records, including certificates of good standing from your state, at least nine (9) calendar days before you execute this Agreement. You must provide us certified copies of any changes to your articles of incorporation and/or formation, and any amendments or restatements of any governing documents. The Owners may not enter into any shareholders' agreement, management or operating agreement, voting trust or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no Transfer of any ownership interest may be made, except in accordance with **Article XVI** (Transfer and Assignment) of this Agreement. Any securities that you issue must bear a conspicuous printed legend stating such restriction, and you agree to provide us a copy of any form of printed security that you issue.

(i) Certified Articles of Formation or Incorporation.

(ii) If the Studio will be operated in a state other than the state the Franchisee is formed or incorporated, the Certificate of Authorization to do business in the state the Studio will be operated.

(iii) Operating Agreement, Bylaws, Shareholder Agreement, Partnership Agreement, and any and all amendments thereto.

(iv) If not in the entity documents, a summary of the individuals or entities who will have an ownership interest in the Franchisee, including the following information about each owner: name, respective ownership interest, title, home address, home telephone number. If any ownership interest is held by an Entity, a summary of the ownership interests in that Entity and the entity documents for that Entity.

(v) Any agreements between the members, owners or shareholders (including any agreements to transfer ownership interests).

(vi) If applicable, copies of all stock or membership certificates, which include the transfer restrictions set forth in the Agreement.

(vii) If applicable, a copy of the resolution regarding the Franchisee's entry into and performance of a Franchise Agreement and identification of the Operating Principal and Key Manager.

(viii) If the Entity was formed more than six (6) months prior to the execution of the Franchise Agreement, a certificate of good standing from the state of formation or incorporation, and, if applicable, the state where the Studio will operate.

(ix) Any other governing document(s) of the Franchisee.

### **ARTICLE III MATERIAL INDUCEMENTS**

**Section 3.01. Representations and Warranties.** We are presenting this Agreement to you because you expressed the desire to own and operate a Studio. You and your Owners understand that the terms and conditions of this Agreement are reasonably necessary to maintain our high standards of quality and service and the uniformity of those standards at each Studio and to protect and preserve the goodwill of the Marks. By signing this Agreement, you and your Owners represent, warrant, acknowledge and agree:

(a) to the importance of operating your Studio in strict conformity with the Manuals and FADS System;

(b) that you and your Owners have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your and your Owners' own efforts and ability. You and your Owners have been accorded ample time to consult with your own legal counsel and other advisors about the potential risks and benefits of entering into this Agreement, and we have advised you to do so;

(c) that an investment in a Studio involves business risks;

(d) that the success of this business venture is primarily dependent on your business abilities and efforts;

(e) that you and your Owners will comply with or assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws;

(f) that neither you nor your Owners, employees or agents, property or interests are subject to being “blocked” under any of the Anti-Terrorism Laws and that neither you nor they are otherwise in violation of any of the Anti-Terrorism Laws;

(g) that you and your Owners have received an execution ready copy of this Agreement at least seven (7) calendar days before you and your Owners executed this Agreement or any related agreements or paid any consideration to us. You and your Owners have also received a Franchise Disclosure Document required by applicable state and/or federal laws, including a form of this Agreement, at least fourteen (14) calendar days (or such longer time period as required by Applicable Law) before you and your Owners executed this Agreement or any related agreements or paid any consideration to us. You and your Owners have reviewed this Agreement and the Franchise Disclosure Document and have been given ample opportunity to consult with, and ask questions of, our representatives regarding the documents. You and your Owners have no knowledge of any representations made about the FRED ASTAIRE DANCE STUDIOS® franchise opportunity by us, our affiliates, or any of our or their officers, directors, owners, or agents that are contrary to the statements made in our Franchise Disclosure Document or to the terms and conditions of this Agreement. You and your Owners have read this Agreement and our Franchise Disclosure Document and understand and accept that the terms and covenants in this Agreement are reasonable and necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Studio, and to protect and preserve the goodwill of the Marks;

(h) that the information (including all personal and financial information) that you and your Owners have furnished or will furnish to us relating to the subject of this Agreement is true and correct in all material respects and includes all material facts necessary to make such information not misleading in light of the circumstances when made;

(i) that this Agreement and all business dealings between you and your Owners and us, including our officers, directors, employees and agents, as a result of this Agreement are solely between you and your Owners and us;

(j) that this Agreement has been duly authorized and executed by you and your Owners or on your respective behalves and constitutes your and your Owners’ valid and binding obligation, enforceable in accordance with its terms, subject to applicable bankruptcy, moratorium, insolvency, receivership, and other similar laws affecting the rights of creditors generally;

(k) that you and your Owners have made no misrepresentations in obtaining your License under this Agreement, including in the application that you and your Owners provided to us; and

(l) that you and your Owners understand and acknowledge that the Manuals and any policies, including the FADS System, that we adopt and implement may be changed by us from time to time.

**Section 3.02. No Guaranties.** We expressly disclaim the making of, and you and your Owners acknowledge and agree that you have not received or relied upon, any warranty or guaranty, express or implied, as to the revenues, sales, profits or success of the business venture contemplated by this Agreement. You and your Owners represent, warrant, acknowledge and agree that:

(a) any statements regarding the potential or probable revenues, sales or profits of the business venture, if any, are made solely in the Franchise Disclosure Document delivered to you and your Owners prior to signing this Agreement;

(b) any statements regarding the potential or probable revenues, sales or profits of the business venture or statistical information regarding any existing Studio that is not contained in our Franchise Disclosure Document is unauthorized, unwarranted and unreliable, and should be reported to us immediately;

(c) any information you or your Owners obtained from owners of area businesses or owners of other Studios relating to revenues, sales, profits or otherwise of Studios does not constitute information obtained from us, and we do not warrant or guaranty the accuracy of any such information; and

(d) you and your Owners have not received or relied on any representations about any Studio made by us, or our officers, directors, employees or agents, that are contrary to the statements made in our Franchise Disclosure Document or to the terms of this Agreement.

#### **ARTICLE IV TERM AND RENEWAL**

**Section 4.01. Term.** Unless terminated pursuant to **Article XVI** (Termination and Default), the initial term of the License under this Agreement begins on the Effective Date and extends for an initial ten (10) year period (the “**Initial Term**”).

**Section 4.02. Renewal.** Upon the expiration of the Initial Term and if you (i) are not in default under this Agreement; (ii) have substantially complied with this Agreement throughout the Term; (iii) have timely paid all monies due to us or our affiliates; and (iv) comply with **Section 4.03** (Renewal Procedures), you may, at your option, obtain from us one (1) additional consecutive ten (10) year renewal term (the “**Renewal Term**”).

**Section 4.03. Renewal Procedures.** You may exercise your right to a Renewal Term by:

(a) giving us written notice of your desire to renew the License under this Agreement at least six (6), but no more than twelve (12), months before the expiration of the Initial Term;

(b) delivering to us a fully executed Franchise Agreement on our then current form of Franchise Agreement, which (i) will contain a right of renewal for a renewal term of no less than ten (10) years, provided that you meet the renewal conditions described in that Franchise Agreement; and (ii) you and your Owners understand and acknowledge that a fully executed Franchise Agreement on our then current form of Franchise Agreement may contain terms materially different than those contained in this Agreement, including material changes to Royalty Fees and other fees and charges, Territory or termination provisions;

(c) refurbishing or renovating your Studio, at your expense, to conform the decor, color schemes, storefront, signage and presentation of the Marks to our then-current image and, if necessary, in our sole opinion, to update and replace the equipment, furniture, signage, and fixtures to meet our then-current specifications;

(d) executing a general release, in a form we prescribe, of any and all claims against us, our Area Representatives, our affiliates, our past, present, and future officers, directors, shareholders, and employees arising out of, or relating to, your Studio;

(e) completing, and having your Operating Principal and Key Manager complete, all of our then-current training requirements, including any additional training that we or, if applicable, your Area Representative may require;

(f) securing the right from your landlord to continue operating at the Site for the remainder of such Renewal Term;

(g) substantially and timely complying with the terms and conditions of this Agreement and any other agreement with us, our affiliates or your landlord or any financial institution throughout the Initial Term; not receiving more than two (2) notices of default in the previous twelve (12) month period, even if the defaults were similar or were cured; and having no Event of Default, or event which with the giving of notice and/or passage of time would constitute an Event of Default, in existence as of the expiration of the Initial Term; and

(h) paying to us the Renewal Fee at least thirty (30) days before the expiration of the Initial Term.

**Section 4.04. Delays for Government Regulatory Requirements.** If we are unable to grant you a Renewal Term at the time required as described above due to federal or state governmental requirements regarding the offering and sale of franchises and, at such time, all of the conditions contained in **Section 4.03** (Renewal Procedures) have been met, then this Agreement will continue to be in effect until you give us, at least thirty (30) days in advance, written notice of your intent to terminate this Agreement or you fail to enter into a Renewal Agreement after we have given you a thirty (30) day-period in which to do so. We will offer you the right to enter into a Renewal Term (which will terminate on the same date it would have terminated had there been no delay) as soon as we are legally permitted to do so.



## ARTICLE V FEES

**Section 5.01. Franchise Fee.** You must pay to us the Franchise Fee upon execution of this Agreement. The Franchise Fee is paid in consideration of the rights granted in **Article II** (Rights Granted) and will be deemed fully earned at the time paid. You acknowledge and understand that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

**Section 5.02. Royalty Fee.** You must pay us a weekly royalty fee (the “**Royalty Fee**”) equal to seven percent (7.00%) of your Gross Revenue for the preceding calendar week (or any portion of a week). If you fail to report or generate Gross Revenues with respect to any three (3) consecutive calendar weeks, then the Royalty Fee for each such calendar week shall be equal to the average weekly Royalty Fee owed within the twelve (12) month period immediately preceding the calendar month in which the first such failure to report or generate occurred. If we later determine that the Royalty Fee owed during such time period is higher than the Royalty Fee actually collected, you must pay us the shortfall. The Royalty Fee is non-refundable and is paid in consideration of the ongoing right to use the Marks and the FADS System in accordance with this Agreement and not in exchange for services rendered by us.

**Section 5.03. Renewal Fee.** Upon your execution of a renewal Franchise Agreement pursuant to **Section 4.03** (Renewal Procedures), you will pay to us the Renewal Fee.

### **Section 5.04. Advertising Fees.**

(a) Payment of Fees. You will pay to us aggregate advertising and marketing fees (the “**Advertising Fees**”) with respect to each calendar month. The current Advertising Fee is One Hundred Dollars (\$100) per calendar month. We reserve the right to increase the Advertising Fees once annually, and by no more than \$100 per increase, by providing you with written notice of any change at least one hundred eighty (180) days prior to the implementation. The Advertising Fees are due and payable by the 7th day of each month for the prior month.

(b) Accounting of Advertising Fees. The Advertising Fees will be paid into the FADS Advertising Fund, a segregated or independent fund into which all Advertising Fees will be paid. The FADS Advertising Fund is not a trust or escrow account. In no event will we be deemed a fiduciary with respect to any Advertising Fees we receive or administer. We are not required to have an independent audit of the FADS Advertising Fund completed. We must prepare an unaudited statement of contributions and expenditures for the FADS Advertising Fund, and we must make it available within ninety (90) days after the close of our fiscal year to you. If any monies in the FADS Advertising Fund remain at the end of a fiscal year, they will carry-over in the FADS Advertising Fund into the next fiscal year. We or one of our affiliates may make or otherwise arrange loans to the FADS Advertising Fund in any year in which the balance of the FADS Advertising Fund is negative and charge a reasonable rate of interest. The amounts loaned to the FADS Advertising Fund will be repaid from future contributions to the FADS Advertising Fund in the year the loan is made or in subsequent years.

(c) Use of Advertising Fund. Please see **Section 9.02(a)** (Use of Fund) for an explanation as to how we may and may not use the monies in the FADS Advertising Fund.

**Section 5.05. Technology Fee.** You will pay to us, an affiliate or a third party that we designate a technology fee for various technology services that we will provide or arrange for our affiliates or third parties to provide, which services are subject to change over time (a “**Technology Fee**”). The current Technology Fee is (A) \$50 per week for the first year of the Initial Term; (B) \$75 per week for the second year of the Initial Term; and (C) \$100 per week for each subsequent year of the Initial Term. We reserve the right to increase the Technology Fee once annually in increments of \$25 to a maximum of \$250 per week, by providing you with written notice of any change at least one hundred eighty (180) days prior to the implementation of the new fee amount. The Technology Fee currently includes fees related to (i) our proprietary studio operational software; (ii) our intranet and FADS System software and applications; (iii) internet domain names and e-mail addresses; and (iv) server hosting and data protection. We may add, delete or otherwise modify the products and services that are included in the Technology Fee at any time. We will begin to assess the Technology Fee starting on the date that you begin operating your Studio, with the first week assessed on a pro rata basis from such date.

**Section 5.06. Transfer Fee.** If you Transfer your Studio or this Agreement, you must pay us a Transfer Fee as specified in **Section 15.03** (Control Transfer), **Section 15.04** (Non-Control Transfers) and **Section 15.05** (Transfer to an Entity).

**Section 5.07. Relocation Fee.** If you relocate your Studio from the Site to a new location, you will pay to us a relocation fee equal to \$2,500 (the “**Relocation Fee**”).

**Section 5.08. Training Fee.** Upon your execution of this Agreement, you must pay us a training fee of \$5,000 (the “**Initial Training Fee**”) for up to two of your representatives to attend our Initial Training (see **Section 7.01** (Initial Training)). You acknowledge that we have no obligation to refund the Initial Training Fee, in whole or in part, for any reason. If your Operating Principal or Key Manager have worked in, or been affiliated with, the FADS System for at least the past three (3) consecutive years, (i) we may, in our sole discretion, waive all or part of your Initial Training; and (ii) we will waive \$2,500 of the Initial Training Fee per Required Trainee (for example, if your Key Manager has three (3) consecutive years of affiliation with the FADS System, but your Operating Principal does not, then your Initial Training Fee is \$2,500). The number of years your Operating Principal or Key Manager have worked in or been affiliated with the FADS System is listed on **Exhibit A**.

**Section 5.09. Non-Compliance Fee.** Starting January 1, 2022, if we or, if applicable, your Area Representative determines that you have violated any of your obligations under this Agreement, including any failure to comply with any standards set forth in the Manuals, we or, if applicable, your Area Representative may send you a notice of violation and assess a fee in an amount up to \$150 (the “**Non-Compliance Fee**”), which must be paid within fifteen (15) days from your receipt of an invoice from us or, if applicable, your Area Representative. The Non-Compliance Fee applies for each notice of violation sent to you, even if the violation is of the same provision of the Agreement or same standard set forth in the Manuals for which you previously received a notice of violation. We reserve all other rights and remedies available to us under this Agreement and any other agreement you may have with us or our affiliates.

**Section 5.10. Payment of Fees.** The Operating Fees are due to us and must be reported to us at the times and in the manner that we specify from time to time in the Manuals or otherwise in writing to you. Currently, our weeks run a Saturday to Friday basis. You must pay us your Operating Fees weekly within seven (7) calendar days after the end of each week, based on your Gross Revenue for the preceding week. For example, your Operating Fees for a week ending Friday, January 15, are due to us Friday, January 22. The first Operating Fees will be due in the first full week after the Opening Date and shall be paid based on all Gross Revenue accrued prior to the Opening Date and during your first full or partial week of operations. All other fees and payments due to us must be paid to us within fifteen (15) calendar days of your receipt of an invoice from us.

**Section 5.11. Method of Payment.** You must make all payments to us by the method or methods that we specify from time to time in the Manuals, which may include payment via wire transfer or electronic debit to your business checking account. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. We currently require you to make payment by electronic debit from your business checking account. Before you begin operating your Studio, you agree to sign and deliver to us the authorization agreement in the form of **Exhibit D** to authorize us to debit your business checking account automatically for all payments and amounts due to us under this Agreement. We will auto-debit all fees and payments you owe us and our affiliates. We will debit your business checking account for these amounts on their due dates. Funds must be available in your business checking account to cover our withdrawals.

**Section 5.12. Interest; Late Fees.** If any payment due to us is not received in full by the due date, you agree to pay us daily interest on the amount owed, calculated from the due date until paid, at the rate of 10% per annum (or the maximum rate permitted by Applicable Law, if less than 10%) and compounded weekly. You also agree to pay us a late fee in the amount of \$25 for each week that a payment is paid after the applicable due date. This late fee is subject to increase upon sixty (60) days' prior written notice, but it will not be increased more than once in any twelve (12) month period. You and your Owners agree to reimburse us for any fees or costs incurred by or charged to us if your business checking account does not have the necessary funds to cover our withdrawal of fees and payments you owe us and our affiliates. You and your Owners acknowledge, understand and agree that this **Section 5.12** is not our agreement to accept any payments after they are due and that late payments are a default under this Agreement.

**Section 5.13. Taxes.** You are responsible for all taxes, assessments, and government charges levied or assessed on you in connection with your business activities under this Agreement. In addition, as part of the Royalty Fee, Initial Training Fee, Technology Fee and Advertising Fee, you will pay to us the amount of any taxes imposed on us or our affiliates (and any taxes imposed on us or our affiliates as a result of such imposition) by federal, state, or local taxing authorities as a result of our receipt of any Royalty Fee, Initial Training Fee, Technology Fee and Advertising Fee, not including any tax measured on our income. If you fail to deduct or withhold such taxes or fees, unless requested or instructed by us not to deduct or withhold such taxes or fees, you must indemnify us for the full amount of such taxes or fees, and for any loss or liability (including penalties, interest, and expenses) occasioned by your failure to deduct or withhold such taxes or fees.

**Section 5.14. Set-Off.** You may not, under any circumstances, set off, deduct or otherwise withhold any Operating Fees, interest charges, late fees or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations or for any other reason.

## **ARTICLE VI SITE SELECTION, DEVELOPMENT & STUDIO OPENING**

**Section 6.01. Site Selection Assistance.** We will provide you with site selection guidelines, counseling, and assistance that we consider necessary and appropriate, and such on-site evaluation as we consider necessary and appropriate, as part of our evaluation of your request for acceptance of the location of your Studio pursuant to **Section 6.02** (Site Selection). We may provide you with a list of real estate brokers to assist you in locating a site, and we may require you to use a real estate broker that we designate.

**Section 6.02. Site Selection.** You must locate a site in the Site Selection Area that is reasonably suited for the conduct of a Studio and is consistent with any site selection guidelines that we may provide. Before entering into any lease or purchase agreement for the site, you must submit a site proposal package describing details about the proposed site and any other information that we reasonably require. You acknowledge that we may refuse to accept a proposed site for any reason. If we accept the proposed site and you obtain it, we will insert a description of the specific location on **Schedule 1 to Exhibit A**. **YOU AND YOUR OWNERS ACKNOWLEDGE, UNDERSTAND AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION BY US OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR STUDIO. IT IS SOLELY YOUR RESPONSIBILITY TO SELECT A SUITABLE SITE FOR YOUR STUDIO.** The address listed on **Schedule 1 to Exhibit A**, if completed and signed by us, will be the “Site” referred to in this Agreement. A site is not accepted until you have received our acceptance in writing, as indicated by our delivery of the completed and signed **Schedule 1 to Exhibit A**.

**Section 6.03. Definition of the Territory.** Once the Site has been accepted, we will identify your Territory in **Schedule 1 to Exhibit A** based on the factors that we deem relevant, which may include demographics, the character of the Site and nearby businesses and residences. Once we have defined the Territory, you will have no further territorial or other rights in those portions of the Site Selection Area that are outside the Territory.

**Section 6.04. Site Acquisition.** Before you or an affiliate make a binding commitment to purchase, lease or sublease a site, we and, if applicable, your Area Representative must accept the location in writing and approve in writing the proposed lease or purchase agreement or any letter of intent between you or an affiliate and the third-party seller or lessor. If you or your affiliate leases the Site, unless we waive the requirement in writing, you must arrange for the execution of the Lease Rider in the form of **Exhibit F** by you and your landlord in connection with any Site Lease and any other provisions that we may reasonably require. We or, if applicable, your Area Representative may require you to engage an attorney to review your Site Lease or purchase agreement for the Site that we and, if applicable, your Area Representative have accepted and to supply us and, if applicable, your Area Representative with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the

agreement reflect the terms in any letter of intent between you or an affiliate and the third-party seller or lessor. You must secure a Site that we and, if applicable, your Area Representative have approved by signing a Site Lease or purchase agreement within ninety (90) days after the Effective Date. We may extend this deadline by ninety (90) days in our sole discretion, and we may require you to execute a general release as a condition of us agreeing to grant such extension. You must deliver to us and, if applicable, your Area Representative the completely executed purchase agreement or Site Lease and Lease Rider within ten (10) days after execution of the Site Lease or purchase agreement, and you may not amend or renew any Site Lease without our and, if applicable, your Area Representative's written consent. You must comply with the terms and conditions of your Site Lease. We and, if applicable, your Area Representative are not obligated to execute your lease or guarantee a lease for you.

### **Section 6.05. Site Construction.**

(a) Design Phase. We will make available to you at no charge a set of prototype plans and specifications (not for construction) for a Studio and for the exterior and interior design and layout. You must, at your expense, adapt for the Site our standard plans and specifications for the exterior and interior design and layout, fixtures, furnishings, signs, Trade Dress and equipment for your Studio. You must submit to us and, if applicable, your Area Representative your Plans for our and, if applicable, your Area Representative's approval. You must employ only architectural and engineering firms that we or, if applicable, our project manager has pre-approved to develop your Plans and to assist with the construction of your Studio. You may not begin construction until we or our project manager has given you written approval of the Plans. After we or our project manager has accepted the final Plans, you may not modify the Plans without our or their prior written consent.

(b) Permit, Licenses and Compliance. Before beginning any construction, you, at your expense, must obtain all necessary government permits and licenses for the lawful construction and operation of your Studio. You must abide by your landlord's rules and guidelines. It is your responsibility to ensure that all Plans comply with the Americans with Disabilities Act and similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements and Lease requirements and restrictions. Our and, if applicable, your Area Representative's review of your Plans is limited to ensuring your compliance with our design requirements and is not designed to assess compliance with federal, state, or local laws and regulations or your Lease.

(c) Construction Phase. We or, if applicable, your Area Representative require you to use general contractors that we or, if applicable, your Area Representative has pre-approved. You must notify us and, if applicable, your Area Representative in writing promptly when construction begins and must maintain continuous construction until your Studio is completed. You agree to complete the construction of your Studio in accordance with the approved Plans at your expense. We, our employees, our agents, and, if applicable, your Area Representative may inspect the construction at all reasonable times. After completion of construction, you must promptly obtain a certificate of occupancy and provide a copy of the certificate to us and, if applicable, your Area Representative.

**Section 6.06. Opening Deadline.** You must complete construction of and open your Studio for business by the Opening Deadline, unless we grant you an extension in writing. If we grant an extension, as a condition of us agreeing to grant such extension, we reserve the right to require you to (i) pay an extension fee of \$2,000 for each month (or portion of a month) for which the Opening Deadline is extended and (ii) execute a general release. You may not open your Studio until you have received our and, if applicable, your Area Representative's written approval, which will not be provided until we and, if applicable, your Area Representative have viewed the certificate of occupancy and confirmed that you have complied with the Plans. You must open your Studio for business to the public within ten (10) days from the date we give our written approval. Time is of the essence in constructing the premises for and opening your Studio.

**Section 6.07. Relocation.** You may not relocate your Studio without our and, if applicable, your Area Representative's prior written consent. Such approval will not be unreasonably withheld, provided that (i) according to **Section 6.02** (Site Selection), the new location for your Studio premises is satisfactory to us and, if applicable, your Area Representative; (ii) according to **Section 6.04** (Site Acquisition), your lease, if any, for the new location complies with our then-current requirements and you and your landlord execute the Lease Rider; (iii) according to **Section 6.05** (Site Construction), you comply with our then-current requirements for constructing and furnishing the new location; (iv) the new location will not, as determined in our or, if applicable, your Area Representative's sole discretion, materially and adversely affect the Gross Revenue of any other Studio; (v) you have fully performed and complied with each provision of this Agreement within the last three (3) years prior to, and as of, the date we consent to such relocation; (vi) no Event of Default, or event which with the giving of notice and/or passage of time would constitute an Event of Default, exists as of the date we consent to such relocation; and (vii) you have meet all of our then-current training requirements. If your Site Lease expires or is otherwise terminated, you must secure our approval of another site and enter into a Site Lease for the new approved site within ten (10) days. We reserve the right to terminate this Agreement if you fail to secure a new approved site within ten (10) days after you lose the Site Lease.

## **ARTICLE VII TRAINING AND ASSISTANCE**

### **Section 7.01. Initial Training.**

(a) Initial Training of Required Trainees. Prior to opening your Studio, the Required Trainees must personally attend and satisfactorily complete our initial training program (the "**Initial Training**"). If you do not satisfactorily complete our Initial Training at least ten (10) days prior to the Opening Deadline, we or, if applicable, your Area Representative may require you to delay the opening of your Studio until you do so. We and, if applicable, your Area Representative will provide Initial Training as soon as practicable after the execution and delivery of this Agreement at our offices or at any other location that we designate. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training or have previously been trained at one of our Studios. Each subsequent Operating Principal and Key Manager must attend and satisfactorily complete our Initial Training unless we and, if applicable, your Area Representative otherwise agree in writing,

but we may permit them to attend Initial Training remotely via recorded media, teleconference, videoconference, the Internet, webinar or any other means, as we determine.

**(b) Cost of Initial Training.** We and, if applicable, your Area Representative will provide instructors, facilities, and materials for up to two of your representatives (including your Required Trainees) for the Initial Training Fee, provided that all of your trainees are trained during the same training session. If space is available, you may bring more than two representatives to Initial Training. We reserve the right to charge a training fee of \$2,500, which we may increase upon ninety (90) days' written notice to you, for (i) each person in excess of two trainees; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent Operating Principal, Key Manager or employee who attends the course.

**(c) Completion of Initial Training.** If your Required Trainees are unable to successfully complete, in our sole discretion, Initial Training for any reason, your Required Trainees must repeat Initial Training, or you must send replacement Required Trainees to complete Initial Training. Your Required Trainees must successfully complete Initial Training at least ten (10) days before the Opening Deadline, or we may require you to delay the opening of your Studio until you do so. We will not refund any initial franchise fees, including the Franchise Fee, paid by you. If you and your personnel satisfactorily complete our Initial Training, and you do not expressly inform us at the end of Initial Training that you feel that you or they have not been adequately trained, then you and they will be deemed to have been trained sufficiently to operate a Studio.

**Section 7.02. Opening Advice.** Prior to opening your Studio, we will advise you as to initial orders of merchandise and supplies, development of class schedules and local marketing and networking efforts.

**Section 7.03. Additional Training.** We may periodically conduct mandatory training programs for you, your Required Trainees or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend after the Initial Training. You will be responsible for all costs and expenses (including expenses for travel, food and lodging) incurred by you and your employees to attend any mandatory additional training. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees, Astaire Pros, or other managerial employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in refresher or advanced training in each year of the Term.

**Section 7.04. Remedial Training.** If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, require you, your Operating Principal, your Key Manager(s) or your Astaire Pros to repeat Initial Training or attend additional training programs at a location that we designate. We may charge a reasonable, market-rate fee for each trainer assigned to your Studio and any remedial training.

**Section 7.05. Ongoing Assistance.** We will provide you with limited ongoing technical, managerial, and administrative advice and guidance by telephone, email, and other forms of

communication from our office, as you may from time to time reasonably request in order for you to perform your duties under this Agreement.

**Section 7.06. Requested Consulting Services.** We will provide to you additional consulting services with respect to the operation of a Studio upon your reasonable request and subject to the availability of our personnel or the personnel of any Area Representative. We will make available to you information about new developments, techniques, and improvements in the areas of merchandising, advertising, management, operations and Studio design. We may provide such additional consulting services through the distribution of printed or filmed material, an intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us a reasonable, market-rate fee for each employee or agent for each day or partial day services are rendered. Such additional consulting services will be rendered at a mutually convenient time.

**Section 7.07. Training by You.** In addition to the Initial Training we provide, you or your Operating Principal and your Key Manager(s) are responsible for training all of your other employees, including subsequent Key Managers, in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with our standards and the FADS System, we may (i) require you to delay the opening of your Studio; (ii) prohibit you from training additional employees; and (iii) require you to successfully complete remedial training, as described in **Section 7.04** (Remedial Training).

**Section 7.08. Continuing Business Education.**

(a) You and your Operating Principal are required to obtain twenty-four (24) hours of business education for every two (2) year period following completion of Initial Training (the “**CBE Requirement**”). You may satisfy your CBE Requirement by attending optional training programs that we, or if applicable, your Area Representative provides or third-party training programs focused on general business issues, business ethics and/or franchising issues. Other than your Initial Training, any mandatory training programs that we require pursuant to **Section 7.03** (Additional Training) will count toward your CBE Requirement.

(b) If you fail to satisfy your CBE Requirement within thirty (30) days after the end of any two (2) year period, we may (but are not required to) (i) require you and/or your Operating Principal to attend training provided by us, our affiliates or, if applicable, your Area Representative for continuing business education hours you or your Operating Principal are missing for that two (2) year period at a reasonable, market-rate hourly training fee; or (ii) submit proof, within forty-five (45) days, that you and/or your Operating Principal have obtained the missing continuing business education hours from a third-party.

**Section 7.09. FADS Conferences.** You, your Operating Principal or your Key Manager(s) must attend FADS Conferences that we may require in the Manuals or otherwise in writing. As of the Effective Date, we require your Operating Principal or Key Manager(s) to attend our annual Fred Astaire Conference & Training (“**FACT**”). We reserve the right to change or modify which FADS Conference is required. We, in our sole discretion, will designate the time and place of any FADS Conferences, which may be held in-person or remotely via teleconference or webinar. We shall identify any required FADS Conferences for the following calendar year that



you, your Operating Principal or your Key Manager(s) must attend. In each year, you and your employees shall not be required to attend in person more than three days of FADS Conferences that we organize. We will be responsible for arranging FADS Conferences and providing meeting materials. You are responsible for all costs, including travel and living expenses and any registration costs, associated with your, your Operating Principal or your Key Manager(s) attendance at any FADS Conference. Failure to attend required FADS Conferences for two consecutive years constitutes an Event of Default.

For the avoidance of doubt, any Competitions and any Exhibitions that we, our affiliates or any of our Area Representatives sponsor and organize do not constitute FADS Conferences under this **Section 7.09**. We reserve the right to hold FADS Conferences concurrently with Competitions or Exhibitions.

**Section 7.10. Training Expenses.** You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages and other expenses incurred by your trainees relating to any training programs or FADS Conferences held or organized by us or, if applicable, your Area Representative. You are responsible for reimbursing us for any travel and living expenses incurred by our employees or agents related to providing any additional training, remedial training, or consulting services at your Studio.

## **ARTICLE VIII STUDIO OPERATIONS AND FADS SYSTEM STANDARDS**

### **Section 8.01. Manuals.**

(a) Compliance. We will furnish you with electronic access to our Manuals, on loan for as long as this Agreement or a successor franchise agreement remains in effect. We reserve the right to furnish all or part of the Manuals to you in electronic form and to establish terms of use for access to any restricted portion of our website. The Manuals will contain mandatory and suggested specifications, standards and operating procedures that we develop for the FADS System and information relating to your other obligations. Any required specifications, standards and operating procedures exist to protect our interests in the FADS System and the Marks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. You must comply with and abide by each required FADS System Standard contained in the Manuals, as they may be amended, modified, or supplemented periodically and such other written or electronically transmitted FADS System Standards that we may issue periodically. You acknowledge that we may amend, modify, or supplement the Manuals at any time, so long as such amendments, modifications, or supplements will, in our good faith opinion, benefit us and our existing and future franchisees or will otherwise improve the FADS System. The terms of the Manuals may not contradict, amend or supersede the terms of this Agreement in any material respect. You must promptly comply with revised FADS System Standards.

(b) Use of Manuals. You agree to keep your copy of the Manuals up-to-date. If there is any dispute as to the current contents of the Manuals, the terms of our master copies of these documents maintained at our headquarters will control. You acknowledge that we own the

copyright to the Manuals and that your copies of the Manuals remain our property and must be returned to us immediately upon expiration or termination of this Agreement. You must treat the Manuals, and the information contained therein, as confidential and must maintain the confidentiality of such information. You may not, without our prior written consent, copy, duplicate, record, use, or otherwise reproduce in any way the Manuals, in whole or in part, or otherwise make their contents available to any unauthorized person, except as provided in **Article XII** (Confidential Information).

### **Section 8.02. Management and Personnel.**

(a) Studio Management. Unless otherwise specified in the Manuals, at all times that your Studio is open for business, it must be under the personal, on-premises supervision of either you, your Operating Principal, your Key Manager or a trained manager. Your Key Manager or another trained manager must be available at all times your Studio is open for business. You may not permit your Studio to be operated, managed, directed or controlled by any other person or Entity without our prior written consent.

(b) Employment Decisions and Policies. **YOU ARE SOLELY RESPONSIBLE FOR ALL LABOR AND EMPLOYMENT-RELATED MATTERS AND DECISIONS RELATED TO YOUR STUDIO, INCLUDING HIRING, FIRING, PROMOTING, DEMOTING AND COMPENSATING (INCLUDING COMPENSATION THROUGH WAGES, BONUSES OR BENEFITS) YOUR EMPLOYEES.** You must ensure that your employees are qualified to perform their duties in accordance with our FADS System and standards. We do not require you to implement any employment-related policies or procedures or security-related policies or procedures that we (at our option) may make available to you in the Manuals or otherwise for your optional use. You shall determine to what extent, if any, these policies and procedures may be applicable to your operations at your Studio. If you require your employees execute employment agreements, such agreements must include a media release in favor of us and our affiliates.

(c) Replacement Key Manager. If your Key Manager ceases to be employed by you at your Studio, you must hire a new Key Manager and have them successfully complete Initial Training within thirty (30) days after your former Key Manager's employment at your Studio ends. If you are unable to immediately appoint and train a Key Manager, we (or, if applicable, your Area Representative) may, in our (or, if applicable, your Area Representative's) sole discretion, provide a Key Manager to work at your Studio temporarily until a new Key Manager is appointed and trained. In such instances you will pay to us our actual costs and expenses incurred for such temporary Key Manager assigned to your Studio, including such temporary Key Manager's salary and travel and living expenses.

(d) Temporary Astaire Pros. We may provide, in our sole discretion and upon your request, Astaire Pros to teach classes at your Studio on a temporary basis. If we provide you with a temporary Astaire Pro, you must pay us a reasonable fee, as listed in the Manual, and pay for such Astaire Pro's travel and living expenses.

**Section 8.03. Operation of the Studio; No Other Business.** You and your Owners will not use the Site, your Entity (if you are an Entity) or your Studio for any purpose other than the

operation of your Studio in compliance with the FADS System and the Manuals. For the avoidance of doubt, you and your Owners may not use your Entity or the Studio to perform any dance coaching or judging, on any such contract for such services performed by you outside of your Studio, or collect any compensation for such services. You will not lease, sublease, or assign the Site Lease for all or any portion of the Site, without our and, if applicable, your Area Representative's prior written consent. You may not offer or allow others to offer classes at your Studio other than FRED ASTAIRE DANCE STUDIOS® classes taught by Astaire Pros without our prior written approval which we may grant or deny in our sole discretion. You, your Owners and your affiliates may not provide exercise classes, tanning services, personal training or fitness services, massage services, or any other health-related, exercise-related or fitness-related services to your Studio's customers (whether those services are provided at your Studio or any other location) without our and, if applicable, your Area Representative's prior written consent. You, your Owners, and your affiliates may not operate any retail location providing any products or services that are ancillary to your Studio's business to customers (such as, for example, a juice or smoothie bar) from a location at or near the Site. You must keep your Studio open for business to the public at least during the hours we prescribe from time to time in the Manuals or otherwise approve, unless prohibited by Applicable Law or by the Site Lease (if any) for your Studio premises.

**Section 8.04. Notice of Independent Contractor Status.** During the Term, you agree to hold yourself out to the public as an independent contractor operating your Studio under the License from us, and you must display in a conspicuous location in or upon your offices, or in a manner that we specify, a sign containing the following notice or an alternative notice that we specify: "This business is independently owned and operated by [ENTITY NAME] as an authorized licensed user of the trademark "Fred Astaire Dance Studios®", which is licensed to us by FADS USA, Inc." You must include this notice, or other similar language that we specify, on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary and other written materials that we designate.

**Section 8.05. Upkeep of the Studio.** You must keep the exterior (including parking lot) and interior of your Studio and the Operating Assets in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You must place or display at the Site (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we periodically require or authorize. You may not make any material alteration, addition, replacement, or improvement to your Studio, including its Operating Assets, without our and, if applicable, your Area Representative's prior written consent.

**Section 8.06. Refurbishing and Renovation.** You agree to take the following actions during the Term at your expense: (i) thorough cleaning, repainting and redecorating of the interior and exterior of your Studio at intervals that we may periodically designate and at our direction; (ii) interior and exterior repair of your Studio as needed; and (iii) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may periodically specify (or, if we do not specify an interval for replacing any item, as that item needs to be repaired or replaced). Upon our or, if applicable, your Area Representative's written request, you and your Owners acknowledge and agree that you must refurbish your Studio at your expense to conform the decor, Trade Dress, color schemes, signage, and presentation of the Marks to our then-current image. Such refurbishing may include remodeling, redecoration, and other modifications to

existing improvements and updating or replacing any Operating Assets. You and your Owners acknowledge and understand that this obligation could result in significantly remodeling and renovating your Studio or in your spending substantial amounts for new Operating Assets. Within one hundred twenty (120) days after receiving written notice from us or, if applicable, your Area Representative, you must have plans prepared according to the FADS System Standards we prescribe and, if we require, using architects and contractors we approve. You must submit those plans to us and, if applicable, your Area Representative for our and, if applicable, your Area Representative's approval. You must complete all work according to the plans we and, if applicable, your Area Representative approve within the time period that we reasonably specify.

### **Section 8.07. Classes**

(a) Lessons and Classes. You must conduct all lessons and classes in accordance with the FADS System and under the leadership of an Astaire Pro. You must offer at your Studio any lessons, classes or programs that we deem to be mandatory. Any lessons or classes that you or your Astaire Pros develop must be consistent with the FADS System Standards that we specify from time to time. If we disapprove of any lesson, class or program that you offer, you must immediately discontinue offering the lesson, class or modify the class in accordance with our instructions.

(b) Student Transfer Policy. You must abide by the "FADS Student Transfer Policy," as we may modify periodically. The FADS Student Transfer Policy allows Studio customers to attend certain classes at any Studio even if the class was originally purchased at a different Studio. The FADS Student Transfer Policy, as described in the Manuals or otherwise in writing, requires you to offer class packages that provide full reciprocity benefits with other Studios, requires you to transfer customers from your Studio to another Studio upon request, and provides for compensation between Studios for such class packages. We may modify, replace or eliminate the FADS Student Transfer Policy at any time upon ninety (90) days' written notice.

### **Section 8.08. Products, Supplies, Operating Assets and Services.**

(a) Purchases. We have the right to require that products, supplies, Operating Assets, and services that you purchase for resale or purchase or lease for use in your Studio: (i) meet specifications that we establish from time to time; (ii) be a specific brand, kind, or model; (iii) be purchased or leased only from suppliers or service providers that we have expressly approved; and/or (iv) be purchased or leased only from a single source that we designate (which may include us or our affiliates or a buying cooperative organized by us or our affiliates). To the extent that we establish specifications, require approval of suppliers or service providers, or designate specific suppliers or service providers for particular items or services, we will publish our requirements in the Manuals.

(b) Products and Services You May Offer. You may offer in your Studio to customers only the products and services that we and, if applicable, your Area Representative have approved in writing. In addition, you must offer the specific products and services that we require in the Manuals or otherwise in writing. We may change these specifications periodically, and we may designate specific products or services as optional or mandatory. You must offer all products or services that we designate as mandatory. You may sell products only in the varieties, forms and

packages that we and, if applicable, your Area Representative have approved. You must maintain a sufficient supply of required products to meet the inventory standards we prescribe in the Manuals (or to meet reasonably anticipated customer demand, if we have not prescribed specific standards).

(c) Revenue from Purchases. You acknowledge and agree that we or our affiliates may derive revenue based on your purchases and leases, including from charging you for products and services we or our affiliates provide to you and from promotional allowances, volume discounts, and other payments made to us by suppliers or distributors that we designate or approve for some or all of our franchisees. We and our affiliates may use all amounts received from suppliers or distributors, whether or not based on your or other franchisees' actual or prospective dealings with them, without restriction for any purposes we or our affiliates deem appropriate.

(d) Approval Process. If you would like to offer products or use any supplies, Operating Assets or services that we and, if applicable, your Area Representative have not approved or to purchase or lease from a supplier or service provider that we and, if applicable, your Area Representative have not approved, you must submit a written request for approval and provide us and, if applicable, your Area Representative with any information that we or, if applicable, your Area Representative request. We and, if applicable, your Area Representative have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us a charge not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We and, if applicable, your Area Representative have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our judgment. We will notify you in writing of our decision as soon as practicable following our evaluation. If you have an Area Representative, our evaluation will not begin until we receive written approval from your Area Representative. If you do not receive our approval within ninety (90) days after (i) we receive written approval from your Area Representative; and (ii) submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. You acknowledge that the products and services that we and, if applicable, your Area Representative approve for you to offer in your Studio may differ from those that we permit or require to be offered in other Studios.

(e) Revocation of Approval. We and, if applicable, your Area Representative reserve the right to reinspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider and to revoke approval of the item, service, supplier, or service provider if any fail to meet any of our then-current criteria. If you receive a notice of revocation of approval from us or, if applicable, your Area Representative, you agree to cease purchasing or leasing the formerly-approved item or service or any items or services from the formerly-approved supplier or service provider, and you must dispose of your remaining inventory of the formerly-approved items and services as we direct. If we or, if applicable, your Area Representative revokes approval of a previously-approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to thirty (30) days following our or your Area Representative's disapproval. We have the right to

shorten this period if, in our opinion, the continued sale of the product would prove detrimental to our reputation. After the thirty (30) day period, or such shorter period that we may designate, you must dispose of your remaining formerly-approved inventory as we direct.

**(f) NO WARRANTY. ALTHOUGH APPROVED BY US, WE AND OUR AFFILIATES MAKE NO WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND WE AND OUR AFFILIATES EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO ALL PRODUCTS, SERVICES, FIXTURES, EQUIPMENT, FURNITURE, SIGNS, DÉCOR ITEMS, FLOORING, TRADE DRESS, SUPPLIES OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND THAT WE APPROVE FOR USE IN THE FADS SYSTEM.**

**Section 8.09. Distribution.** You may not make any sales of products or services outside of your Studio, conduct classes outside of your Studio or use vendor relationships that you establish through your association with us or the FRED ASTAIRE DANCE STUDIOS® brand for any other purpose besides the operation of your Studio, unless we and, if applicable, your Area Representative consent in writing. You agree to purchase products solely for resale to retail customers, and not for resale or redistribution to any other party, including other Franchised Studios. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we consent in writing.

**Section 8.10. Participation in System-wide Programs, Competitions and Councils.**

**(a) Promotional Programs.** You must participate in all in-Studio promotional programs that we offer to our Franchised Studios. You will follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards or coupons (including Groupons and similar discounts) unless approved or offered by us or our affiliates.

**(b) Competitions.**

**(i) National Competitions.** During the period from the Effective Date to the first December 31st of the Term, you are not required to send any Packages from your Studio to any National Competition, but you are required to send your Operating Principal and Key Manager to at least one National Competition (if offered during the period). You understand and acknowledge that this period may be less than twelve (12) months. For each subsequent calendar year during the Initial Term, you must send a total number, in the aggregate for that calendar year, of Packages to National Competitions equal to your Gross Revenue for the previous calendar year divided by \$200,000. If, in any calendar year, you fail to send the total required number, in the aggregate for that calendar year, of Packages to National Competitions, you agree to pay \$200 per Package that you failed to send within fifteen (15) days of an invoice from us. We reserve the right to increase such fee once annually upon one hundred eighty (180) days' written notice to you; provided, however, that we will not increase the fee more than ten percent (10%) per calendar year.

(ii) Regional Competitions. During the period from the Effective Date to the first December 31st of the Term, you are not required to send any students or Astaire Pros from your Studio to any Regional Competition. You understand and acknowledge that this period may be less than twelve (12) months. For each subsequent calendar year during the Initial Term, you must send a total number, in the aggregate for that calendar year, of Packages to Regional Competitions equal to your Gross Revenue for the previous calendar year divided by \$100,000. If, in any calendar year, you fail to send the total required number, in the aggregate for that calendar year, of Packages to Regional Competitions, you agree to pay \$200 per Package that you failed to send within fifteen (15) days of an invoice from us. We reserve the right to increase such fee once annually upon one hundred eighty (180) days' written notice to you; provided, however, that we will not increase the fee more than ten percent (10%) per calendar year. Failure to comply with the requirements of this section for two (2) consecutive years constitutes an Event of Default under this Agreement. For the sake of example and the avoidance of confusion, if your Effective Date is in calendar year 2022, your obligation to send Packages to National Competitions will begin in calendar year 2023.

(iii) Independent Competitions. You may not attend an Independent Competition without your Area Representative's, and, if applicable, our, prior written consent. Such approval will not be unreasonably withheld. If (i) you failed to send the total required number, in the aggregate for that calendar year, of Packages to National Competitions or Regional Competitions; and (ii) you failed to obtain written approval from us, or, if applicable, your Area Representative, for any Independent Competition we have not pre-approved, then you must pay to us \$400 (the "**Independent Competition Fee**") per Package that you send to such Independent Competition no later than fifteen (15) days before the date of such Independent Competition. We reserve the right to increase the Independent Competition Fee once annually upon one hundred eighty (180) days' written notice to you. You may not, without our prior written permission, send any Package to any Independent Competition held the same week as any National Competition or Regional Competition, and you acknowledge that doing so constitutes an Event of Default under this Agreement.

(c) Franchisee Advisory Council. We may establish an advisory council of Franchised Studios, using a form and process set forth in the Manuals, to advise us on various issues and strategies. Such advisory council will have an advisory role but no operational or decision-making power. We may change the structure and process of such advisory council or dissolve such advisory council at any time. If we establish such an advisory council, you must participate in all council-related activities that either the advisory council or us determine are mandatory activities.

### **Section 8.11. Studio Management and Technology System.**

(a) Acquisition and Updates. You must obtain, maintain, and use the Studio Management and Technology System. You must use the Studio Management and Technology System to (i) enter and track purchase orders and receipts, classes and attendance, and customer information; (ii) update inventory; (iii) enter and manage your customer's contact information; (iv) generate sales reports and analysis relating to your Studio; and (v) provide other services relating to the operation of your Studio. If we require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require. You and your Owners acknowledge, understand and agree that you must replace, upgrade, or update at your expense the Studio Management and Technology System as we may require periodically. We will establish reasonable deadlines for implementation of any changes to our Studio Management and Technology System requirements.

(b) Use of Studio Management and Technology System. You agree: (i) that the Studio Management and Technology System will be dedicated for business uses relating to the operation of your Studio; (ii) to use the Studio Management and Technology System in accordance with our policies and operational procedures; (iii) to transmit financial and operating data to us as required by the Manuals; (iv) to do all things necessary to give us unrestricted access to the Studio Management and Technology System at all times (including users IDs and passwords, if necessary) so that we may independently download and transfer data via a modem or other connection that we specify; (v) to maintain the Studio Management and Technology System in good working order at your own expense; (vi) to ensure that your employees are adequately trained in the use of the Studio Management and Technology System and our related policies and procedures; and (vii) not to load or permit any unauthorized programs or games on any hardware included in the Studio Management and Technology System. You also must comply with all laws and payment card provider standards relating to the security of the Studio Management and Technology System, including the Payment Card Industry Data Security Standards. You must participate in our designated Payment Card Industry compliance program if we establish such a program and pay the then-current fee associated with such program.

(c) Technology Failures. You are solely responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if the Studio Management and Technology System (or any of its components) fails to operate on a continuous basis or as we or you expect. You are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures or attacks.

**Section 8.12. Student Enrollment Agreements.** You must ensure that every student enrollment agreement and waiver you use complies with all of our requirements and all Applicable Laws. You must send us and, if applicable, your Area Representative copies of all customer agreements and waivers you intend to use at least thirty (30) days before you begin using such documents, and you must obtain written approval from us and, if applicable, your Area Representative before you may begin using such documents.



**Section 8.13. Compliance with Laws.** You must comply with all Applicable Laws. You will obtain and maintain in good standing any and all licenses, permits and consents necessary for you to lawfully operate your Studio. You have sole responsibility for such compliance despite any information or advice that we may provide. You must in all dealings with your customers, your employees, your suppliers, us and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which might injure our business or the goodwill associated with the Marks or other Studios.

**Section 8.14. Compliance with FTC Order.** You must comply with the terms and provisions of the Federal Trade Commission Modified Order, Docket #8560, attached to this Agreement as **Exhibit E** (the “**FTC Order**”). You must comply with those provisions in the Manuals, as they may be updated and modified from time to time, related to the FTC Order. We will provide you with thirty (30) days’ prior written notice of any such updates or modifications.

**Section 8.15. Separateness.** You and your Owners agree that none of your Owners will: (i) institute proceedings to have you be adjudicated bankrupt or insolvent; (ii) consent to the institution of bankruptcy or insolvency proceedings against you; (iii) file a petition seeking, or consent to, a reorganization or relief with respect to you under any Applicable Law relating to bankruptcy; (iv) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of you or a substantial part of your property; (v) make any assignment for the benefit of your creditors; (vi) admit in writing your inability to pay your debts generally as they become due; or (vii) take action related to the previous items. If any of your Owner is a company, limited liability company, partnership or other legal Entity, then each of your Owners agrees that the Owners will: (i) maintain separate books, records and bank accounts; (ii) hold itself out as a separate legal Entity; and (iii) strictly comply with all organizational formalities to maintain its separate existence.

**Section 8.16. Notice and Pleadings.** You and your Owners will promptly provide us and, if applicable, your Area Representative in writing within three (3) days after the commencement of any action, suit or proceeding, or the issuance of any inquiry, subpoena, order, writ, injunction, award or decree of any court, agency or other governmental instrumentality (i) in connection with the operation or financial condition of your Studio, including any criminal action or proceeding brought by you against any employee or other person, or vice versa (but excluding any civil proceedings brought by you against customers to collect monies owed); or (ii) in connection with, relating to or arising out of this Agreement, any Operating Principal or any Key Manager.

**Section 8.17. Insurance.**

(a) Policies. During the Term you will acquire and continuously maintain, at your sole cost and expense, insurance coverage and policies for your Studio in the amounts, covering the risks and containing only the exceptions and exclusions that we periodically specify in the Manuals for all similarly situated Franchised Studios. Your insurance policies must be with insurance companies rated at least A or higher in the most recent edition of A.M. Best’s Insurance Guide. All coverage must be on an “occurrence” basis, except for the employment practices liability insurance coverage, which is on a “claims made” basis.

(b) Primary and Not Contributory. You will cause all policies to apply on a primary and not contributory basis with respect to any other insurance that we or our affiliates maintain. All general liability and workers compensation coverage must provide for waiver of subrogation in favor of us and our affiliates. We may, upon at least ninety (90) days' notice to you, periodically increase the amounts of coverage required and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. All insurance policies must name us and any of our designated affiliates as an additional insured and provide for thirty (30) days' prior written notice to us of a policy's material modification or cancellation.

(c) Proof of Insurance. You agree to send to us annually, or upon our request, a valid certificate of insurance, duplicate insurance policy, insurance policy endorsements and other evidence of compliance with these insurance requirements as we periodically require evidencing that you have maintained the required coverage and paid the applicable premiums. If you fail to obtain or maintain (or to prove that you have obtained and/or maintained) the insurance we specify, in addition to our other remedies, we may (but are not required to) obtain such insurance for you and your Studio on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance and pay us a reasonable fee for such services.

(d) Purpose of Coverage. Your obligation to obtain and maintain the insurance policies in the amounts required by us shall not be limited in any way by reason of any insurance that we may maintain, nor does your procurement of required insurance relieve you of liability under the indemnity obligations described in **Article XIV**. Your insurance procurement obligations under this **Section 8.17 (Insurance)** are separate and independent of your indemnity obligations. We do not represent or warrant that any insurance that you are required to purchase will provide adequate coverage for you. The minimum requirements of insurance specified in this Agreement and the Manuals are for our protection. You should consult with your own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits required by us.

(e) Pre-Paid Lesson Liability Program. You must participate in our pre-paid lesson liability program, as described in the Operations Manual or otherwise in writing. As part of this program, you must maintain an escrow account with our affiliate. You must pay our affiliate between \$5,000 to \$25,000, as we determine, when your Studio opens and then 3% of Gross Revenues per month, until your escrow account reaches the account balance that we require. You may draw upon these amounts to refund prepaid dance lessons. We may modify the required account balance at any time upon 60 days' written notice. In addition, you must pay another affiliate monthly insurance premiums to cover prepaid dance lessons. If you have refunded any amounts for prepaid dance lessons from the escrow account held by our affiliate on your behalf, you can submit a claim with our affiliate that will be administered by a third party. If you receive insurance proceeds as result of any claims that you submit, such proceeds will be deposited into your escrow account to reach the prior account balance. We may modify or cease offering the pre-paid lesson liability program at any time.

**Section 8.18. Compliance Certificate.** You will deliver to us and, if applicable, your Area Representative within ninety (90) days after the end of each calendar year a certificate from

your Operating Principal stating whether or not, after due inquiry, you know of any Event of Default, or any event that with notice or passage of time (or both) would constitute an Event of Default. If you do know of any Event of Default, the certificate shall provide a description of the Event of Default, including its status.

**Section 8.19. Taxes.** You will pay when due all taxes, assessments, and governmental charges upon or against you or your real or personal properties, income, and revenues; provided that no such tax, assessment, or governmental charge need be paid so long as the validity, applicability, or amount thereof is being contested in good faith by appropriate proceedings and appropriate reserves are maintained to pay the disputed amount, if necessary.

## **ARTICLE IX MARKETING**

**Section 9.01. Our Advertising Materials.** We may periodically formulate, develop, produce, and conduct, at our sole discretion, advertising or promotional programs in such form and media as we determine to be most effective. We may make available to you for you to purchase approved advertising and promotional materials, including signs, posters, collaterals, etc. that we have prepared. We or our affiliates will retain all copyrights relating to such advertising materials.

### **Section 9.02. FADS Advertising Fund.**

(a) Use of Fund. We may use monies in the FADS Advertising Fund and any earnings on the FADS Advertising Fund account for any costs associated with advertising (media and production), branding, marketing, public relations and/or promotional programs and materials, and any other activities we believe would benefit the Fred Astaire Dance Studios® brand or the Studios generally, including advertising campaigns in various media; creation, maintenance, and optimization of the FADS System Website or other websites; keyword or adword purchasing programs; conducting and managing social media activities; direct mail advertising; market research, including secret shoppers and customer satisfaction surveys; branding studies; employing advertising and/or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to our franchisees. We will not use the FADS Advertising Fund for anything whose sole purpose is the marketing of franchises; however, you acknowledge that the FADS System Website, public relations activities, community involvement activities, and other activities supported by the FADS Advertising Fund may contain information about franchising opportunities. We will not use any contributions to the FADS Advertising Fund to defray our general operating expenses, including the pro-rata amount of salaries of our personnel for time which is not devoted to FADS Advertising Fund activities and FADS Advertising Fund-supported programs and except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the FADS Advertising Fund or the management of FADS Advertising Fund-supported programs. We may use monies in the FADS Advertising Fund to pay for an independent audit of the FADS Advertising Fund, if we elect to have it audited. We do not guaranty, and we do not represent or warrant, that you will benefit from the FADS Advertising Fund in proportion to your contributions to the FADS Advertising Fund.

(b) Control of Fund. We may consult with, in our sole discretion, a franchisee advisory council selected by franchisees or a committee of franchisees that we appoint regarding marketing programs. However, we have the right to direct all marketing programs and uses of the FADS Advertising Fund, with the final decision over creative concepts, materials, and media used in the programs and their placement.

(c) Materials Produced. Any sales and other materials produced with FADS Advertising Fund monies will be made available to you without charge or at a reasonable cost. The proceeds of such sales will also be deposited into the FADS Advertising Fund.

(d) Other Contributions. If we or our affiliates operate any Studios, we or our affiliates will contribute to the FADS Advertising Fund a percentage of the receipts of those Studios, on the same basis as required for Franchised Studios. If we reduce the FADS Advertising Fund contribution rate for Franchised Studios, we will reduce the contribution rate for company or affiliate-owned Studios by the same amount. You acknowledge that our other Franchised Studios or Area Representatives may not be required to contribute to the FADS Advertising Fund, may be required to contribute to the FADS Advertising Fund at a different rate than you, or may be required to contribute to a different marketing fund.

### **Section 9.03. Local Marketing**

(a) Local Marketing Requirements. You must participate in such advertising, promotional and community outreach programs that we and, if applicable, your Area Representative may specify from time to time, at your own expense. You must use your best efforts to promote the use of the Marks in your Territory. We may require you to use only the advertising or promotional programs or materials that we produce. If we do permit you to conduct your own advertising, you must ensure that all of your advertising, marketing, promotional, customer relationship management, public relations and other brand related programs and materials that you or your agents or representatives develop or implement relating to your Studio is completely clear, factual and not misleading, complies with all Applicable Laws and conforms to the highest ethical standards and the advertising and marketing policies that we periodically specify, whether in the Manuals or otherwise. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Territory, unless we agree in writing otherwise. There are no territorial restrictions from accepting business from retail customers that reside or work or are otherwise based outside of your Territory if these customers contact you, but we reserve the right to implement rules and restrictions regarding soliciting such customers in the future in our Manuals or otherwise in writing.

(b) Approval of Advertising Materials. You do not need to seek prior approval to use or produce any advertising or marketing materials that have been either prepared or previously approved by us. Prior to using or producing any advertising or marketing materials that we have not prepared or previously approved, you must submit specimens of said materials for our written approval, which we may grant or withhold in our sole discretion. We may require you to use only the advertising or promotional programs or materials that we produce. If we do permit you to conduct your own advertising, you must do so in a dignified manner and conform to any standards and requirements we specify in the Manuals. We will have the final decision on all creative development of advertising and promotional messages. If our written approval is not received

within fourteen (14) days from the date we received the material, the material is deemed approved. We reserve the right to require you to discontinue the use of any advertising or marketing materials. We will provide you with an opening kit which will contain marketing materials as set forth in the Manuals.

(c) Minimum Marketing Expenditure. Beginning in the first full month after the Opening Date, you must spend two percent (2%) of your Gross Revenues for the previous calendar quarter (the “**Marketing Requirement**”). Your Marketing Requirement is in addition to your Advertising Fees. We have the right to designate in the Manuals the types of expenditures that will or will not count toward the Marketing Requirement. At our or, if applicable, your Area Representative’s request, you must submit appropriate documentation to verify compliance with the Marketing Requirement. If you fail to spend (or prove that you spent) the Marketing Requirement in any month, then we may, in addition to and without limiting our other rights and remedies, require you to pay us the shortfall as an additional Advertising Fees or to pay us or, if applicable, your Area Representative the shortfall for us or your Area Representative to spend on local marketing for your Studio.

(d) Grand Opening Advertising. In connection with the opening of your Studio, you must spend a minimum of \$5,000 for grand opening advertising and promotion in the four weeks prior to opening your Studio and the four weeks after opening your Studio in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward your Marketing Requirement. You must provide us and, if applicable, your Area Representative with supporting documentation evidencing these expenditures upon our request.

**Section 9.04. Advertising Cooperatives.** You agree to join and actively participate in any Advertising Cooperatives and to abide by the bylaws, rules and regulations duly required by the Advertising Cooperative, which we have the right to mandate or approve. If you join an Advertising Cooperative, the Advertising Cooperative may require you to spend additional funds on marketing programs conducted by the Advertising Cooperative, which may be in addition to your Advertising Fees, but will be counted toward your Marketing Requirement. We shall have the right to approve any marketing materials or marketing programs developed by any Advertising Cooperative in the same manner as specified in **Section 9.03(b)** (Approval of Advertising Materials).

#### **Section 9.05. Digital Marketing.**

(a) Restrictions. We or our affiliates may, in our sole discretion, establish and operate Digital Marketing that are intended to promote the Marks, your Studio and the entire network of Studios. We will have the sole right to control all aspects of any Digital Marketing, including those related to your Studio. Unless we consent otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Studios or the network. If we do permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that we establish periodically and must immediately modify or delete any Digital

Marketing that we determine, in our sole discretion, is not compliant with such policies, standards, guidelines or requirements. We may withdraw our approval for any Digital Marketing at any time.

(b) System Website. As part of our Digital Marketing, we or one of our designees will operate and maintain a System Website, which will include basic information related to your Studio, the ability for customers to purchase classes at your Studio and access to your Studio's reservation system. You must promptly provide us with any information that we request regarding your Studio for inclusion on the System Website. We will make reasonable efforts to ensure the continuing operation of the System Website, but we shall have no liability for System Website downtime, including downtime due to technological maintenance or repair, or other causes beyond our control.

(c) Daily Deals. As part of our Digital Marketing, we or our affiliates have the right, but not the obligation to, offer Deals. If we or our affiliates offer any Deals, we and our affiliates have the right to collect and retain any revenue from such Deals, including any customer payments to such third parties, and we and our affiliates will pay all such amounts we and they receive into the FADS Advertising Fund. If you have an Area Representative, your Area Representative has the right, but not the obligation, to offer Deals. If your Area Representative offers any Deals, your Area Representative has the right to collect and retain any revenue from such Deals, including any customer payments to such third parties, and your Area Representative must pay all such amounts your Area Representative receives into a separate advertising fund maintained by your Area Representative for the Studios in your Area Representative's territory. You must provide classes or other products or services to any customers redeeming any vouchers, gift certificates or coupons related to such Deals in accordance with the standards and other terms that we periodically specify. Except as we otherwise approve, you must treat customers who purchase Deals in the same manner as any other customer and must not limit their access to your Studio or classes. You will not be entitled to receive any payment or reimbursement from us, our affiliates, customers who purchase Deals or third parties for any classes, products or services that you provide to customers who purchase Deals.

## **ARTICLE X REPORTS, RECORDS, AUDITS & INSPECTIONS**

**Section 10.01. General Reporting.** You agree to keep complete and accurate books, records and accounts of all business conducted under this Agreement in accordance with generally accepted accounting principles. You must preserve all of your books and records in hard copy or in a format from which hard copies can be readily generated for at least seven (7) years from the date of preparation or such longer period as may be required by Applicable Laws. You must maintain such information and records on the Studio Management and Technology System as we may require from time to time in the Manuals, and you acknowledge and agree that we will have access to that data remotely via a network connection that we will specify. At our request, you must retain and use, at your expense, the services of an accountant or accounting firm that we approve.

**Section 10.02. Reports and Financial Statements.** You agree to submit financial and operational reports and records to us at the times and in the manner specified in the Manuals. Upon

our written request, by March 30 of each year, you must submit your balance sheet and income statement for the previous calendar year. With respect to your year-end income statement and balance sheet, you or the Operating Principal must certify that the income statement and balance sheet are correct and complete and that they have been prepared in accordance with generally accepted accounting principles. We have the right to demand audited financial statements if an Event of Default has occurred within the last calendar year. In addition, you must provide us within fifteen (15) days after our request, exact copies of federal and state income and other tax returns and any other forms, records, books, reports and other information that we periodically require relating to your Studio or you.

**Section 10.03. Additional Information.** You shall respond promptly to requests from us for clarification and/or additional information regarding any matter entrusted to you under this Agreement. We may from time to time require information about your financial condition, earnings, sales, profits, costs, expenses, and performance to provide a basis for providing our prospective franchisees with information concerning actual or potential earnings or to comply with Applicable Laws governing the sale of franchises. You will provide such information promptly upon our request, and you will certify that such information is true and complete in all material respects.

**Section 10.04. Inspection.** We have the right, through our employees and any agents we designate (including, if applicable, your Area Representative), at any time during business hours and without prior notice to you to: (i) inspect the Site and Studio for compliance with the Manuals; (ii) videotape, photograph or otherwise record the operation of your Studio and your employees; (iii) interview your employees, landlord and customers; (iv) examine or request that you send us copies of the records, invoices, payroll records, check stubs, tax records and returns, and other supporting records and documents of your Studio; and (v) examine or request that you send us copies of your income tax records and any other information, records or properties relating to the ownership, management, or operation of your Studio. Our right to inspect your business records includes records maintained electronically or off-site. You must cooperate with such inspections by giving our representatives unrestricted access and rendering such assistance as our representatives may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. If you fail to correct any deficiencies within a reasonable time, not to exceed thirty (30) days, we have the right to correct such deficiencies and charge you a reasonable fee plus our costs and expenses incurred in such inspection. Any inspections will be made at our expense, unless the inspection is necessitated by your repeated or continuing failure to comply with any provision of this Agreement, in which case we may charge you the actual costs of making such inspection, including the wages and cost of travel and living expenses for our representatives and agents, including any third-party service provider.

**Section 10.05. Audit.**

(a) Right to Audit. Without limiting the foregoing, upon five (5) days written notice to you and once a quarter, we may audit or cause to be audited any business records, bookkeeping and accounting records, business license applications, sales and income tax (if any) records and returns required to be maintained pursuant to **Section 10.01** (General Reporting), **Section 10.02** (Reports and Financial Statements) or **Section 10.03** (Additional Information), and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution

used by you in connection with your Studio. You will cooperate fully with our representatives and independent accountants hired to conduct any inspection or audit. If the records and information are in the possession of a third party, you will either obtain the records or information or provide an authorization from the third party allowing us to perform the inspection and audit at the third party's location.

(b) Reimbursement. If the inspection or audit is because (i) you failed to furnish reports, supporting records, other information or financial statements that you are required to submit to us or, if applicable, your Area Representative under this Agreement, the Manuals or the FADS System; (ii) you failed to furnish such reports, records, information or financial statements on a timely basis as required under this Agreement, the Manuals or the FADS System; or (iii) if an understatement of Gross Revenues is determined by any audit or inspection to be greater than two percent (2%), we may, at our option, require you to reimburse us for the actual costs and expenses of the inspection or audit, including all costs and expenses for our employees, attorneys and accountants, including the travel expenses, room and board and applicable per diem charges for such persons. These remedies are in addition to any other rights and remedies we have under this Agreement or Applicable Law.

(c) Payment of Understated Amounts. If any inspection or audit discloses an understatement of the Gross Revenues, then you will pay us within fifteen (15) days after receipt of the inspection or audit report all sums due to us on the amount of such understatement (for example, any Royalty Fees, Advertising Fees or other amounts properly owed to us), plus interest and fees for late payments in accordance with **Section 5.12** (Interest; Late Fees) from the date the amounts were originally due through the date of payment.

## **ARTICLE XI INTELLECTUAL PROPERTY**

### **Section 11.01. Marks and Trade Dress.**

(a) Acknowledgements. You and your Owners acknowledge that we or our affiliates are the owner of the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the non-exclusive License granted to you in this Agreement, and that, as between we or our affiliates and you and your Owners, we or our affiliates have the exclusive right and interest in and to the Marks and the Trade Dress and the goodwill associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill of any kind associated with your activities as a franchisee under this Agreement or otherwise. You and your Owners acknowledge that any unauthorized use of the Marks or Trade Dress by you or your Owners constitutes (i) an infringement of our or our affiliates' rights in and to the Marks and Trade Dress; and (ii) an Event of Default under this Agreement.

(b) Rights. Your right to use the Marks and the Trade Dress applies only to your Studio operated at the Site as expressly provided in this Agreement, including advertising related to your Studio. You may only use in your Studio the Marks and the Trade Dress we designate, and only in strict compliance with written rules that we prescribe from time to time. You must not use any Mark (i) as part of any corporate or legal business name; (ii) with any prefix, suffix or other



modifying words, terms, designs or symbols (other than logos we have licensed to you); (iii) in selling any unauthorized services or products; (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent; or (v) in any other manner we have not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by you without our prior written approval, which we may revoke at any time upon reasonable notice to you. You must display the Marks in a manner that we specify on signage at your Studio and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials we designate. Your employees, contractors, representatives and agents may not use the Marks or Trade Dress in any manner without our prior written approval or as specifically authorized in the Manuals. You agree to communicate and enforce any and all policies and restrictions on usage to your employees, agents and representatives.

**Section 11.02. Copyrights.** You and your Owners acknowledge and agree that as between you and us, the Copyrights belong solely and exclusively to us or our affiliates. You have no interest in the Copyrights beyond the non-exclusive License granted to you in this Agreement.

**Section 11.03. Authorized Images.** You may not, under any circumstances, use any images, photographs, videos, pictures or likenesses of Mr. Fred Astaire without our prior written permission. Your right to use the Authorized Images is limited to the operation of your Studio in accordance with this Agreement and the Manuals. You may not use any of the Authorized Images in any manner other than those expressly authorized by us in writing, whether in the Manuals or otherwise. You have no interest in the Authorized Images beyond the non-exclusive License granted to you in this Agreement.

**Section 11.04. No Contesting Our Rights.** During the Term of this Agreement and after its expiration or termination, you and your Owners agree not to, directly or indirectly, contest our or our affiliates' ownership, title, right or interest in or to, or our license to use, or the validity of, the Intellectual Property, or contest our sole right to register, use or license others to use the Intellectual Property.

**Section 11.05. Changes to Intellectual Property.** We have the right, upon reasonable notice to you, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the FADS System without any liability to you, in our sole discretion. You and your Owners agree to implement any such change at your own expense within the time we reasonably specify.

**Section 11.06. Third-Party Challenges.** You and your Owners agree to notify us within three (3) days of any unauthorized use of the Intellectual Property of which you or your Owners have knowledge. You and your Owners also agree to inform us promptly of any challenge by any person or Entity to the validity of our or our affiliate's ownership of or our right to license others to use any of the Intellectual Property. We have the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including any settlement. We will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to us or our affiliates in connection with any such action. You and your Owners agree to execute all documents and, render any other assistance we

may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

**Section 11.07. Post Termination or Expiration.** Upon the expiration or termination of this Agreement for any reason, all of your rights to use the Intellectual Property will automatically revert to us without cost and without the execution or delivery of any document. Upon our request, you and your Owners must execute all documents that we require to confirm such reversion.

**Section 11.08. Specimens.** You will submit specimens of all signage, uniforms, packaging, materials, stationary, business cards and other materials displaying, using or bearing the Intellectual Property or relating to the Studios, at your sole expense, for our review and approval prior to your manufacture, printing, production, use, display, broadcast, distribution or sale of any of the foregoing and in accordance with procedures established by us for such purposes from time to time. If we fail to grant any required approval within fourteen (14) days of submission, the submission shall be deemed disapproved.

**Section 11.09. Registration.** You and your Owners will cooperate with us and our affiliates in (i) registering this Agreement or a summary version with any applicable government authority to the extent required or desirable to fully protect our and our affiliates' rights in the Intellectual Property under Applicable Law; (ii) maintaining or perfecting such registration; and (iii) canceling such registration upon termination or expiration of this Agreement. We are authorized by you and your Owners to cancel the registration of this Agreement with any applicable government authority upon the termination or expiration of this Agreement, for any reason, independent of any action by you or your Owners before any government authorities. You, your Owners or your Operating Principal shall execute on behalf of itself/themselves and deliver such documentation as may be necessary or desirable in connection with the foregoing, including any power of attorney as may be required by Applicable Law. You and your Owners shall bear all costs that may be incurred by FUSA or its representatives in registering, perfecting, maintaining and canceling the registration of this Agreement as stated in this **Section 11.09**.

**Section 11.10. Innovation.** All Innovations, whether or not protectable intellectual property and whether created by or for you or your Owners, employees, or contractors, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the FADS System and the Intellectual Property, and works made-for-hire for us. To the extent any Innovation does not qualify as a work made-for-hire for us, by this **Section 11.10** you assign ownership of that Innovation, and all related rights to that Innovation, to us and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we request to evidence our ownership or to help us obtain intellectual property rights in the Innovation. You may not use any Innovation in operating your Studio or otherwise without our prior approval.

**Section 11.11. Indemnification by Us.** Provided you and your Owners comply with the provisions of this **Article XI**, we will indemnify, defend and hold harmless the Intellectual Property Indemnified Parties against, and reimburse all of the Intellectual Property Indemnified Parties for, any claims asserted against or incurred by the Intellectual Property Indemnified Parties in any Intellectual Property infringement proceeding disputing your authorized use of any Intellectual Property under this Agreement if, provided further, (i) you have timely notified us of

the proceeding and (ii) you comply with our reasonable directions in responding to the proceeding. Notwithstanding the foregoing, we will indemnify, defend, or hold harmless the Intellectual Property Indemnified Parties solely for use of Intellectual Property that was authorized or approved by the Manuals or us in writing. Use of Intellectual Property in advertising that is approved or used without our written approval is excluded from indemnification under this Section. We may control the defense of any proceeding arising from your use of any Intellectual Property under this Agreement. This indemnification will continue in full force and effect notwithstanding the termination or expiration of this Agreement.

## **ARTICLE XII CONFIDENTIAL INFORMATION**

**Section 12.01. Nature of Information.** You and your Owners acknowledge that prior to or during the Term, we may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the FADS System, our business, our vendor relationships, our franchise relationships, our classes, or the construction, management, operation, or promotion of the Studios (collectively, the “**Confidential Information**”), including (i) site selection criteria and methodologies; (ii) methods, formats, systems, FADS System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Studios, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Studios; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Studios use and/or sell; (v) knowledge of the operating results and financial performance of other Studios; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) knowledge of lead generation strategies and processes; (viii) Personal Information; and (ix) any other information we reasonably designate from time to time as confidential or proprietary. “**Confidential Information**” does not include (a) information that is part of the public domain or becomes part of the public domain through no fault of you or your Owners; (b) information disclosed to you by a third party having legitimate and unrestricted possession of such information; or (c) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the Parties began discussing the sale of the franchise.

**Section 12.02. Nondisclosure.** You and your Owners agree that the Confidential Information is proprietary, includes our trade secrets and is disclosed to you and/or your Owners solely on the condition that you and your Owners agree as follows: (a) that you will not use the Confidential Information in any other business or capacity; (b) you will maintain the absolute confidentiality of the Confidential Information during and after the Term; (c) you will not make unauthorized copies of any portion of the Confidential Information regardless of whether it is disclosed in electronic medium, written or other tangible or intangible form; and (d) you will adopt and implement all reasonable procedures prescribed by us from time to time to prevent unauthorized use or disclosure of the Confidential Information including restrictions on disclosure to your employees or agents and use of non-disclosure and non-competition agreements in form and substance approved by us which we may provide for your employees or agents who have or whom we or you deem likely to have access to the Confidential Information.

### **Section 12.03. Personal Information.**

(a) Protection of Personal Information. You must comply with our FADS System Standards, other directions from us, and all Applicable Laws regarding the organizational, physical, administrative and technical measures and security procedures to safeguard the confidentiality and security of Personal Information on your computer system or otherwise in your possession or control and, in any event, employ reasonable means to safeguard the confidentiality and security of Personal Information. If there is a suspected or actual breach of security or unauthorized access involving your Personal Information or related to your Studio, you must notify us immediately after becoming aware of such actual or suspected occurrence, and you must specify the extent to which Personal Information was compromised or disclosed. You must comply with any breach response policy that we periodically establish in the Manuals or otherwise in writing. You are responsible for any financial losses you incur or remedial actions that you must take as a result of a breach of security or unauthorized access to Personal Information in your control or possession.

(b) Ownership of Personal Information. You agree that all Personal Information that you collect from customers and potential customers in connection with your Studio is deemed to be owned by us and must be furnished to us at any time that we request it. In addition, we and our affiliates may, through the Studio Management and Technology System or otherwise, have independent access to Personal Information.

(c) Use of Personal Information. You have the right to use Personal Information while this Agreement or a successor franchise agreement is in effect, but only to market FRED ASTAIRE DANCE STUDIOS® products and services to customers in accordance with the policies that we establish periodically and Applicable Law. You may not sell, transfer, or use Personal Information for any purpose other than marketing Fred Astaire Dance Studios® products and services. We and our affiliates may use Personal Information in any manner or for any purpose, except, during the Term, we and our affiliates will not use the Personal Information that we or they derive from your Studio to market dance instruction, fitness and exercise classes or franchises for another brand that competes directly with the Studios. You must secure from your customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that Applicable Law requires (i) to transmit Personal Information to us and our affiliates and (ii) for us and our affiliates to use that Personal Information, in the manner that this Agreement contemplates.

## **ARTICLE XIII COVENANT NOT TO COMPETE**

**Section 13.01. During the Term.** You and your Owners acknowledge and agree that you and your Owners will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional and marketing methods of the Fred Astaire Dance Studios® concept. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

(a) own, manage, engage in, be employed by, advise, make loans to, or have any other interest in a Competitive Business at any location in the United States;

(b) divert or attempt to divert any business, customer, or franchisee or potential business, customer, or franchisee of any Studio to any Competitive Business, by direct or indirect inducement or otherwise;

(c) solicit for purposes of employment any officer, manager, or director of us, any of our affiliates or any Area Representative who is then employed by, or who has within the last twelve (12) months been employed as an officer, manager, or director of us, any of our affiliates or any Area Representative;

(d) perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the FADS System; or

(e) use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Studios.

**Section 13.02. After Termination, Expiration or Transfer.** For two (2) years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you and your Owners may not, without our prior written consent, (i) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your former Studio or any Studio that is operating or under development at the time of such expiration, termination or Transfer; or (ii) directly solicit for employment any officer, manager, director, or Astaire Pro who at any time within the immediate past twelve (12) months has been employed by us, our affiliates, an Area Representative or our franchisees; provided, however, that the foregoing subsection (ii) shall not prevent any employment solicitation of a general and not direct nature that is a public solicitation of prospective employees and not directed specifically to any such officer, manager, director or Astaire Pro. With respect to the Owners, the Owners agree that the time period in this **Section 13.02** will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner's relationship with you, whichever occurs first.

**Section 13.03. Publicly Traded Corporations.** Ownership of less than ten percent (10%) of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this **Article XIII**.

**Section 13.04. Covenants of Owners and Managers.** The Owners personally bind themselves to this **Article XIII** by signing this Agreement and the attached Guaranty. We also may, in our sole discretion, require you to obtain from your officers, directors, managers, Key Managers, Owners' spouses, Astaire Pros, and other individuals that we may designate, in our reasonable discretion, executed agreements containing nondisclosure and noncompete covenants similar in substance to those contained in this **Article XIII** as we prescribe in the Manuals or otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

### **Section 13.05. Enforcement of Covenants.**

(a) Restrictions Reasonable. You and your Owners acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this **Article XIII** are reasonable and necessary for the protection of our legitimate business interests; (ii) you and your Owners have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you or your Owners are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

(b) Blue Pencil. To the extent that this **Article XIII** is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You and your Owners agree that the existence of any claim you or your Owners may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this **Article XIII**. You and your Owners acknowledge that any breach or threatened breach of this **Article XIII** will cause us irreparable injury for which no adequate remedy at law is available, and you and your Owners consent to the issuance of an injunction prohibiting any conduct violating the terms of this **Article XIII**. Such injunctive relief will be in addition to any other remedies that we may have.

## **ARTICLE XIV INDEMNIFICATION**

**Section 14.01. Indemnification by You.** You and your Owners agree to indemnify and hold harmless the Indemnified Parties against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the operation of your Studio; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance with any FADS System Standard, rule or regulation, including those concerning your Studio's construction, design or operation; (v) your noncompliance or alleged noncompliance with any Applicable Laws, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (vi) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to **Section 14.03** (Willful Misconduct or Gross Negligence).

**Section 14.02. Indemnification Procedure.** You and your Owners agree to defend the Indemnified Parties in any Proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct and/or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this **Article XIV** (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are

solely responsible, subject to **Section 14.03** (Willful Misconduct or Gross Negligence). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this **Article XIV**. Your and your Owners' obligations in this **Article XIV** will survive the expiration or termination of this Agreement.

**Section 14.03. Willful Misconduct and Gross Negligence.** Despite **Section 14.01** (Indemnification by You), you and your Owners have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you or your Owners for, any Losses (including costs of defending any Proceeding under **Section 14.02** (Indemnification Procedure)) to the extent such Losses are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this **Section 14.03** limits your and your Owners' obligation to defend us and the other Indemnified Parties under **Section 14.02**.

## **ARTICLE XV TRANSFER AND ASSIGNMENT**

**Section 15.01. Transfer by Us.** We may assign this Agreement and all of our rights, duties, and obligations under this Agreement to any person or Entity that we choose in our sole discretion. Upon any such assignment, we will be released from all of our duties and obligations hereunder, and you will look solely to our assignee for the performance of such duties and obligations.

**Section 15.02. No Transfer without Consent.** This Agreement and the License are personal to you, and we have granted the License in reliance on your (and, if you are an Entity, your Owners') business skill, financial capacity, and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining our prior written consent, except as provided in **Section 15.06** (Permitted Transfers). If you or any of your Owners desire to make a Transfer, you must promptly provide us with written notice. Any purported Transfer, without our prior written consent, will be null and void and will constitute an Event of Default, for which we may terminate this Agreement without opportunity to cure. We have sole and absolute discretion to withhold our consent, except as otherwise provided in **Sections 15.03** through **15.07**. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. No Transfer that requires our consent may be completed until at least sixty (60) days after we receive written notice of the proposed Transfer. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement. If your Studio is not open and operating, we will not consent to your Transfer of this Agreement, and we are under no obligation to do so.

**Section 15.03. Control Transfer.** For a proposed Control Transfer, the following terms and conditions apply (unless waived by us in writing):

(a) When you provide written notice of the proposed Transfer, we may require that you pay to us a non-refundable deposit of \$4,000 to cover our administrative costs incurred in reviewing the proposal. The deposit will be applied towards your Transfer Fee in the event that the Transfer is completed.

(b) You or your transferee must pay to us a Transfer Fee equal to the greater of \$4,000 or two percent (2.00%) of the purchase price for the Control Transfer. You must make such payment by wire transfer from the proceeds of the sale at the closing. For the avoidance of confusion, your non-refundable deposit of \$4,000 in **Section 15.03(a)** is applied to the Transfer Fee you owe at closing. If, for example, your Transfer Fee would be \$4,000, you would not owe any further sums for the Transfer Fee at closing; however, if, for example, your Transfer Fee would be \$6,000, you must make a payment of \$2,000 by wire transfer from the proceeds of the sale at the closing.

(c) Your purchase price for the Control Transfer may not be less than the current franchise fee for a FRED ASTAIRE DANCE STUDIOS® Franchised Studio.

(d) You must satisfy all of your accrued monetary obligations to us and must be in compliance with all obligations to us under this Agreement and any other agreement that you have with us and our affiliates as of the date of the request for our approval of the Transfer or you must make arrangements satisfactorily to us to come into compliance by the date of the Transfer.

(e) You and your Owners must execute a general release, in a form that we prescribe, in favor of us, our affiliates, and our and our affiliates' past, present, and future officers, directors, managers, members, equity holders, agents, and employees, releasing them from all claims, including claims arising under federal, state, and local laws, rules, and regulations.

(f) You and your Owners must agree to remain liable for all of the obligations to us in connection with your Studio arising before the effective date of the Transfer and execute any and all instruments that we reasonably request to evidence such liability.

(g) You and your Owners must continue to be bound by the provisions of **Article XI** (Intellectual Property), **Article XII** (Confidential Information), **Article XIII** (Covenant not to Compete), and **Article XIV** (Indemnification) as if they were the franchisee and this Agreement had expired or terminated as of the effective date of the Transfer.

(h) You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Site Lease to your transferee.

(i) Your proposed transferee (or, if the transferee is not an individual, all owners of any legal or beneficial interest in the transferee) must demonstrate to our satisfaction that the proposed transferee meets all of our then-current qualifications to become a Fred Astaire Dance Studios® franchisee. Your proposed transferee may not have any involvement with a Competing Business. If your proposed transferee is already a Fred Astaire Dance Studios® franchisee, the



proposed transferee (i) must not be in default under any of their agreements with us and (ii) must have a good record of customer service and compliance with our FADS System Standards.

(j) Your proposed transferee and their representatives must successfully complete our then-current training requirements at their expense.

(k) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must (i) enter into a written assignment, in a form satisfactory to us, assuming and agreeing to discharge and guaranty all of your obligations under this Agreement and (ii) must execute our then-current form of personal guaranty.

(l) Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must execute our then-current franchise agreement, which will contain (i) an initial term of ten (10) years; and (ii) a right to an additional consecutive ten (10) year renewal term (provided that you meet the renewal conditions described in our then current form of franchise agreement, which will contain a right of renewal for a renewal term of no less than ten (10) years, provided that you meet the renewal conditions described in our then current form of franchise agreement), for new franchisees and such other agreements as we may require, which agreements will supersede this Agreement in all respects. The terms of the new franchise agreement, and any renewal franchise agreement, may differ significantly from the terms of this Agreement. The prospective transferee will not be required to pay any initial Franchise Fee.

(m) Your proposed transferee must make arrangements to modernize, renovate, or upgrade your Studio, at its expense, to conform to our then-current FADS System Standards for new Studios.

(n) Your proposed transferee must covenant that it will continue to operate your Studio under the Marks and using the FADS System.

(o) We must determine, in our sole discretion, that the purchase price and payment terms will not adversely affect the operation of your Studio, and if you or your Owners finance any part of the purchase price, you and they must agree that all obligations under promissory notes, agreements, or security interests reserved in your Studio are subordinate to the transferee's obligation to pay all amounts due to us and our affiliates and otherwise to comply with this Agreement.

**Section 15.04. Non-Control Transfers.** For any Transfer that does not result in a Control Transfer, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer and transferee that we may request. We will have the right to require you to pay a Transfer Fee that is equal to \$2,500. We will have a reasonable time (not less than thirty (30) days) after we have received all requested information to evaluate the proposed Transfer. You and/or your transferee must satisfy, in addition to others that we may specify, the conditions in **Sections 15.03(d)** (comply with obligations), **15.03(e)** (sign general release), **15.03(f)** (remain liable for pre-Transfer obligations), **15.03(g)** (remain bound to certain provisions), **15.03(i)** (transferee meets qualifications), and **15.03(k)** (sign assignment and

guaranty). You and your Owners must sign the form of agreement and related documents that we then specify to reflect your new ownership structure. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions.

**Section 15.05. Transfer to an Entity.** If you are not an Entity, we will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: (i) the Entity has and will have no other business besides operating a Studio; (ii) you satisfy the conditions in **Sections 15.03(d)** (comply with obligations), **15.03(e)** (sign general release), **15.03(f)** (remain liable for pre-Transfer obligations), **15.03(g)** (remain bound to certain provisions), and **15.03(k)** (sign assignment and guaranty); (iii) the Owners hold equity interests in the new Entity in the same proportion shown on **Exhibit A**; and (iv) you pay a Transfer Fee that is equal to \$2,500.

**Section 15.06. Permitted Transfers.** The other provisions in this **Article XV** do not apply, including our right of first refusal and right of approval, to the following Transfers:

(a) Security Interests. You may grant a security interest in the Site (if you own the Site), your Studio, any Operating Assets, this Agreement, or any direct or indirect legal and/or beneficial interest in you to a financial institution or other party that provided or provides any financing your acquisition, development, and/or operation of your Studio, but only if that party signs our then current form of lender consent to protect our rights under this Agreement. Any foreclosures or other exercise of the rights granted under that security interest are subject to all applicable terms and conditions of this **Article XV**.

(b) Transfer to a Trust. Any Owner who is an individual may Transfer his or her ownership interest in you (or any of your Owners that is an Entity) to a trust that he or she establishes for estate planning purposes, as long as (i) he or she is a trustee of the trust and otherwise controls the exercise of the rights in you (or your Owner) held by the trust and (ii) you notify us in writing of the Transfer at least ten (10) days before its anticipated effective date. Dissolution of or transfers from any trust described in this **Section 15.06(b)** are subject to all applicable terms and conditions of this **Article XV**.

**Section 15.07. Transfer upon Death or Incapacity.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this **Article XV**, as applicable, except there shall be no Transfer Fee due. In addition, if the deceased or incapacitated person is you or the Operating Principal, we will have the right (but not the obligation) to take over operation of your Studio until the Transfer is completed and to charge a reasonable management fee for our services. For purposes of this **Article XV**, "incapacity" means (i) any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement for a period of ninety (90) or more consecutive days or (ii) for 120 or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of **Section 15.03(i)** (transferee meets qualifications), the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed

of under this **Section 15.07** within 120 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under **Section 16.02** (Our Remedies).

### **Section 15.08. Right of First Refusal.**

(a) **Our Right.** We have the right, exercisable within thirty (30) days after receipt of the notice of your intent to Transfer and such documentation and information that we require, to send written notice to you that we intend to purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third-party or, at our option, the cash equivalent thereof. If you and we cannot agree on the reasonable equivalent in cash or if the Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser or may elect at that time to not exercise our rights. We must receive, and you and your Owners agree to make, all customary representations, warranties and indemnities given by the seller of the assets of a business or ownership interests in an Entity, as applicable, including representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances on assets, validity of contracts and agreements, and the liabilities, contingent or otherwise, relating to the assets or ownership interests being purchased, and indemnities for all actions, events and conditions that existed or occurred in connection with Studio prior to the closing of our purchase. Closing on our purchase must occur within ninety (90) days after the date of our notice to the seller electing to purchase the interest. We may assign our right of first refusal to another Entity or person either before or after we exercise it. However, our right of first refusal will not apply with regard to Transfers to an Entity under **Section 15.06** (Permitted Transfers) or **Section 15.07** (Transfer Upon Death or Incapacity) or Transfers to your spouse, son or daughter.

(b) **Declining Our Right.** If we elect not to exercise our rights under this **Section 15.08**, the transferor may complete the Transfer after complying with the applicable provisions in **Article XV**. Closing of the Transfer must occur within ninety (90) days of our election (or such longer period as Applicable Law may require); otherwise, the third-party's offer will be treated as a new offer subject to our right of first refusal. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

## **ARTICLE XVI TERMINATION AND DEFAULT**

**Section 16.01. Events of Default.** Any one or more of the following constitutes an “**Event of Default**” under this Agreement. If the Applicable Law in your Territory provides for a cure period for any Event of Default listed below that is possible of cure longer than the cure period provided below, the Applicable Law shall control. We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

- (a) You or any Owner make any material misrepresentations or omissions in connection with your application to us for the franchise, this Agreement, or any related documents, or you submit to us any report or statement that you know or should know to be false or misleading;
- (b) Your Required Trainees fail to successfully complete the Initial Training to our satisfaction at least ten (10) days before the Opening Deadline;
- (c) You fail to achieve the minimum Performance Standards for two consecutive years;
- (d) You fail to submit information regarding the proposed Studio location, fail to obtain our acceptance for a site, or fail to obtain our approval for a Site Lease within the time periods specified in **Section 6.02** (Site Selection);
- (e) You fail to use a real estate broker that we, or your Area Representative, if applicable, have designated;
- (f) You fail to use a general contractor that we, or your Area Representative, if applicable, have pre-approved;
- (g) You open your Studio without our written consent;
- (h) You fail to open for business by the Opening Deadline in accordance with **Section 6.06** (Opening Deadline);
- (i) You fail to make changes to the Site and your Studio as required in **Section 8.06** (Refurbishing and Renovations) within the applicable time periods;
- (j) You fail to maintain possession of the Site and fail to secure our approval of or enter into a lease for a new, accepted site within ninety (90) days after the expiration or termination of the Site Lease;
- (k) You voluntarily suspend operation of your Studio without our prior written consent for ten (10) or more consecutive business days on which you were required to operate, unless we determine, in our sole discretion, that the failure was beyond your control;
- (l) After multiple attempts to reach you via telephone, e-mail, or other written correspondence, you fail to communicate with us within ten (10) business days after we send you a written communication in accordance with **Section 18.13** (Notices) notifying you of our attempts to reach you and our need to receive a response from you;
- (m) You, your Operating Principal, your Key Manager(s) or any of your representatives that we designate fail to attend or participate in two or more required Conferences as required in **Section 7.09** during any twelve (12) month period, without our prior written consent;
- (n) You fail, in two (2) consecutive calendar years, to send the total required number, in the aggregate for that calendar year, of Packages to National Competitions or Regional Competitions pursuant to **Section 8.10(b)(i)** and **Section 8.10(b)(ii)**;

(o) Without our prior written permission, you attend, market to any students or send any Packages to any Independent Competition held during the same week as any National Competition or Regional Competition;

(p) You default under any other franchise agreement or any other agreement between you and us or our affiliates, provided that the default would permit us or our affiliate to terminate that agreement;

(q) You violate the FTC Order and fail to cure the violation within thirty (30) days from the date of notice of the violation;

(r) You or your Operating Principal (i) fail, within thirty (30) days from the date of written notice to you, to attend training provided by us, our affiliates or your Area Representative, if applicable, for continuing business education hours you and/or your Operating Principal are missing for any two (2) year period; or (ii) fail to submit proof, within forty-five (45) days from the date of written notice to you, that you or your Operating Principal have obtained the missing continuing business education hours from a third-party

(s) You abandon, surrender, transfer control of or fail to actively operate your Studio;

(t) You, any Owner, or any of your officers or directors are charged with, convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the FRED ASTAIRE DANCE STUDIOS® concept (an “Adverse Effect”);

(u) You, any Owner, or any of your officers or directors has, in our reasonable opinion, committed any act of dishonesty, theft, fraud, unethical business conduct, or other misconduct of a serious nature, or other conduct that results or could result in an Adverse Effect;

(v) You, any Owner, or any of your officers or directors has engaged in harassing, offensive, or other conduct which results in a complaint to us or our affiliates or a local, state, or federal government agency or authority and which is reasonably determined by us to be meritorious;

(w) You use any of the Marks or any other identifying characteristic of us other than in the operation or promotion of your Studio;

(x) You use promotional, marketing, advertising, public relations, customer relationship management or other brand-related materials and programs that we have not prepared or previously approved without our prior consent;

(y) You fail to participate in Digital Marketing programs, research programs, and promotional, marketing, advertising, public relations, customer relationship management, and other programs we require;

(z) You or any of your Owners, directors, or officers disclose or divulge the contents of the Manuals or other Confidential Information contrary to the terms of this Agreement;

**(aa)** Any Transfer occurs that does not comply with **Article XV** (Transfer and Assignment), including a failure to transfer to a qualified successor after death or disability within the time allowed by **Section 15.07** (Transfer Upon Death or Incapacity);

**(bb)** You or any Owner violates the noncompete covenants in **Article XIII** of this Agreement;

**(cc)** You breach or fail to comply with any law, regulation, or ordinance which results in a threat to the public's health or safety and fail to cure the non-compliance within twenty-four (24) hours following receipt of notice thereof from us or applicable public officials, whichever occurs first;

**(dd)** You become insolvent or make an assignment for the benefit of your creditors, execution is levied against your business assets, or a suit to foreclose any lien or mortgage is instituted against you and not dismissed within thirty (30) days;

**(ee)** You (i) fail, refuse or neglect to pay any monies owing to us or our affiliates or fail to make sufficient funds available to us as provided in **Section 5.11** (Methods of Payment) within ten (10) days after receiving written notice of your default; (ii) have previously been given at least two (2) notices of nonpayment for any reason within the last twelve (12) months, and you subsequently fail to timely pay when due any monies; or (iii) fail to do all things necessary to give us access to the information contained in your Studio Management and Technology System pursuant to **Section 8.11** (Studio Management and Technology System) within fifteen (15) days after receiving written notice;

**(ff)** You are more than sixty (60) days past due on your obligations to suppliers and trade creditors in an amount exceeding \$2,000, unless you have given us prior written notice that the failure to pay is as a result of a bona fide dispute with such supplier or trade creditor that you are diligently trying to resolve in good faith;

**(gg)** You fail to pay when due any federal, state or local income, service, sales or other taxes due on your Studio's operation, unless you are in good faith contesting your liability for these taxes;

**(hh)** You underreport Gross Revenue by more than two percent (2%) two (2) times or more in any two (2) year period or by five percent (5%) or more at any time;

**(ii)** You refuse to permit, or try to hinder, an examination, inspection, or audit of your books and records or your Studio operations as required by this Agreement;

**(jj)** You fail to timely file any periodic report required in this Agreement or the Manuals three (3) or more times in a twelve (12) month period, whether or not you subsequently cure the default;

**(kk)** You breach or fail to comply with any other covenant, agreement, or FADS System Standard prescribed by us, whether contained in this Agreement, in the Manuals, or otherwise in writing and fail to cure such breach or failure to our satisfaction within thirty (30) days after we provide you with written notice of the default; or

(II) You are in default three (3) or more times within any twelve (12) month period, whether or not the defaults are similar.

**Section 16.02. Our Remedies.**

(a) Right to Terminate. If an Event of Default occurs, we may, at our sole election and without notice or demand of any kind, declare this Agreement and any and all other rights granted under this Agreement to be immediately terminated and, except as otherwise provided herein, of no further force or effect. Upon expiration or termination of this Agreement, you will not be relieved of any of your obligations, debts, or liabilities under this Agreement, including any debts, obligations, or liabilities that you accrued prior to such expiration or termination.

(b) Other Remedies. If an Event of Default occurs, we may, at our sole election and upon delivery of written notice to you, take any or all of the following actions without terminating this Agreement:

(i) temporarily or permanently reduce the size of the Territory, in which event the restrictions on us and our affiliates under **Section 2.05** (Limited Territorial Protection) will not apply in the geographic area that was removed from the Territory;

(ii) temporarily remove information concerning your Studio from the System Website or stop your or your Studio's participation in any other programs or benefits offered on or through the System Website;

(iii) suspend your right to participate in one or more programs or benefits that the FADS Advertising Fund provides;

(iv) suspend any other services that we or our affiliate provides to you under this Agreement or any other agreement, including any services relating to the Studio Management and Technology System;

(v) suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement or otherwise);

(vi) suspend our performance of, or compliance with, any of our obligations to you under this Agreement or other agreements;

(vii) undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

(viii) enter your Studio's premises and assume the management of your Studio ourselves or appoint a third party (who may be our affiliate or an Area Representative) to manage your Studio. All funds from the operation of your Studio while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of your Studio will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a management fee equal to three percent (3%) of your Studio's Gross Revenue during the period of management, plus any direct out-of-pocket costs and expenses. We

or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any products or services your Studio purchases, while managing it. You and your Owners shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage your Studio and may, in our sole discretion, be prohibited from visiting your Studio so as to not interfere with its operations. Our (or our appointee's) management of your Studio will continue for intervals lasting up to ninety (90) days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming your Studio's operation and periodically discuss your Studio's status with you.

(c) Exercise of Other Remedies. Our exercise of our rights under **Section 16.02(b)** (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement; (ii) constitute an actual or constructive termination of this Agreement; or (iii) be our sole or exclusive remedy for your default. You must continue to comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under **Section 16.02(b)** (Other Remedies), we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

**Section 16.03. Termination by You.** You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within sixty (60) days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. If we cannot reasonably correct the breach within this sixty (60) day period but provide you, within this sixty (60) day period, with reasonable evidence of our effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Termination will be effective no less than ten (10) days after you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this **Section 16.03** (including by taking steps to de-identify your Studio or otherwise cease operations under this Agreement) will constitute an Event of Default by you.

## ARTICLE XVII YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

You and your Owners covenant and agree that upon expiration or termination of this Agreement for any reason, unless we direct you otherwise:

**Section 17.01. Payment of Costs and Amounts Due.** You and your Owners will pay upon demand all sums owing to us and our affiliates. If this Agreement is terminated due to an Event of Default, you and your Owners must promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your Event of Default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against your Studio premises and any and all of the personal property, fixtures, equipment, and inventory that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after



the Effective Date to make any filings and to execute such documents on your behalf to perfect the lien created hereby. You and your Owners also must pay to us all damages, costs, and expenses, including reasonable attorneys' fees that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this **Article XVII** (Your Obligations Upon Expiration or Termination).

**Section 17.02. Discontinue Use of FADS System and Intellectual Property.** You must immediately cease using, by advertising or in any other manner, (i) the Intellectual Property (including the Marks and the Trade Dress); (ii) the FADS System and all other elements associated with the FADS System; and (iii) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

**Section 17.03. Return of Confidential Information.** You must immediately return to us, at your expense, all copies of the Manuals, all of your Personal Information, and all other Confidential Information (and all copies thereof). You may not use any Confidential Information or sell, trade or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

**Section 17.04. Cease Identification.** You must immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to cancel or transfer to us or our designee all Identifiers. You acknowledge that as between you and us, we have the sole rights to and interest in all Identifiers. If you fail to comply with this **Section 17.04**, you hereby authorize us and irrevocably appoint us or our designee as your attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us pursuant to this Agreement as conclusive evidence of our exclusive rights in such Identifiers and our authority to direct their transfer.

**Section 17.05. Our Right to Purchase Assets.**

(a) Exercise of Option. Upon termination of this Agreement for any reason (other than your termination in accordance with **Section 16.03** (Termination by You)) or expiration of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within fifteen (15) days after the date of termination or expiration (the "**Exercise Notice**"), to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of your Studio that we designate (the "**Purchased Assets**"). We have the unrestricted right to exclude any assets we specify relating to your Studio from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect your Studio and its assets, to determine whether to exercise our option under this **Section 17.05**. If you or one of your affiliates owns the Site, we may elect to include a fee simple interest in the Site as part of the Purchased Assets or, at our option, lease the Site from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. You and your Owners agree to cause your affiliate to comply with these requirements. If you lease the Site from

an unaffiliated lessor, you agree (at our option) to assign the Lease to us or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

(b) Operations Pending Purchase. While we are deciding whether to exercise our option under this **Section 17.05** (Our Right to Purchase Assets), and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of our purchase or our decision not to complete the purchase, you must continue to operate your Studio in accordance with this Agreement. However, we may, at any time during that period, assume the management of your Studio ourselves or appoint a third party (who may be, without limitation, our affiliate or our Area Representative) to manage your Studio pursuant to the terms of **Section 16.02(b)(viii)**.

(c) Purchase Price. The purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business (but not a Fred Astaire Dance Studios® Studio). However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, our brand image, any Confidential Information or our other intellectual property rights, or participation in the network of Studios. For purposes of determining the fair market value of all equipment (including the exercise equipment and Studio Management and Technology System) used in operating your Studio, the equipment's useful life shall be determined to be no more than three (3) years. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price. Additionally, if the termination is the result of an Event of Default, we may purchase the Purchased Assets at a twenty-five percent (25%) discount of the fair market value of the Purchased Assets as determined by an independent appraiser.

(d) Closing. We will pay the purchase price at the closing, which will take place within sixty (60) days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with your Studio or your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (i) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (ii) all of your Studio's licenses and permits which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us, our Area Representatives, and our affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

(e) Assignment. We may assign our rights under this **Section 17.05** (Our Right to Purchase Studio Assets) to any Entity (who may be our affiliate), and that Entity will have all of the rights and obligations under this **Section 17.05**.

**Section 17.06. De-Identification of the Site.** If we do not exercise our option to acquire the Site Lease or the Site, you will make such modifications or alterations to the Site immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the Site from a Fred Astaire Dance Studios® Studio, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that you are no longer associated with us. If you do not comply with the requirements of this **Section 17.06**, we may enter your Studio without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us on demand for our expenses in making such changes.

**Section 17.07. Promote Separate Identity.** You and your Owners will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a former Fred Astaire Dance Studios® franchisee or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

**Section 17.08. Reimbursement of Unused Classes.** In addition to any procedures that required by Applicable Law, we may require you to notify all of your Studio's customers of the termination or expiration of this Agreement and offer each of them the option to receive a refund of all unused prepaid class credits, which you are solely responsible for refunding to them in a manner that we may specify. We must approve in writing the content of any such notice, prior to you contacting any of your Studio's customers, or may elect to send the notice on your behalf.

**Section 17.09. Duty to Cooperate.** You must fully cooperate with us in transitioning your customers to a different Studio and notifying customers of the change in Studio ownership or the closing of your Studio, as applicable. We must approve in writing the content of any communication about your Studio or to your Studio's customers about any change in Studio ownership or the closing of your Studio. You also must fully cooperate with us in any litigation proceeding related to your Studio or this Agreement.

**Section 17.10. Comply with Noncompete.** You and your Owners must comply with the covenant not to compete in **Article XIII** of this Agreement.

**Section 17.11. Injunctive and Other Relief.** You acknowledge that your failure to abide by the provisions of this **Article XVII** (Your Obligations upon Expiration or Termination) will result in irreparable harm to us, and that our remedy at law for damages will be inadequate. Accordingly, you agree that if you breach any provisions of this **Article XVII**, we are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

## ARTICLE XVIII GENERAL PROVISIONS

**Section 18.01. Entire Agreement.** This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to your Studio and supersede all prior discussions, understandings, representations, and agreements concerning the same subject matter. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representations that we made in the most recent Franchise Disclosure Document that we delivered to you or your representatives. This Agreement includes the terms and conditions on **Exhibit A**, which are incorporated into this Agreement by this reference.

**Section 18.02. Relationship of Parties.** This Agreement does not create, nor does any conduct by us create, a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our behalf, or to create any obligation, express or implied, on our behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, your Studio, including any personal property or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of your Studio. Further, we and you are not and do not intend to be partners, associates, or joint employers in any way, and we shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. **WE HAVE NO RELATIONSHIP WITH YOUR EMPLOYEES, AND YOU HAVE NO RELATIONSHIP WITH OUR EMPLOYEES.**

**Section 18.03. Joint Employer or Implied Employment Relationship.** This Agreement shall not create any employment relationship between us, on the one hand, and you or any of your Owners, on the other hand, or your personnel, employees or any independent contractor hired by you. **YOU AND YOUR OWNERS ASSUME ALL OBLIGATIONS AND RESPONSIBILITIES WITH RESPECT TO THEIR RESPECTIVE EMPLOYEES UNDER LOCAL LABOR OR SOCIAL SECURITY LAWS AND ALL OTHER APPLICABLE LAW.**

**Section 18.04. Amendments and Modifications.** This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies, including the FADS System, that we adopt and implement may be changed by us from time to time.

**Section 18.05. Severability.** Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

**Section 18.06. Construction.** The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of

any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

**Section 18.07. Timely Performance Crucial.** Time is of the essence in this Agreement.

**Section 18.08. Survival.** Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, **Article XI** (Intellectual Property), **Article XII** (Confidential Information), **Article XIII** (Covenant Not to Compete), **Article XV** (Indemnification), **Article XVIII** (General Provisions) and **Article XIX** (Dispute Resolution).

**Section 18.09. Our Approval and Consent.** Whenever our prior written approval or consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

**Section 18.10. Waiver.** Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another Franchised Studio does not affect or impair our right to demand your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated Franchised Studios in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

**Section 18.11. No Third Party Beneficiaries.** Except as expressly otherwise provided herein, no third party shall have the right to claim any of the benefits conferred under this Agreement.

**Section 18.12. Counterparts.** This Agreement may be executed and delivered in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement shall not be binding on either party until it is executed by all Parties.

**Section 18.13. Notices.** All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; (iii) by overnight delivery service; (iv) by electronic mail; or (v) by facsimile (if the sender receives machine confirmation of successful transmission). Notices to you will be sent to the address set forth on **Exhibit A**. Notices to us must be sent to:

FADS USA, Inc.  
151 Hazard Avenue, Suite 12-13  
Enfield, Connecticut 06082  
Attn: Legal Department  
Fax: (413) 565-2298  
E-mail: legal@fredastaire.com

**Section 18.14. Criminal or Civil Penalties.** No Party shall engage in any activity that would expose any other Party to a risk of criminal or civil penalties under Applicable Law.

Either Party may change its mailing address or facsimile number by giving notice to the other party. Notices will be deemed received the same day when delivered personally or via electronic mail, upon attempted delivery when sent by registered or certified mail or overnight delivery service, or the next business day when sent by facsimile.

**Section 18.15. Successors and Assigns.** Except as expressly provided otherwise herein, this Agreement is binding upon and will inure to the benefit of the parties and their respective heirs, executors, legal representatives, successors, and permitted assigns.

**Section 18.16. Dispute Resolution.** You (and your Owners) agree that you (and your Owners) must participate in any mediation proceedings between or involving you (and your Owners) and us and any of our Franchised Studios pursuant to **Article XIX** (Dispute Resolution).

**Section 18.17. Force Majeure.** Neither of the Parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from: (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or a department or agency thereof; (b) acts of God, war or terror; and (c) acts or omissions of a similar event or cause. However, such delays or events do not excuse payments of amounts owed at any time.

**Section 18.18. Exercise of Business Judgment.** We have the right, in our sole judgment, to operate, develop and change the FADS System in any manner that is not specifically prohibited by this Agreement. Whenever we have reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on the information readily available to us and our judgment of what is in our and/or our franchise network's best interests at the time our decision is made, regardless of whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision or the action we take promotes our financial or other individual interest.

**Section 18.19. Varying Standards.** Because complete and detailed uniformity under many varying conditions may not be possible or practical, we specifically reserve the right and privilege, in our sole and absolute discretion and as we may deem in the best interests of all concerned in any specific instance, to vary standards and license agreement provisions for any franchisee or prospective franchisee based upon the peculiarities of a particular site or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we deem to be of importance to the successful operation

of such Franchised Studio's business. You will not have the right to complain about a variation from standard specifications and practices granted to any other Franchised Studio and will not be entitled to require us to grant you a like or similar variation.

**Section 18.20. Additional Terms; Inconsistent Terms.** The parties may provide additional terms by including the terms on **Exhibit A**. To the extent that any provisions of **Exhibit A** are in direct conflict with the provisions of this Agreement, the provisions of **Exhibit A** shall control.

**Section 18.21. AREA REPRESENTATIVES. WE MAY DESIGNATE THE PERFORMANCE OF ANY OR ALL OF OUR OBLIGATIONS UNDER THIS AGREEMENT TO AN AREA REPRESENTATIVE, AFFILIATE, AGENT, INDEPENDENT CONTRACTOR OR OTHER THIRD PARTY. YOU AND YOUR OWNERS UNDERSTAND, ACKNOWLEDGE AND AGREE THAT IF WE APPOINT AN AREA REPRESENTATIVE IN THE AREA THAT INCLUDES YOUR TERRITORY, THE AREA REPRESENTATIVE (1) WILL PROVIDE TRAINING, SUPPORT, MARKETING AND OTHER SERVICES TO YOU ON OUR BEHALF AS AN INDEPENDENTLY CONTRACTED THIRD PARTY; (2) WILL HAVE THE AUTHORITY TO EXERCISE MANY OF OUR RIGHTS; AND (3) WILL PERFORM MANY OF OUR OBLIGATIONS UNDER THIS AGREEMENT. WE MAY, AT ANY TIME AND IN OUR SOLE DISCRETION WITHOUT YOUR CONSENT, APPOINT AN AREA REPRESENTATIVE OR SUBSTITUTE AN AREA REPRESENTATIVE.**

## **ARTICLE XIX DISPUTE RESOLUTION**

**Section 19.01. Mandatory Mediation.** We, you and your Owners acknowledge that during the Term of this Agreement disputes may arise between the Parties that may be resolvable through mediation. To facilitate such resolution, we, you and your Owners agree that, prior to filing any judicial proceeding, except injunctive and related relief as provided in this **Article XVIII**, each party shall submit the dispute between them for non-binding mediation at a mutually agreeable location. If we, you and your Owners cannot agree on a location, the mediation will be conducted in the city where our then current headquarters is located. The mediation will be conducted under the "Fast Track Mediation Rules" of the International Institute for Conflict Prevention and Resolution (the "**CPR Institute**"). The mediator shall be selected by the CPR Institute. We, you and your Owners agree that statements made by us, you, your Owners or any other party in any such mediation proceeding will not be admissible in any future litigation, arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation. It is the intent of the parties that any dispute between the parties be resolved through mediation within fifteen (15) days following the appointment of the mediator. The mediation obligations of this **Section 19.01** shall not apply to claims by either party relating to the Marks, the non-payment or underpayment of any monies due under this Agreement (including claims for lost profits), the noncompetition covenants or requests for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction

to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending the resolution of the actual dispute.

**Section 19.02. Governing Law.** UNLESS OTHERWISE REQUIRED BY APPLICABLE LAW, THIS AGREEMENT AND OUR RELATIONSHIP WITH YOU AND YOUR OWNERS ARE GOVERNED BY THE LAW OF THE STATE WHERE OUR THEN CURRENT HEADQUARTERS IS LOCATED WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS. REFERENCES TO ANY LAW OR REGULATION ALSO REFER TO ANY SUCCESSOR LAWS OR REGULATIONS AND ANY IMPLEMENTING REGULATIONS FOR ANY STATUTE, AS IN EFFECT AT THE RELEVANT TIME. REFERENCES TO A GOVERNMENTAL AGENCY ALSO REFER TO ANY SUCCESSOR REGULATORY BODY THAT SUCCEEDS TO THE FUNCTION OF SUCH AGENCY.

**Section 19.03. Jurisdiction.** UNLESS OTHERWISE REQUIRED BY APPLICABLE LAW, YOU, YOUR OWNERS AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN SUCH STATE OR FEDERAL COURT CLOSEST TO OUR THEN CURRENT HEADQUARTERS. YOU, YOUR OWNERS AND WE WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS. NOTWITHSTANDING THE FOREGOING, WE MAY BRING AN ACTION FOR A TEMPORARY RESTRAINING ORDER OR FOR TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF, OR TO ENFORCE AN ARBITRATION AWARD, IN ANY FEDERAL OR STATE COURT IN THE STATE IN WHICH YOU OR YOUR OWNERS RESIDE OR YOUR STUDIO IS LOCATED.

**Section 19.04. Our Right to Injunctive Relief.** Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You and your Owners agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance with respect to this Agreement.

**Section 19.05. Waiver of Jury Trial.** YOU, YOUR OWNERS AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU, YOUR OWNERS OR US.

**Section 19.06. Waiver of Punitive Damages.** EXCEPT WITH RESPECT TO INDEMNIFYING THE OTHER PARTY PURSUANT TO THE TERMS OF THIS AGREEMENT FOR CLAIMS OF OTHERS SEEKING TO RECOVER PUNITIVE OR EXEMPLARY DAMAGES, AND EXCEPT FOR CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR MISAPPROPRIATION OR CONVERSION OF ANY CONFIDENTIAL INFORMATION, WE, YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO



EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL OR DIRECT DAMAGES HE, SHE OR IT SUSTAINS.

**Section 19.07. Limitations of Claims.** EXCEPT FOR CLAIMS ARISING FROM (A) YOUR NON-PAYMENT OF AMOUNTS DUE UNDER THIS AGREEMENT (INCLUDING CLAIMS FOR LOST PROFITS); (B) ENFORCEMENT OF OUR AUDIT AND/OR INSPECTION RIGHTS UNDER **SECTION 10.04** AND **SECTION 10.05**; OR (C) ENFORCEMENT OF THE RESTRICTIVE COVENANTS CONTAINED IN **ARTICLE XIII** (COVENANT NOT TO COMPETE), ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR RELATIONSHIP WITH YOU AND YOUR OWNERS WILL BE BARRED UNLESS A PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING SUCH CLAIM KNEW, OR SHOULD HAVE KNOWN, OF THE FACTS GIVING RISE TO SUCH CLAIM(S).

**Section 19.08. No Class or Group Actions.** YOU AND YOUR OWNERS AGREE THAT FOR THE FADS SYSTEM TO FUNCTION PROPERLY WE AND OUR AFFILIATES CANNOT BE BURDENED WITH THE COSTS OF LITIGATING NETWORK-WIDE DISPUTES. YOU AND YOUR OWNERS AGREE THAT ANY DISPUTE BETWEEN YOU OR YOUR OWNERS AND US OR OUR AFFILIATES IS UNIQUE AS TO ITS FACTS, MUST BE RESOLVED ON AN INDIVIDUAL BASIS AND THAT YOU NOT INSTITUTE, JOIN OR PARTICIPATE IN ANY CLASS OR GROUP ACTION AGAINST US OR OUR AFFILIATES.

**Section 19.09. Attorneys' Fees and Costs.**

(a) You Reimburse Us. You and your Owners agree to reimburse us for all expenses we reasonably incur (including reasonable accountants' and attorneys' fees and court costs): (i) to enforce the terms of this Agreement or any obligation owed to us by you or your Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim you or your Owners assert against us on which we substantially prevail in court or other formal legal proceedings

(b) We Reimburse You. We agree to reimburse you or your Owners for all expenses you or your Owners reasonably incur (including reasonable accountants' and attorneys' fees and court costs): (a) to enforce the terms of this Agreement or any obligation owed to you or your Owners by us (whether or not you initiate a legal proceeding, unless you or your Owners initiate and fail to substantially prevail in such court or formal legal proceeding); and (b) in the defense of any claim we assert against you or your Owners on which you substantially prevail in court or other formal legal proceedings.

*– Signature Pages Follow –*

**SIGNATURE PAGE TO  
FRANCHISE AGREEMENT**

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**EXHIBIT A  
TO THE  
FRANCHISE AGREEMENT**

**FRANCHISEE SPECIFIC INFORMATION**

1. Franchise Agreement Effective Date: \_\_\_\_\_
2. Franchisee Name: \_\_\_\_\_
3. Franchisee State of Incorporation/Organization: \_\_\_\_\_
4. Franchisee State of Operation: \_\_\_\_\_
5. Ownership of Franchisee:

If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

<b>LEGAL</b>				
Name	Ownership %	Address	Phone #	Personal Email

<b>BENEFICIAL</b>				
Name	Ownership %	Address	Phone #	Personal Email

6. Franchise Fee: \_\_\_\_\_
7. Area Representative (if applicable): \_\_\_\_\_
8. Site Selection Area: \_\_\_\_\_
9. Operating Principal: \_\_\_\_\_
10. Key Manager (if known): \_\_\_\_\_
11. Anticipated Opening Date: \_\_\_\_\_

**12. Opening Deadline:** \_\_\_\_\_

**13. Address, E-Mail Address and Telephone Number for Notices to Franchisee:**

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

**14. Additional and/or Inconsistent Terms to the Agreement (if any):**

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

*- Signature Page(s) to this Exhibit A Follow -*

**SIGNATURE PAGE TO  
EXHIBIT A**

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**SCHEDULE 1  
TO EXHIBIT A  
OF THE  
FRANCHISE AGREEMENT**

**FRANCHISEE SPECIFIC TERMS**

**1. Site:**

The Site's address is:

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**2. Territory:**

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The Territory referred to in the Agreement is the geographic area described above and identified in the map attached as **Schedule 1-A**.

FADS USA, Inc., Franchisee and the Owners agree that, effective on the later of the dates specified below on this **Schedule 1**, (i) the address listed above under "Site" is the Site pursuant to **Section 6.02** (Site Selection) of the Agreement; and (ii) the area listed above under "Territory" is the Territory pursuant to **Section 6.03** (Definition of Territory) of the Agreement.

*- Signature Page(s) to this Schedule 1 to Exhibit A Follow -*

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date



**SCHEDULE 1-A  
TO EXHIBIT A  
OF THE  
FRANCHISE AGREEMENT**

**TERRITORY MAP**

**SCHEDULE 2  
TO EXHIBIT A OF THE  
FRANCHISE AGREEMENT**

**FRANCHISEE YEAR 1 PERFORMANCE STANDARD CALCULATION**

**1. Opening Date:** \_\_\_\_\_

**2. Number of Days in Year 1:** \_\_\_\_\_

The number of days (i) is based on a 365-day year, regardless of whether the current calendar year actually contains 366; and (ii) includes both the Opening Date and December 31.

**3. Calculation:**

$$\$149,650 \div 365 = \$410$$

$$\$410 \times \left[ \frac{\text{Number of Days}}{\text{Number of Days}} \right] = \underline{\hspace{10em}}$$

**4. Year 1 Performance Standard:** \_\_\_\_\_

FADS USA, Inc., [ENTITY NAME] and the Owners agree that, effective on the later of the dates specified below on this **Schedule 2**, the Gross Revenue amount listed under “Year 1 Performance Standard” is the Year 1 Performance Standard pursuant to **Section 2.06** (Performance Standards) of the Agreement.

*- Signature Page(s) to this Schedule 2 to Exhibit A Follow -*

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature



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

\_\_\_\_\_  
Date

**EXHIBIT B  
OF THE  
FRANCHISE AGREEMENT**

**MARKS**

The status of the registration of the principal trademarks on the Principal Register of the United States Patent and Trademark Office (the “USPTO”) is as follows:

Mark	Registration No.	Registration or Application Date
FRED ASTAIRE DANCE STUDIOS	833115	August 1, 1967
	2910230	December 14, 2004
	3121190	July 25, 2006
ASTAIREWEAR	2952642	May 17, 2005
SHARE THE EXPERIENCE	3076492	April 4, 2006
INTEGRITY IN ACTION	3240615	May 8, 2007
LIFE’S BETTER WHEN YOU DANCE	6165096	September 29, 2020

The following principal trademarks are not registered on, nor have applications been submitted for registration on, the (i) Principal Register or the Secondary Register of the USPTO; or (ii) any state trademark administrative body:

Fred Astaire

Astaire

For the Love of Dance

Freddy Ball

Trophy Ball

Trophy System

Astaire Pro

Share the Romance, Share the Dance

To Be the Best, Learn from the Best

To Be the Best, Join the Best

Cross Country Dance Championships

A Dance to Remember

Astaire Management Program (AMP)

Fred Astaire Access

Team Astaire

One Team, One Dream

Marriage is Better When You Dance

The World is Better When You Dance

Romance is Better When you Dance

Health is Better When you Dance

**EXHIBIT C  
TO THE  
FRANCHISE AGREEMENT**

**FORM OF FADS USA, INC.  
PERSONAL PAYMENT AND PERFORMANCE GUARANTY**

In consideration of, and as an inducement to, the execution by FADS USA, Inc. (f/k/a Megadance USA Corp.) (“**Franchisor**”) of that certain Fred Astaire Dance Studios® Franchise Agreement, effective \_\_\_\_\_ (as the same from time to time may be amended, modified, extended or renewed, the “**Franchise Agreement**”), by and between Franchisor and \_\_\_\_\_ (“**Franchisee**”) and, as to certain provisions, the Owners (as that term is used in the Franchise Agreement), the undersigned (the undersigned, collectively, the “**Guarantor**”), for (i) the term of the Franchise Agreement, and any extension or renewal thereof, and (ii) after the Term of the Franchise Agreement until all obligations of Franchisee to Franchisor under the Franchise Agreement have been satisfied, does hereby jointly and severally, personally, absolutely and unconditionally covenant and agree as follows:

**Section 1.** Guarantor jointly and severally, absolutely and unconditionally guarantees to Franchisor and its affiliates: (a) the full and punctual payment of all sums payable by Franchisee to Franchisor, when and as the same shall become due and payable; and (b) the full and prompt performance and observance by Franchisee of each and all of the covenants and agreements required to be performed or observed by Franchisee, whether direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Franchise Agreement, any development or other agreement, any promissory note or otherwise (collectively, the “**Agreements**”), together with any extension, renewal, or modification thereof in whole or in part (all of the foregoing collectively referred to as the “**Guaranteed Obligations**”).

For the sake of clarity, and not by way of limitation or exclusion, the Guarantor acknowledges, understands and agrees that the provisions of **Article X** (Reports, Records, Audits & Inspections), **Article XI** (Intellectual Property), **Article XII** (Confidential Information), **Article XIII** (Covenant Not to Compete) and **Article XIV** (Indemnification) of the Franchise Agreement are Guaranteed Obligations. Guarantor further acknowledges, understands and agrees that the Guarantor will comply with the Guaranteed Obligations, including, without limitation, the aforementioned articles, as though the Guarantor was the “Franchisee” named in the Franchise Agreement.

The Guarantor agrees to take any and all actions as may be necessary and/or appropriate to cause Franchisee to comply with the Agreements and the Guaranteed Obligations, and the Guarantor agrees not to take any action that would cause Franchisee to be in breach of the Agreements.

**Section 2.** It is the intent of the Guarantor that this Guaranty is a guaranty of payment and performance and not merely one of collection. Guarantor agrees that its obligations hereunder shall be binding upon Guarantor and its respective heirs, personal representatives, successors and assigns and shall remain in full force and effect irrespective of:

(a) any modification, amendment, renewal, extension, assignment or other alteration of the Agreements, or any release by Franchisor of any other party liable for the Guaranteed Obligations;

(b) any failure or lack of diligence in collection or protection, failure in presentment or demand, protest, notice of protest, notice of default and of nonpayment, any failure of notice of acceptance of this Guaranty, any failure to give notice of failure of Franchisee or any other person or Entity to keep and perform any covenant or agreement under the terms of the Agreements, or failure to resort, for payment, to Franchisee or to any other guarantor or other rights or remedies, and Guarantor hereby expressly waives all of the foregoing;

(c) any defense that Franchisee or any other person or Entity might have by reason of any action in bankruptcy or other statutory or common law proceedings for debtor relief by Franchisee or any other guarantor to the payment of the Guaranteed Obligations (other than payment thereof), or to the performance or observance of any provisions of any of the Agreements; and

(d) any act or failure to act with regard to the Agreements or any of the Guaranteed Obligations or anything which might vary the risk of Guarantor; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the Guaranteed Obligations of Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment and performance of all Guaranteed Obligations when due.

**Section 3.** Guarantor agrees to indemnify and hold Franchisor harmless for any loss, liability, damage or expense (including reasonable attorney's fees, court costs and expenses) arising from (i) the failure of Franchisee to perform the Guaranteed Obligations; and/or (ii) the enforcement of this Guaranty against Guarantor. Upon Franchisee's default under the Agreements and, within five (5) business days after notice from Franchisor, Guarantor shall pay or perform the Guaranteed Obligations in default, as applicable, without offset, deduction or counterclaim.

**Section 4.** Guarantor waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Obligations, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. Guarantor specifically waives any rights that may be conferred upon Guarantor as a guarantor or surety under the applicable law of any state. This Guaranty is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Obligations. Franchisor shall not be required to pursue any remedies that it may have against Franchisee or other parties as a condition to the enforcement of this Guaranty, it being intended that Guarantor's obligations under this Guaranty shall be independent of, and in addition to, the Guaranteed Obligations. It is understood that Guarantor may be joined in any action against Franchisee and that recovery may be had against Guarantor in such action, or in any independent action of

Guarantor. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Franchise Agreement or by law or in equity.

**Section 5.** Until all Guaranteed Obligations of Franchisee to Franchisor have been satisfied, this Guaranty of the Guaranteed Obligations shall remain in full force and effect. If at any time payment of any of the Guaranteed Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Franchisee, the obligations of Guarantor with respect to such payment shall be reinstated at such time as though such payment had not been made. The Guarantor expressly acknowledges that the Guaranteed Obligations hereunder may survive the termination of the Agreements.

**Section 6.** Guarantor agrees that this Guaranty shall be a continuing guaranty and shall inure to the benefit of and may be enforced by Franchisor and any assignee of Franchisor. Guarantor hereby consents to any assignment or transfer of the Agreements without notice. Guarantor agrees this this Guaranty shall be binding upon and enforceable against Guarantor and its respective heirs, personal representatives, successors and assigns.

**Section 7.** No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy. Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

**Section 8. THE GUARANTOR REPRESENTS, WARRANTS AND AGREES THAT THE GUARANTOR HAS REVIEWED A COPY OF THE AGREEMENTS, INCLUDING THE FRANCHISE AGREEMENT, AND HAS HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL TO UNDERSTAND THE MEANING AND IMPORT OF THE AGREEMENTS, INCLUDING THE FRANCHISE AGREEMENT, AND THIS GUARANTY.**

**Section 9.** **Article XIX** (Dispute Resolution) of the Franchise Agreement is hereby incorporated herein by reference and will be applicable to any and all disputes between Franchisor and Guarantor. Guarantor acknowledges, understands and agrees that the Guarantor will comply with the provisions of **Article XIX** (Dispute Resolution) of the Franchise Agreement, as though the Guarantor was the "Franchisee" named in the Franchise Agreement.

Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or other doctrine of law of any state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. Guarantor expressly agrees that Guarantor is subject to the jurisdiction and venue of those courts for purposes of such litigation. Guarantor hereby waives and covenants never to assert any claim that Guarantor is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason



improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

**Section 10.** To the fullest extent permitted by law, Guarantor also waives all rights to a trial by jury in any action related to this Guaranty. If this Guaranty is enforced by suit or otherwise or if Franchisor exercises any of its remedies under the Agreements, Guarantor shall reimburse Franchisor, upon demand, for all reasonable expenses incurred in connection therewith, including reasonable attorneys' fees, court costs and expenses.

Guarantor (or each Guarantor if multiple Guarantors) represents and warrants that he, she or it has the legal right and capacity to execute this Guaranty, and Guarantor (or each Guarantor if multiple) waives the benefit of Guarantor's homestead exemption. If multiple Guarantors, the obligations of each Guarantor shall be joint and several. The release of any one or more Guarantors shall not affect the liability of any remaining Guarantor not expressly released. Franchisor may proceed against one or more Guarantors without releasing the remaining Guarantors.

*- Signature Pages to this Guaranty Follow -*

**PRIOR TO SIGNING THIS GUARANTY, GUARANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS GUARANTY. GUARANTOR AGREES TO THE TERMS OF THIS GUARANTY AND ACKNOWLEDGES GUARANTOR HAS HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL TO UNDERSTAND THE MEANING AND IMPORT OF THE AGREEMENTS, INCLUDING THE FRANCHISE AGREEMENT, AND THIS GUARANTY.**

IN WITNESS WHEREOF, the undersigned Guarantor have caused this Personal Payment and Performance Guaranty to be duly executed as of the day and year first written above.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

**EXHIBIT D  
TO THE  
FRANCHISE AGREEMENT**

**ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION**

**Taxpayer Name:** \_\_\_\_\_

**Federal Employer Identification Number:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Telephone Number:** \_\_\_\_\_

*The undersigned hereby authorizes FADS USA, Inc. (f/k/a Megadance USA Corp.), its parent company or any affiliated entity (collectively, "FADS"), to initiate weekly account clearing house ("ACH") debit entries against the bank account described as follows:*

**Financial Institution Name:** \_\_\_\_\_

**Financial Institution Address:** \_\_\_\_\_

**Account Name:** \_\_\_\_\_

**Account Number:** \_\_\_\_\_ **Routing Number:** \_\_\_\_\_

**Type of Account** (*circle one*):                      CHECKING                      SAVINGS

**\*\*\* ATTACH A VOIDED CHECK OR OTHER ACCOUNT VERIFICATION \*\*\***

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The undersigned authorizes FADS to initiate weekly debit entries (withdrawals) on the bank account at the financial institution identified above. Payments will be made by ACH debit entries in payment of amounts for Operating Fees or other amounts that become payable by the undersigned to FADS pursuant to the Franchise Agreement and all other agreements between the above referenced taxpayer and FADS or any affiliate of FADS. The dollar amount to be debited per payment will vary.

Subject to the provisions of this authorization, you are hereby directed to honor any such ACH debit entry initiated by FADS. This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by me/us on behalf of the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this authorization. Please honor ACH debit entries initiated in accordance with the terms of this authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

**AUTHORIZED BY:** \_\_\_\_\_

**NAME:** \_\_\_\_\_

**TITLE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**EXHIBIT E  
TO THE  
FRANCHISE AGREEMENT**

**FTC MODIFIED ORDER**



5. by renumbering paragraphs 4., 5., 6., 7. and 9. thereof as paragraphs 3., 4., 5., 6. and 7., respectively; and

6. by adding new Parts II, III, IV, V, VI and VII, as provided below.

IT IS FURTHER ORDERED that RONBY CORPORATION, a corporation, CHESTER F. CASANAVE and CHARLES L. CASANAVE be, and they hereby are, joined as respondents in this matter.

IT IS FURTHER ORDERED, that this matter be styled as The Matter of RONBY CORPORATION, et al.

#### ORDER I

IT IS ORDERED that respondents RONBY CORPORATION, a corporation, and CHESTER F. CASANAVE and CHARLES L. CASANAVE, individually, and as officers of said corporation, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any area franchisor, franchise, or licensee, or any corporate or other device, in connection with the solicitation, advertising or sale of any dance instruction or dance instruction service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. representing, directly or by implication, that a course of dancing instruction or a specified number of dancing lessons, or a dance instruction service or any other service or thing of value, will be furnished, unless the period or periods of bona fide dancing instruction or other service or thing of value is in fact furnished as represented;

2. refusing to honor the terms and provisions of any offer or promise;

3. requesting any student or prospective student to sign an uncompleted contract or agreement, or misrepresenting to any student or prospective student what is or will be due or payable;

4. using in any single day “relay salesmanship,” that is consecutive sales talks or efforts of more than one representative, with or without the employment of hidden listening devices, to induce the purchase of dancing instructions;

5. representing in any manner that a dancing instructor job is obtainable at a studio where the purpose of such a representation is to induce an applicant to purchase a course of instruction, or misrepresenting what such an instructor will be paid;

6. falsely assuring or representing to any student or prospective student that a given course of dancing instruction will enable him or her to achieve a given standard of dancing proficiency;

7. using any technique or practice similar to those set out in paragraphs 3 through 6 hereof to mislead, coerce, or induce by other unfair or deceptive means the purchase of dance instruction or dance instruction service.

## ORDER II

IT IS FURTHER ORDERED, that respondents RONBY CORPORATION, a corporation, its successors and assigns, and its officers, agents, representatives and employees, directly or through any area franchisor, franchisee, or license, or any corporate or other device, in connection with the solicitation, advertising or sale of any dance instruction service in commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. failing to disclose, clearly and conspicuously, in each dance instruction contract or dance instruction service contract, the following statement:

### DEFINITIONS

For purposes of this contract the following definitions apply:

“Total contract price” shall mean the total cash price paid or to be paid by the student or prospective student for the dance instruction or dance instruction service which is the subject of the contract or written agreement.

“Notice of cancellation” shall be deemed to have been provided by a student or prospective student by mailing or delivering to the studio a written notification canceling the contract or written agreement.

“Reasonable and fair service fee” shall mean no more than 10% of the total contract price for contracts of up to \$1,000. For contracts over \$1,000, “reasonable and fair service fee” shall mean no more than \$100 plus an amount equal to 5% of the contract price over \$1,000. “Reasonable and fair service fee” shall not be exceed \$250 in total.

“Dance instruction service” shall mean any service or a thing of value, including a contest or a competition, other than dance instruction, sold, organized, sponsored or promoted by any dance studio, or by its employee or agent, including any Person or organization associated or affiliated with the franchise operation, franchisee, employee or agent.

### STUDENT CANCELLATION AND REFUND RIGHT

You, the student, have the right to cancel this contract at any time by a notice in writing mailed or delivered to the studio. If the studio refuses or fails to give you the refund, or the studio closes, you should mail a copy of the cancellation notice to the area franchisor whose full name and address are \_\_\_\_\_

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and to Ronby Corporation, the national licensor of the trade name Fred Astaire Dance Studios, at 11945 Southwest 140<sup>th</sup> Terrace, Miami, Florida 33186. No special format or notarization is necessary.

**THIS CONTRACT IS INVALID IF THE FULL NAME AND ADDRESS OF THE AREA FRANCHISOR ARE NOT PROVIDED.**

If this agreement is cancelled within three (3) business days, the studio will refund within not more than thirty (30) days all payments made under the agreement.

After three (3) business days, the studio will only charge you for the dance instruction and dance instruction service received under the agreement, or prearranged but not attended before the day you cancel, plus a reasonable and fair service fee, as defined above, and refund the balance in three (3) equal monthly installments, within not more than ninety (90) days.

provided, however, that a departure from this exact language\* to afford a greater right to a student than any right under this order, or to correctly provide the name and address of the national licensor or its equivalent, shall not be deemed a violation of this requirement of the order.

2. a. entering into a contract or other written agreement for any dance instruction or dance instruction service unless the contract or other written agreement contains the definitions, terms and conditions recited in paragraph 1., above, in the exact language mandated by said paragraph and unless the contract or written agreement discloses clearly and conspicuously the rate charged per lesson for each type of dance instruction selected and the length of each lesson;

b. failing to refund a student or prospective student who cancels any contract or written agreement within three (3) business days from the date on which the contract or written agreement was executed all payments made by the student or prospective student. Such refunds shall be provided, and any evidence of indebtedness cancelled and returned, within thirty (30) days after receiving notice of cancellation.

c. receiving, demanding, or retaining more than a pro rata portion of the total contract price plus a reasonable and fair service fee where a student or prospective student cancels any contract or written agreement after three (3) business days from the date on which the contract or written agreement was executed and within the Term of the said contract or written agreement; and failing to refund the balance in three (3) equal monthly installments, within not more than ninety (90) days after receiving notice of cancellation, or failing to cancel that portion of the student's or prospective student's indebtedness that exceeds the amount due;



The pro rata portion shall be calculated in the following manner:

- (1) For the time period preceding notice of cancellation, total the number of hours or lessons of dance instruction that were received, or prearranged but not attended, by the student pursuant to the contract written agreement,
- (2) Divide this number by the total number of hours or lessons of dance instruction which are the subject of the contract or written agreement,
- (3) Apply the resulting percentage against the total contract price.
- (4) For contracts combining a course of dance instruction with dance instruction services, separate prices for the dance instruction and the dance instruction service portions must be designated and the pro rata portion of the total contract price shall be the sum of the separate pro rata obligations for the dance instruction portion and the dance instruction service portion;

provided, however, that the modified order does not create any private right of action against RONBY CORPORATION, CHESTER F. CASANAVE or CHARLES L. CASANAVE, by any student under any student contract.

d. misrepresenting in any manner to any student or prospective student any of the provisions of this consent order.

3. failing to subject any promissory note, instrument or evidence of indebtedness, given by a student pursuant to any contract for dance instruction or dance instruction services, to the students' cancellation and refund rights provided in paragraph 2. above, in such a manner that such student rights are legally binding on any third Person who may acquire any right under any such note, instrument or evidence of indebtedness.

4. attempting to obtain or obtaining from a student a waiver of the student's cancellation or refund right.

5. failing to discontinue dealing with or terminate the use or engagement of any area franchisor who (1) continues, after notice, to engage in a course of conduct of acts or practices prohibited by this modified order, or (2) fails to discontinue dealing with or terminate the use or engagement of any franchisee or licensee who continues, after notice, to engage in a course of conduct of acts or practices prohibited by this modified order;

provided, however, that RONBY CORPORATION and area franchisors may effect such termination in accordance with applicable law.

6. failing to implement, within one hundred twenty (120) days from the date of service of this order, a program of surveillance adequate to reveal whether the business operation of each license or area franchisor conforms to the requirements of the modified order, and failing to maintain records of such surveillance program which shall be made available for inspection and copying to the Commission, upon reasonable notice and at reasonable times.

7. a. failing to deliver a copy of this modified order to each present and future area franchisor and franchisee, with directions that each such Person promulgate and enforce the terms of the modified order in the operations of each studio, including the sales efforts of any independent contractor engaged by the studio for the selling of dance instruction or dance instruction service;

b. failing to obtain from each Person described in subsection 7.a. above, a signed statement setting forth his or her intention to conform his or her business practices to the requirements of this modified order;

c. failing to notify the Commission of the name and address of any Person from whom respondent is unable to obtain such a signed statement; and

d. failing to keep each such agreement for a period of five (5) years after the termination of any such relationship; and failing to transmit to the Commission or its designated staff complete and legible copies of the same within fourteen (14) business days of receiving a request for copies thereof;

#### ORDER III

IT IS FURTHER ORDERED that respondents RONBY CORPORATION, CHESTER F. CASANAVE and CHARLES L. CASANAVE, shall report the discontinuance of their present business or their affiliation with any other business offering any dance instruction or service, such notice to include a description of respondent's new business or employment; and should either CHESTER F. CASANAVE or CHARLES L. CASANAVE create or become affiliated in any way with any corporation, partnership or other venture or business offering any dance instruction or service, such a corporation, partnership, venture or business shall be bound by the provisions of this modified order.

#### ORDER IV

IT IS FURTHER ORDERED that respondent RONBY CORPORATION shall notify the Commission at least thirty (30) days prior to any proposed or contemplated reorganization, dissolution, assignment or sale, resulting in the emergence of a successor corporation, the creating or dissolution of a subsidiary or any other change in the corporate structure of such corporate respondent that may affect compliance obligations arising out of this order.

#### ORDER V

IT IS FURTHER ORDERED that respondents CHESTER F. CASANAVE and CHARLES L. CASANAVE each shall be relieved from any further obligation under Parts I and III of this order upon completely ceasing his involvement with any dance instruction, or dance instruction service, including licensing or franchising of the same, until such time as he resumes such activity in the future.

ORDER VI

IT IS FURTHER ORDERED that respondents RONBY CORPORATION, CHESTER F. CASANAVE and CHARLES L. CASANAVE, within one hundred twenty (120) days after the date of service upon each of them of this order, shall file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

ORDER VII

IT IS FURTHER ORDERED that respondent RONBY CORPORATION shall file or cause to be filed one (1) year after the date of service of this order a further detailed report on measures undertaken to protect the prepaid moneys of students.

By direction of the Commission, Commissioner Strenio dissenting.

\_\_\_\_\_/s/  
Donald S. Clark  
Secretary

(SEAL)

Issued: April 27, 1989

**EXHIBIT F  
TO THE  
FRANCHISE AGREEMENT**

**FORM OF  
LEASE RIDER**

This Lease Rider (this “**Rider**”) is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by and between FADS USA, Inc. (f/k/a Megadance USA Corp.) (the “**Company**”), \_\_\_\_\_ (“**Franchisee**”) and \_\_\_\_\_ (the “**Landlord**”) and, collectively with Company and Franchisee, the “**Parties**”).

**WHEREAS**, Company and Franchisee are parties to a Franchise Agreement effective \_\_\_\_\_, 20\_\_ (including all amendments, exhibits, schedules, addenda, extensions and renewals, the “**Franchise Agreement**”);

**WHEREAS**, the Franchise Agreement provides that Franchisee will operate a FRED ASTAIRE DANCE STUDIOS® studio (a “**Studio**”) at a location that Franchisee selects and that the Company accepts;

**WHEREAS**, Franchisee and Landlord propose to enter into a lease to which this Rider is attached (the “**Lease**”), pursuant to which Franchisee will occupy the premises located at \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
(the “**Premises**”) for the purpose of constructing and operating the Studio in accordance with the Franchise Agreement;

**WHEREAS**, the Franchise Agreement provides that, as a condition to Company’s authorizing Franchisee to enter into the Lease, the Parties must execute this Rider; and

**WHEREAS**, Franchisee and Landlord desire to amend the Lease in accordance with the terms and conditions contained in this Rider.

**NOW, THEREFORE**, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Franchise Agreement, the receipt and sufficiency of which the Parties acknowledge, the Parties agree as follows:

1. During the term of the Franchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Studio and for no other purpose.
2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee’s installation and use of such trademarks, service marks, signs, décor items, color schemes and related components of the FRED ASTAIRE DANCE STUDIOS® system as the Company may from time to time prescribe for the Studio. Landlord further consents to Franchisee remodeling, equipping, painting and decorating

the Premises to comply with the FRED ASTAIRE DANCE STUDIOS® system pursuant to the Franchise Agreement and any successor Franchise Agreement.

3. Company, or any agent or representative appointed by Company in writing to act on behalf of Company, will have the right to enter the Premises, without cost, without being guilty of trespass or any other crime or tort and without incurring any liability to Landlord, at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the FRED ASTAIRE DANCE STUDIOS® system and marks, whether such modifications or alterations are made during the term of or upon the expiration or termination of the Lease and/or Franchise Agreement; (ii) to cure any default under the Franchise Agreement or under the Lease; (iii) upon the expiration or termination of the Lease and/or Franchise Agreement, to remove the distinctive elements of the FRED ASTAIRE DANCE STUDIOS® trade dress and all other items identifying the Premises as a Studio; and (iv) in the event Company exercises its option to purchase assets of Franchisee under the Franchise Agreement, to remove all such assets being purchased by Company.

4. Neither Company nor Landlord will be responsible to Franchisee to any damages Franchisee might sustain as a result of action Company takes in accordance with this Section 4. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.

5. In the event there is a default or violation by Franchisee under the terms of the Lease, Landlord agrees to give Franchisee and Company written notice of such default or violation within a reasonable time after Landlord knows of its occurrence. Landlord further agrees to provide Company copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, including, without limitation, notices of default or violations under the Lease, at the same time Landlord sends such letters and notices to Franchisee. Although Company is under no obligation to cure any default, Company will notify Landlord if it intends to cure a default and unilaterally assume Franchisee's interest in the Lease as provided in this Rider. Company will have an additional fifteen (15) calendar days from the expiration of Franchisee's cure period in which to cure any default or violation of Franchisee under the Lease.

6. Upon Franchisee's default and failure to cure a default under the Lease or the Franchise Agreement, Company has the right (but not the obligation) to unilaterally assume Franchisee's interest in the Lease pursuant to Section 7 of this Rider.

7. Franchisee has the right to assign all of its right, title and interest in the Lease to Company or its successor, or any parent or affiliate Entity of Company or its successor, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Company or its successor, or any designated parent or affiliate Entity of Company or its successor, gives Landlord written notice of its acceptance of the assignment. If Company elects to assume the Lease under this Section 7, or unilaterally assumes the Lease as provided for in Section 6 and Section 8 of this Rider, Landlord and Company agree that (i) Company will remain liable for the responsibilities and obligations, including any and all amounts owed to Landlord, prior to the effective date of assignment and

assumption of the Lease; and (ii) Company will have the right to sublease the Premises to another Company franchisee, without further need for Landlord approval; provided, however, that the franchisee agrees to operate the Studio as a FRED ASTAIRE DANCE STUIOS® Studio pursuant to a franchise agreement with Company. Company will be responsible for the obligations incurred under the Lease after the effective date of assignment and assumption of the Lease. Further, all rights and interests in the Lease that are considered personal to Franchisee shall be considered personal to the Company upon Company's assumption of the Lease under this Section 7.

8. Upon the expiration or termination of the Franchise Agreement, Company has the right (but not the obligation) to unilaterally assume Franchisee's interest in the Lease in accordance with Section 7.

9. Notices to the Company must be sent by registered, certified mail, postage prepaid, or by electronic mail to the following address:

FADS USA, Inc.  
Attn: Legal Dept.  
151 Hazard Avenue, Suite 12-13  
Enfield, Connecticut 06082  
legal@fredastaire.com

Company may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees to notify both Company and Franchisee of any change in Landlord's mailing address to which notices should be sent.

10. Landlord acknowledges, understands and agrees that the provisions of this Rider are required pursuant to the Franchise Agreement and that Franchisee may not lease the Premises without this Rider.

11. Landlord acknowledges, understands and agrees that Franchisee is not an agent or employee of Company and that Franchisee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Company (or any parent or affiliate of Company) and that Landlord has entered into this Rider with full understanding that it creates no duties, obligations or liabilities of or against Company or any parent or affiliate of Company.

12. Landlord acknowledges, understands and agrees that (i) that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company (or any parent or affiliate of Company) in accordance with the provisions of this Rider; and (ii) that nothing contained in this Rider makes Company (or any parent or affiliate of Company) a guarantor to the Lease.

13. Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.

14. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Rider without Company's prior written consent. No amendment or variation of the terms of this Rider is valid unless made in writing and signed by the Parties.

15. The provisions of this Rider will supersede and control any and all conflicting provisions of the Lease.

16. Landlord acknowledges, agrees and understands (i) that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company; and (ii) that Company is a third party beneficiary of the Lease.

*– Signature Pages Follow –*

**IN WITNESS WHEREOF**, the Parties have executed this Lease Rider as of the date first written above.

**COMPANY:**

FADS USA, INC.

\_\_\_\_\_

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

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

**FRANCHISEE:**

[FRANCHISEE]

\_\_\_\_\_

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

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

**LANDLORD:**

[LANDLORD]

\_\_\_\_\_

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

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



**EXHIBIT G  
TO THE  
FRANCHISE AGREEMENT**

**FORM OF  
TELEPHONE AND LISTINGS ASSIGNMENT AGREEMENT**

This Telephone and Listings Assignment Agreement (this “**Assignment**”) is effective as of \_\_\_\_\_, 20\_\_\_, between FADS USA, Inc. (f/k/a Megadance USA Corp.), a Delaware limited liability company with its current principal place of business at 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082 (“**Franchisor**,” “**we**,” “**us**” or “**our**”), [Franchisee], whose current place of business is \_\_\_\_\_ (“**Franchisee**,” “**you**” or “**your**”) and the Owners (as that term is defined in the Franchise Agreement). You, we and the Owners are sometimes referred to collectively as the “**parties**” or individually as a “**party**.”

**BACKGROUND**

- A. We have simultaneously entered into that certain Franchise Agreement (the “**Franchise Agreement**”), effective as of \_\_\_\_\_, 20\_\_\_, with you. Pursuant to the Franchise Agreement, you plan to own and operate a FRED ASTAIRE DANCE STUDIOS® studio (the “**Studio**”).
- B. The Studios use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by us (collectively, the “**FADS System**”).
- C. We identify Studios and various components of the FADS System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively, the “**Marks**”).
- D. In order to protect our interest in the FADS System and the Marks, we will have the right to control the telephone numbers and listings and internet address of the Studio if the Franchise Agreement is terminated or expires.

**AGREEMENT**

In consideration of the foregoing background information, the mutual promises and covenants contained in this Assignment and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties agree as follows:

1. Background Information. The background information is true and correct, and the background information is incorporated into this Assignment by reference. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings ascribed to them in the Franchise Agreement.

2. Assignment. **FOR VALUE RECEIVED**, in the event of expiration or termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the studio, Franchisee and the Owners hereby sells, assigns, transfers and conveys to Franchisor all of its rights, title and interest in and to: (a) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”); and (b) those certain Internet website addresses and digital and social media accounts and address (the “**URLs**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Studio at the address provided above.

This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “**Telephone Company**”) and/or Franchisee’s Internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms of this Assignment. Upon termination or expiration of the Franchise Agreement (without extension) for any reason, Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

3. Power of Attorney. Franchisee and the Owners agree and acknowledge that as between Franchisor, Franchisee and the Owners, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings and the URLs, and Franchisee and the Owners irrevocably appoints Franchisor as Franchisee’s and the Owners or the Owners’ (as applicable) true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company and the ISP to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee and the Owners or the Owners’ (as applicable) shall immediately notify the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor.

If Franchisee or the Owners fail to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Franchisor, Franchisor shall direct the Telephone Company and the ISP may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Telephone Numbers and Listings and the URLs upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Telephone Company’s and ISP’s receipt of such notice from Franchisor, Franchisee or the Owners.

The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company’s or the ISP’s assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor’s execution of such forms or documentation on behalf of Franchisee or the Owners shall effectuate Franchisee’s or the Owners’ (as applicable) consent and agreement to the assignment. The parties agree that at any time after

the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

4. Indemnification. You and the Owners will indemnify and hold us and our affiliates, stockholders, directors, officers and representatives (collectively, the “**Indemnified Parties**”) harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, your or the Owners’ breach of any of the terms of any agreement or contract or the nonpayment of any debt you or the Owners have with the Telephone Company and/or ISP.

5. Binding Effect. This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs and successors and assigns.

6. Assignment to Control. This Assignment will govern and control over any conflicting provision in any agreement or contract which you or the Owners may have with the Telephone Company and/or ISP.

7. Cost of Enforcement. In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement of this Assignment, the prevailing party will be entitled to reimbursement of its reasonable attorneys’ fees, costs and expenses from the non-prevailing party. The term “**attorneys’ fees**” means any and all charges levied by an attorney for his or her services, including, without limitation, time charges and other reasonable fees (including, without limitation, paralegal fees and legal assistant fees), and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. Severability. If any of the provisions of this Assignment, or any section or subsection of this Assignment, are held invalid for any reason, the remainder of the Assignment or any such section or subsection will not be affected and will remain in full force and effect in accordance with its terms.

9. Governing Law and Forum. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. Guarantor expressly agrees that Guarantor is subject to the jurisdiction and venue of those courts for purposes of such litigation. Guarantor hereby waives and covenants never to assert any claim that Guarantor is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*). To the fullest extent permitted by law, Guarantor also waives all rights to a trial by jury in any action related to this Guaranty.

– Signature Pages Follow –

**IN WITNESS WHEREOF**, the parties have executed this Telephone and Listings Assignment Agreement as of the date first written above.

**FRANCHISOR:**

FADS USA, INC.

\_\_\_\_\_

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

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

**FRANCHISEE:**

[Franchisee]

\_\_\_\_\_

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

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

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Signature

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

\_\_\_\_\_  
Date

**EXHIBIT H  
TO THE  
FRANCHISE AGREEMENT**

**FRANCHISEE COMPLIANCE QUESTIONNAIRE**

(see attached)

**FRANCHISEE COMPLIANCE QUESTIONNAIRE**

DO NOT SIGN OR DATE THIS FRANCHISEE COMPLIANCE QUESTIONNAIRE THE SAME DAY AS THE RECEIPT FOR THE DISCLOSURE DOCUMENT. YOU SHOULD SIGN AND DATE THIS CERTIFICATION AFTER THE RECEIPT FOR THE DISCLOSURE DOCUMENT AND BEFORE YOU SIGN THE FRANCHISE AGREEMENT.

You are preparing to enter into a FRED ASTAIRE DANCE STUDIOS® Franchise Agreement (the “**Franchise Agreement**”) with FADS USA, Inc. (f/k/a Megadance USA Corp.) (“**we**” or “**us**”). The purpose of this Franchisee Compliance Questionnaire (this “**Questionnaire**”) is to confirm that you understand the terms of the contract and that no unauthorized statements or promises have been made to you. Please review each of the following questions and statements carefully and provide honest and complete responses to each. In this Questionnaire, our “**representatives**” include our officers, directors, employees, agents, sales brokers, area representatives and/or any other representatives working on our behalf.

1. When and where did you have your first face-to-face meeting with our representatives regarding this Franchise Agreement?

Approximate date of first meeting: \_\_\_\_\_

Place of meeting: \_\_\_\_\_

2. Which of our representative(s) have you been dealing with?

Name(s): \_\_\_\_\_

3. Have you personally read the FRED ASTAIRE DANCE STUDIOS® Disclosure Document (our “**FDD**”)?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Did you give us a signed receipt for the copy of the FDD that we furnished to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, on what date did you give us a signed receipt? \_\_\_\_\_

5. Did you receive the FDD at least 14 days before completing this Questionnaire, signing the Franchise Agreement, signing any related agreement or paying any money to us?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Do you understand all of the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you did not understand all of the information in the FDD, what parts did you not understand? Please attach additional pages if necessary.

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7. Have you personally read the Franchise Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand all of the information contained in the Franchise Agreement and related agreements?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you did not understand all of the information in the Franchise Agreement and related agreements, what parts did you not understand? Please attach additional pages if necessary.

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9. Have any of our representatives recommended that you have the FDD, Franchise Agreement and related agreements reviewed by an attorney or other professional service?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Have you, in fact, discussed the FDD, the Franchise Agreement, the related agreements and the benefits and risks of operating a FRED ASTAIRE DANCE STUDIOS® franchise with an attorney, accountant or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please provide the name and profession of the professional advisor(s):

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If no, do you want more time so that you may consult with a professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Other than the information contained in **ITEM 19** of the FDD, has any of our employees, representatives or any other person speaking on our behalf (this does not include franchisees whom you contact on your own) made any statement or representation (oral, written or visual) regarding:

a. The amount of money that others have made or that you might make as a FRED ASTAIRE DANCE STUDIOS® franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

b. The revenue or profits that a FRED ASTAIRE DANCE STUDIOS® franchise will generate?

Yes \_\_\_\_\_ No \_\_\_\_\_

c. Any other financial performance information about FRED ASTAIRE DANCE STUDIOS® franchises?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. If you answered “Yes” to any part of Question 11, please describe the statement(s) or representation(s). Please include as much information as possible, including when, where and by whom the statement(s) or representation(s) was made. Please provide full details in the following space. Please attach additional pages if necessary.

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13. Have you contacted any of our existing franchisees on your own about their financial performance?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. If you answered “Yes” to Question 13, please describe the information that they shared with you in the following space. You do not need to identify the franchisees with whom you spoke. Please attach additional pages if necessary.

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15. Please think about the statements or promises made to you by our employees or representatives (or by any other person purporting to speak on our behalf) concerning the advertising, marketing, training, support or assistance that we will provide to you. Were any of these statements or promises contrary to, or different from, the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. If you answered “Yes” to Question 15, please provide full details in the following space. Please attach additional pages if necessary.

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17. Have you entered into any agreement with us before today concerning our franchise opportunity?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the agreement(s):

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18. Have you paid any money to us before today in connection with our franchise opportunity?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the payment(s):

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19. In entering into the Franchise Agreement, are you relying on any statement, promise or assurances by us or anyone speaking or purporting to speak on our behalf, other than the terms of the Franchise Agreement itself?

Yes \_\_\_\_\_ No \_\_\_\_\_

20. If you answered "Yes" to Question 19, please provide full details about the statements, promises or assurances made to you, including when, where and by whom the statements, promises or assurances were made. Please provide full details in the following space. Please attach additional pages if necessary.

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21. Do you agree that the success or failure of your FRED ASTAIRE DANCE STUDIOS® franchise depends, in large part, upon your own skills and abilities, competition from other businesses, the size of your market and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

22. Do you acknowledge and understand that no parent or affiliate of ours promises to financially support us, guarantees our performance or commits to perform post-sale obligations for us?

Yes \_\_\_\_\_ No \_\_\_\_\_

23. In which state do you reside? \_\_\_\_\_

24. In which state do you intend to operate the FRED ASTAIRE DANCE STUDIOS® franchise?

\_\_\_\_\_

25. Have you selected a specific site at which you propose to open your FRED ASTAIRE DANCE STUDIOS® franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please specify the location of the site:

\_\_\_\_\_

\_\_\_\_\_

26. Do you have personal knowledge of the market area in which you will operate your FRED ASTAIRE DANCE STUDIOS® franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

27. Did you obtain advice from anyone other than our representatives in selecting your site?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please provide the name of the advisor:

\_\_\_\_\_

If no, do you want more time to do so:

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28. Have all of your questions about your proposed investment in a FRED ASTAIRE DANCE STUDIOS® franchise been answered to your satisfaction?

Yes \_\_\_\_\_ No \_\_\_\_\_

\* \* \* \* \*

**NOTE FOR RESIDENTS OF THE STATE OF ILLINOIS OR MARYLAND AND FRANCHISEES WITH STUDIOS TO BE LOCATED IN ILLINOIS OR MARYLAND:**

Any representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to, nor shall they act as, a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

\* \* \* \* \*

**IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER LEGAL ENTITY, AN OFFICER AND EACH OF THE ENTITY'S OWNERS MUST EXECUTE A SEPARATE QUESTIONNAIRE.**

\* \* \* \* \*

For California prospective franchisees: You are not required to sign this Questionnaire.

For Maryland prospective franchisees: Do not sign this Questionnaire.

Please understand that your responses to these questions are important to us and that we rely on them. By signing this Questionnaire, you are representing to us that you have responded truthfully to the above questions.

**FRANCHISEE APPLICANT**

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
DATE

**EXHIBIT C  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT  
DEVELOPMENT AGREEMENT**

## **FORM OF DEVELOPMENT AGREEMENT**

This Fred Astaire Dance Studios® Development Agreement (this “**Agreement**”) is made and entered into as of [\_\_\_\_\_, \_\_\_\_] (the “**Effective Date**”) by and between FADS USA, Inc. (f/k/a Megadance USA Corp.), a Delaware corporation with its principal place of business at Enfield, Connecticut 06082 (“**Franchisor**,” “**we**,” “**us**” or “**our**”) and the person or entity identified on **Exhibit A** to this Agreement as the franchisee (the “**Franchisee**,” “**you**” or “**your**”) with its principal place of business as set forth on **Exhibit A**.

### **RECITALS**

- A.** We and our affiliates have accumulated knowledge and experience in the dance industry. On this basis we and our affiliates have expended considerable time, skill, effort and money to originate and develop (and continue to develop and modify) a unique and proprietary plan, method, specifications and operating procedures (collectively, the “**FADS System**”) for the operation of, sale of and support of studios offering dance instruction under the Fred Astaire Dance Studios® and Fred Astaire Dance Franchised Studios® marks and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos (collectively, the “**Marks**”).
- B.** We and you have entered into a certain Franchise Agreement dated the same date as this Agreement (the “**Initial Franchise Agreement**”), in which we have granted you the right to establish and operate one FRED ASTAIRE DANCE STUDIOS® studio (a “**Studio**”).
- C.** We desire to grant to you the right to establish and operate a specified number of Studios within a specified geographical area in accordance with a development schedule.
- D.** If you are a corporation, limited liability company, partnership or other legal entity (each an “**Entity**”), all of your owners of a legal and/or beneficial interest in the Entity (the “**Owners**”) are listed on **Exhibit A** of this Agreement. **Exhibit A** and all other exhibits, schedules and appendices to this Agreement are incorporated into this Agreement by reference.
- E.** You desire to establish and operate additional Studios upon the terms and conditions contained in our then-current standard franchise agreements (a “**Franchise Agreement**,” the current form of which is attached as **Exhibit B**).

**NOW, THEREFORE**, for and in consideration of the foregoing premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

**Section 1. Grant of Development Rights & Development Area.** Subject to the terms and conditions of this Agreement, we grant to you the right, and you undertake the obligation, to establish and operate in the area designated on **Exhibit A** to this Agreement (the “**Development Area**”) the number of Studios specified in the development schedule in **Exhibit A** (the “**Schedule**”). This Agreement does not grant you any right to use the Marks or the FADS System. Rights to use the Marks and the FADS System are granted only by the Franchise Agreements.

**Section 2. Fees.** Upon execution of this Agreement, you must pay us a development fee in the amount specified in **Exhibit A** (the “**Development Fee**”), which is based on the initial franchise fee you must pay for each Studio that you develop (the “**Franchise Fee**,” which is also specified in **Exhibit A**). The Development Fee will be credited toward 100% of the Franchise Fee due under the Franchise Agreement for each Studio that you develop pursuant to this Agreement. The Development Fee is fully earned by us when we and you sign this Agreement and is non-refundable, even if you do not comply with the Schedule. Upon execution of each Franchise Agreement, you must pay us an initial training fee in the amount specified in **Exhibit A** for each Studio that you develop (the “**Initial Training Fee**”).

**Section 3. Development Schedule.**

**A. Deadlines.** You must enter into Franchise Agreements and open and operate Studios in accordance with the deadlines set forth in the Schedule. By each “**Fee Deadline**” specified in the Schedule, you must have delivered to us the Initial Training Fee and a signed copy of our then-current standard form of Franchise Agreement for the number of Studios specified on the Schedule. By each “**Opening Deadline**” specified in the Schedule, you must have the specified number of Studios open and operating. You must locate the Studios only at sites that we have accepted in accordance with the terms of the applicable Franchise Agreement.

**B. Damaged Studios.** If a Studio is destroyed or damaged by any cause beyond your control such that it may no longer continue to be open for the operation of business, you must immediately give us notice of such destruction or damage (“**Destruction Event**”). You must diligently work to repair and restore the Studio to our approved plans and specifications as soon as possible at the same location or at a substitute site accepted by us within the Development Area. If a Studio is closed due to a Destruction Event, the Studio will continue to be deemed a “Studio in operation” for the purpose of this Agreement for up to 180 days after the Destruction Event occurs. If a Studio (i) is closed in a manner other than those described in this **Section 3(B)** or as otherwise agreed by us in writing or (ii) fails to reopen within 180 days after a Destruction Event, then we may exercise our rights under **Section 6(B)** (Our Remedies).

**Section 4. Development Area.**

**A. Development Area.** Except as provided in this **Section 4(A)**, while this Agreement is in effect, provided that you open and operate the Studios in accordance with the Schedule and the minimum number of Studios that you have open and operating in the Development Area at any given time is not less than the minimum required pursuant to the Schedule, we will not operate, or license any person other than you to operate, a Studio under the Marks and the FADS System within the Development Area.

**B. No Other Restriction on Us.** We and our affiliates reserve all rights not specifically granted to you under this Agreement. For the sake of example, without limitation, we and our affiliates have the right, directly or indirectly, to:

**i.** ourselves operate, or to grant other persons the right to operate, Studios outside of the Development Area;

**ii.** offer, promote and sell the products and services that Studios offer, promote, sell and/or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Development Area;

**iii.** sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including, without limitation, through e-commerce, in retail stores, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Development Area;

**iv.** advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Development Area and on the Internet (or any other existing or future form of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing (as defined in the Initial Franchise Agreement) using the Marks; and

**v.** acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, and/or studios anywhere (including inside the Development Area) and, even if such businesses are located in the Development Area, (i) convert the other businesses to the Fred Astaire Dance Studios® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system; and/or (iii) permit the businesses to operate under another name and convert existing Studios to such other name, including requiring you to convert your Studios to another name.

**vi.** develop a new franchise concept that may offer, promote and sell products and services similar or complementary to the products and services that Studios offer, promote, and sell, using the Marks and/or all or elements of the FADS System.

**Section 5. Term.** This Agreement expires at midnight on the last Opening Deadline date listed on the Schedule, unless this Agreement is terminated sooner as provided in other sections of this Agreement

**Section 6. Termination.**

**A. Events of Default.** Any one or more of the following constitutes an “Event of Default” under this Agreement:



**i.** You fail to pay any Franchise Fee or execute any Franchise Agreement by any Fee Deadline specified in the Schedule;

**ii.** You fail to have open and operating the minimum number of Studios specified in the Schedule by any Operating Deadline specified in the Schedule;

**iii.** An Event of Default occurs under any Franchise Agreement, resulting in the termination of such Franchise Agreement; or

**iv.** You breach or otherwise fail to comply fully with any other provision contained in this Agreement, including, without limitation, **Section 8** (Covenant Not to Compete).

**B. Our Remedies.** If any Event of Default occurs under **Section 6(A)**, we may, at our sole election, declare this Agreement and any and all other rights granted to you under this Agreement to be immediately terminated and of no further force or effect. Upon termination of this Agreement for any other reason whatsoever, we will retain the Development Fee, and you will not be relieved of any of your obligations, debts or liabilities hereunder, including without limitation any debts, obligations or liabilities which have accrued prior to such termination. Your failure to open and operate Studios in accordance with the Schedule will not, in itself, constitute cause for us to terminate any previously executed Franchise Agreement.

**Section 7. Assignment.** This Agreement and the rights granted to you under this Agreement are personal to you. Neither this Agreement, nor any of the rights granted to you under this Agreement, nor any controlling equity interest in you may be voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise, assigned or otherwise transferred, given away or encumbered by you without our prior written approval, which we may grant or withhold for any or no reason. If you or your Owners intend to transfer any interest in you or this Agreement, we shall have a right of first refusal in accordance with the procedure set forth in **Section 13.09** (Our Right of First Refusal) of the Initial Franchise Agreement. We may assign this Agreement or any ownership interests in us without restriction.

**Section 8. Covenant Not to Compete.**

**A. In-Term Covenants.** You acknowledge that you will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional and marketing methods of the FRED ASTAIRE DANCE STUDIOS® concept. During the Term, you and your Owners will not, without our prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or entity:

**i.** own, manage, engage in, be employed by, advise, make loans to or have any other interest in (a) any gymnasium, studio, athletic or fitness center, health club, exercise or aerobics facility or similar facility or business that offers dance and performing arts instruction

and services; or (ii) any entity that grants franchises or licenses for any of these types of businesses (each, collectively, a “**Competitive Business**”) at any location in the United States;

**ii.** divert, or attempt to divert, any business or customer or potential business or customer of the Studio to any Competitive Business, by direct or indirect inducement or otherwise;

**iii.** perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the FADS System;

**iv.** use any vendor relationship established through your association with us for any purpose other than to purchase products or equipment for use or retail sale in the Studios; or

**v.** solicit for purposes of employment any officer, manager, or director of us, any of our affiliates or any area representative who is then employed by, or who has within the last twelve (12) months been employed as an officer, manager, or director of us, any of our affiliates or any area representative.

**B. Post-Term Covenants.** For twenty-four (24) months after the expiration or termination of this Agreement, or an approved transfer to a new franchisee, you and your Owners may not, without our prior written consent, (i) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a twenty-five (25) mile radius of the Development Area or any other Studio that is operating or under development at the time of such expiration, termination, or transfer; or (ii) directly solicit for employment any officer, manager, director, or FADS Pro Instructor (as defined in the Initial Franchise Agreement) who at any time within the immediate past twelve (12) months has been employed by us, our affiliates, an area representative or our franchisees; provided, however, that the foregoing subsection (ii) shall not prevent any employment solicitation of a general and not direct nature that is a public solicitation of prospective employees and not directed specifically to any such officer, manager, director or FADS Pro Instructor. With respect to the Owners, the time period in this **Section 8(B)** will run from the expiration, termination or transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first.

**C. Publicly Traded Corporations.** Ownership of less than 10% of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate this **Section 8**.

**D. Covenants of Others.** The Owners personally bind themselves to this **Section 8** by signing the Guaranty that is attached as **Exhibit C** to this Agreement. You must also obtain from your officers, directors, managers, Owners’ spouses and other individuals that we may designate executed agreements containing nondisclosure and noncompete covenants similar in substance to those contained in this **Section 8** as we prescribe in the Manuals (as defined in the Initial Franchise Agreement) and otherwise. The agreements must be in a form acceptable to us and specifically identify us as having the independent right to enforce them.

**E. Enforcement of Covenants.** You acknowledge and agree that (i) the time, territory and scope of the covenants provided in this **Section 8** are reasonable and necessary for the protection of our legitimate business interests; (ii) you have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants. To the extent that this **Section 8** is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants contained in this **Section 8**. You acknowledge that any breach or threatened breach of this **Section 8** will cause us irreparable injury for which no adequate remedy at law is available, and you consent to the issuance of an injunction prohibiting any conduct violating the terms of this **Section 8**. Such injunctive relief will be in addition to any other remedies that we may have.

**Section 9. Incorporation of Other Terms.** The terms and conditions of **Section 3.01** (Your Representations and Warranties) **Article XII** (Confidential Information), **Article XVIII** (General Provisions) and **Article XIX** (Dispute Resolution) of the Initial Franchise Agreement are incorporated by reference into this Agreement and will govern all aspects of our relationship and the construction of this Agreement as if such terms and conditions were fully restated within the text of this Agreement.

**Section 10. Miscellaneous.** Capitalized terms used and not otherwise defined in this Agreement shall have the meanings set forth in the Initial Franchise Agreement. This Agreement, together with the Initial Franchise Agreement, supersedes all prior agreements and understandings, whether oral and written, among the parties relating to its subject matter, and there are no oral or other written understandings, representations or agreements among the parties relating to the subject matter of this Agreement. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representations that we made in the most recent Franchise Disclosure Document that we delivered to you or your representatives. This Agreement shall not be binding on either party until it is executed by both parties. This Agreement may be signed in multiple counterparts, but all such counterparts together shall be considered one and the same instrument. The provisions of this Agreement may be amended or modified only by written agreement signed by the party to be bound.

*- Signature Page Follows -*

**IN WITNESS WHEREOF**, each of the parties has executed this Development Agreement under seal as of the Effective Date.

**FRANCHISOR:**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**FRANCHISEE:**

If Entity:

\_\_\_\_\_

[Entity Name]

\_\_\_\_\_

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

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

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

If Individuals:

\_\_\_\_\_

Signature

\_\_\_\_\_

Printed Name

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

\_\_\_\_\_

Signature

\_\_\_\_\_

Printed Name

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

**EXHIBIT A  
TO THE  
DEVELOPMENT AGREEMENT**

**FRANCHISE DEVELOPMENT SPECIFIC INFORMATION**

**1. Effective Date:** \_\_\_\_\_

**2. Franchisee Name:** \_\_\_\_\_

**3. Franchisee State of Incorporation/Organization:** \_\_\_\_\_

**4. Ownership of Franchisee:**

If the franchisee is an Entity (as defined in the Development Agreement), the following persons constitute all of the owners of a legal and/or beneficial interest in the franchisee:

Name	Ownership Percentage

**5. Address, E-mail Address and Fax Number for Notices to Franchisee:**

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**6. Address, E-mail Address and Fax Number for Notices to Owners of Franchisee:**

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**13. Additional and/or Inconsistent Terms to the Development Agreement *(if any)*:**

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*- Signature Page Follows –*

**SIGNATURE PAGE TO  
EXHIBIT A**

**FRANCHISE DEVELOPMENT SPECIFIC INFORMATION**

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date



**EXHIBIT B  
TO THE  
DEVELOPMENT AGREEMENT**

**FORM OF FRANCHISE AGREEMENT**

(see Exhibit A to the Franchise Disclosure Document)

**EXHIBIT C  
TO THE  
DEVELOPMENT AGREEMENT**

**FADS USA, INC.  
PERSONAL PAYMENT AND PERFORMANCE GUARANTY**

In consideration of, and as an inducement to, the execution by FADS USA, Inc. (f/k/a Megadance USA Corp.) (“**Franchisor**”) of that certain Fred Astaire Dance Studios® Development Agreement, dated \_\_\_\_\_, 20\_\_ (as the same from time to time may be amended, modified, extended or renewed, the “**Development Agreement**”), by and between Franchisor and [ Franchisee Name ] (“**Franchisee**”), the undersigned (the undersigned, collectively, the “**Guarantor**”), for (i) the term of the Development Agreement, and any extension or renewal thereof, and (ii) after the Term of the Development Agreement until all obligations of Franchisee to Franchisor under the Development Agreement have been satisfied, does hereby jointly and severally, personally, absolutely and unconditionally covenant and agree as follows:

**Section 1.** Guarantor jointly and severally, absolutely and unconditionally guarantees to Franchisor and its affiliates: (a) the full and punctual payment of all sums payable by Franchisee to Franchisor, when and as the same shall become due and payable; and (b) the full and prompt performance and observance by Franchisee of each and all of the covenants and agreements required to be performed or observed by Franchisee, whether direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Development Agreement, the Initial Franchise Agreement (as defined in the Development Agreement), any franchise agreement or other agreement, any promissory note or otherwise (collectively, the “**Agreements**”), together with any extension, renewal, or modification thereof in whole or in part (all of the foregoing collectively referred to as the “**Guaranteed Obligations**”).

For the sake of clarity, and not by way of limitation or exclusion, the Guarantor acknowledges, understands and agrees that the provisions of **Section 8** (Covenant Not to Compete) and **Section 9** (Incorporation of Other Terms) of the Development Agreement are Guaranteed Obligations. Guarantor further acknowledges, understands and agrees that the Guarantor will comply with the Guaranteed Obligations, including, without limitation, the aforementioned articles, as though the Guarantor was the “Franchisee” named in the Development Agreement.

The Guarantor agrees to take any and all actions as may be necessary and/or appropriate to cause Franchisee to comply with the Agreements and the Guaranteed Obligations, and the Guarantor agrees not to take any action that would cause Franchisee to be in breach of the Agreements.

**Section 2.** It is the intent of the Guarantor that this Guaranty is a guaranty of payment and performance and not merely one of collection. Guarantor agrees that its obligations hereunder shall be binding upon Guarantor and its respective heirs, personal representatives, successors and assigns and shall remain in full force and effect irrespective of:

(a) any modification, amendment, renewal, extension, assignment or other alteration of the Agreements, or any release by Franchisor of any other party liable for the Guaranteed Obligations;

(b) any failure or lack of diligence in collection or protection, failure in presentment or demand, protest, notice of protest, notice of default and of nonpayment, any failure of notice of acceptance of this Guaranty, any failure to give notice of failure of Franchisee or any other person or entity to keep and perform any covenant or agreement under the terms of the Agreements, or failure to resort, for payment, to Franchisee or to any other guarantor or other rights or remedies, and Guarantor hereby expressly waives all of the foregoing;

(c) any defense that Franchisee or any other person or entity might have by reason of any action in bankruptcy or other statutory or common law proceedings for debtor relief by Franchisee or any other guarantor to the payment of the Guaranteed Obligations (other than payment thereof), or to the performance or observance of any provisions of any of the Agreements; and

(d) any act or failure to act with regard to the Agreements or any of the Guaranteed Obligations or anything which might vary the risk of Guarantor; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the Guaranteed Obligations of Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment and performance of all Guaranteed Obligations when due.

**Section 3.** Guarantor agrees to indemnify and hold Franchisor harmless for any loss, liability, damage or expense (including reasonable attorney's fees, court costs and expenses) arising from (i) the failure of Franchisee to perform the Guaranteed Obligations; and/or (ii) the enforcement of this Guaranty against Guarantor. Upon Franchisee's default under the Agreements and, within five (5) business days after notice from Franchisor, Guarantor shall pay or perform the Guaranteed Obligations in default, as applicable, without offset, deduction or counterclaim.

**Section 4.** Guarantor waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Obligations, of the amounts and terms thereof, of all defaults, disputes, or controversies between Franchisor and Franchisee and of the settlement, compromise, or adjustment thereof. Guarantor specifically waives any rights that may be conferred upon Guarantor as a guarantor or surety under the applicable law of any state. This Guaranty is primary and not secondary and will be enforceable without Franchisor having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Obligations. Franchisor shall not be required to pursue any remedies that it may have against Franchisee or other parties as a condition to the enforcement of this Guaranty, it being intended that Guarantor's obligations under this Guaranty shall be independent of, and in addition to, the Guaranteed Obligations. It is understood that Guarantor may be joined in any action against Franchisee and that recovery may be had against Guarantor in such action, or in any independent action of

Guarantor. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Development Agreement or by law or in equity.

**Section 5.** Until all Guaranteed Obligations of Franchisee to Franchisor have been satisfied, this Guaranty of the Guaranteed Obligations shall remain in full force and effect. If at any time payment of any of the Guaranteed Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Franchisee, the obligations of Guarantor with respect to such payment shall be reinstated at such time as though such payment had not been made. The Guarantor expressly acknowledges that the Guaranteed Obligations hereunder may survive the termination of the Agreements.

**Section 6.** Guarantor agrees that this Guaranty shall be a continuing guaranty and shall inure to the benefit of and may be enforced by Franchisor and any assignee of Franchisor. Guarantor hereby consents to any assignment or transfer of the Agreements without notice. Guarantor agrees this this Guaranty shall be binding upon and enforceable against Guarantor and its respective heirs, personal representatives, successors and assigns.

**Section 7.** No delay or failure on the part of Franchisor in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Franchisor of any right or remedy will preclude other further exercise of such right or any other right or remedy. Franchisor's failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

**Section 8.** The Guarantor represents and agrees that the Guarantor has reviewed a copy of the Agreements, including the Development Agreement, and has had the opportunity to consult with counsel to understand the meaning and import of the Agreements and this Guaranty.

**Section 9.** **Article XIX** (Dispute Resolution) of the Initial Franchise Agreement (as defined in the Development Agreement) is hereby incorporated herein by reference and will be applicable to any and all disputes between Franchisor and Guarantor. Guarantor acknowledges, understands and agrees that the Guarantor will comply with the provisions of **Article XIX** (Dispute Resolution) of the Initial Franchise Agreement (as defined in the Development Agreement), as though the Guarantor was the "Franchisee" named in the Franchise Agreement.

Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or other doctrine of law of any state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Franchisor's discretion in the most immediate state judicial district and court encompassing Franchisor's headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Franchisor's headquarters. Guarantor expressly agrees that Guarantor is subject to the jurisdiction and venue of those courts for purposes of such litigation. Guarantor hereby waives and covenants never to assert any claim that Guarantor is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

**Section 10.** To the fullest extent permitted by law, Guarantor also waives all rights to a trial by jury in any action related to this Guaranty. If this Guaranty is enforced by suit or otherwise or if Franchisor exercises any of its remedies under the Agreements, Guarantor shall reimburse Franchisor, upon demand, for all reasonable expenses incurred in connection therewith, including reasonable attorneys' fees, court costs and expenses.

Guarantor (or each Guarantor if multiple Guarantors) represents and warrants that he, she or it has the legal right and capacity to execute this Guaranty, and Guarantor (or each Guarantor if multiple) waives the benefit of Guarantor's homestead exemption. If multiple Guarantors, the obligations of each Guarantor shall be joint and several. The release of any one or more Guarantors shall not affect the liability of any remaining Guarantor not expressly released. Franchisor may proceed against one or more Guarantors without releasing the remaining Guarantors.

*- Signature Page Follows -*

**IN WITNESS WHEREOF**, the undersigned Guarantor have caused this Personal Payment and Performance Guaranty to be duly executed as of the day and year first written above.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

*[To be signed by all owners of Franchisee and their spouses]*

61785601v1

**EXHIBIT D  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT  
STATE SPECIFIC ADDENDA AND RIDERS**

## CALIFORNIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

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.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AND COMPLAINTS CONCERNING THE CONTENTS 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).

SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



Item 3, Additional Disclosure:

Neither we nor any person described in Item 2 of the Disclosure Document is subject to any currently effective order of any National Securities Association or National Securities Exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq. suspending or expelling such persons from membership in such association or exchange.

Item 6, Additional Disclosure:

The highest interest rate allowed by law in California is 10% annually.

Item 17, Additional Disclosures:

The franchise agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The franchise agreement requires application of the laws of the state where our then current headquarters is located. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. §101 et seq.)

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

## CALIFORNIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of the state where our then current headquarters is located. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## CALIFORNIA ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Development Agreement requires application of the laws of the state where our then current headquarters is located. This provision may not be enforceable under California law.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Development Agreement upon certain bankruptcy-related events. If the Development Agreement is inconsistent with the law, the law will control.

The Development Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

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

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

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

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

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

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

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date



## ILLINOIS ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Development Agreement.

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

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

Your rights upon termination and non-renewal of a Development Agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## MARYLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

### Item 5, Additional Disclosures:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee open its outlet. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

### Item 17, Additional Disclosures:

Our termination of the Franchise Agreement because of your bankruptcy may not be enforceable under applicable federal law (11 U.S.C.A. 101 et seq.).

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The general release required as a condition of renewal, sale and/or assignment/transfer will not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Franchise Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the franchisee open its outlet. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Development Agreement prevents the franchisee from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Development Agreement operates to reduce the 3-year statute of limitations afforded to a franchisee for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the franchisee.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## MINNESOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

### State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

### Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

### Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota Franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

### Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure), 180 days' notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.



Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180 days' notice for non-renewal of this Franchise Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## MINNESOTA ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Franchisee will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Development Agreement; or (3) failure of the franchisee to cure a default under the Development Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Development Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Development Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Development Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Signature

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

\_\_\_\_\_  
Date

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Signature

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Print Name

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Date

## NEW YORK ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

### Cover Page, Additional Disclosure.

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

Item 3, Additional Disclosure. The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law as a result of 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.

Item 4, Additional Disclosure. Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures.

The following is added to the Summary sections of Item 17(c) and 17(m): 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 Section 687.4 and 687.5 be satisfied.

The Summary section of Item 17(d) is deleted and replaced with the following language: You may terminate the agreement on any grounds available by law.

The following is added to the Summary section of Item 17(j): No assignment will be made except to an assignee who in good faith and judgment of the franchisor is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

The following is added to the Summary sections of Items 17(v) and 17(w): 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.

## NEW YORK ADDENDUM TO FRANCHISE AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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Print Name

\_\_\_\_\_  
Date

NEW YORK ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Development Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Development Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

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Print Name

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Signature

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Print Name

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Print Name

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Date

## NORTH DAKOTA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

## NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the franchise agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date



## NORTH DAKOTA ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Covenants not to compete during the term of and upon termination or expiration of the Development Agreement are enforceable only under certain conditions according to North Dakota law. If the Development Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

The Development Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

The Development Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

Development Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Signature

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Print Name

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Date

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Print Name

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Date

RHODE ISLAND ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

## RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

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Signature

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Print Name

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Print Name

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Print Name

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Date

RHODE ISLAND ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

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Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## VIRGINIA ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

### Item 17, Additional Disclosures:

Any provision in any of the contracts that you sign with us which provides for termination of the franchise upon the bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. 101 et. seq.).

“According to Section 13.1 – 564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## VIRGINIA ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## VIRGINIA ADDENDUM TO DEVELOPMENT AGREEMENT

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Development Agreement, to the extent that the Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

“According to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any 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.”

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Development Agreement.

3. Except as expressly modified by this Addendum, the Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Development Agreement. In the event of any conflict between this Addendum and the Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature page to follow]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## WASHINGTON ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

### Item 17, Additional Disclosure:

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.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT,  
FRANCHISEE COMPLIANCE QUESTIONNAIRE, AND RELATED AGREEMENTS

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.

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waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date



## WASHINGTON ADDENDUM TO DEVELOPMENT AGREEMENT

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.

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person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned does hereby acknowledge receipt of this addendum.

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

## FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL  
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.  
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, FADS USA, Inc. ("FADS"), \_\_\_\_\_ ("Franchisee") and \_\_\_\_\_ ("Guarantors") enter into this Release of Claims ("Agreement").

### RECITALS

- A. FADS and Franchisee entered into a FRED ASTAIRE DANCE STUDIOS® Franchise Agreement dated \_\_\_\_\_, \_\_\_\_ (the "Franchise Agreement").
- B. [NOTE: Describe the circumstances relating to the release.]

### AGREEMENTS

1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
4. **Release of Claims.**

A. Definitions.

1. FADS Parties: FADS and each of its subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: Franchisee and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the FADS Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys' fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, "Claims"), that they may now have, or at anytime heretofore had, or hereafter may have, against each or any of the FADS Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to the Franchise Agreement(s), the development or operation of the Studio(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the FADS Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

**[California option:** The Franchisee Parties expressly waive all rights or benefits that they have or may have under Section 1542 of the California Civil Code, which section provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.]

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of \_\_\_\_\_ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

*[Signature page to follow]*

**FRANCHISOR**

FADS USA, Inc.

\_\_\_\_\_

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

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

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

**OWNER(S)**

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**PERSONAL GUARANTORS:**

\_\_\_\_\_

\_\_\_\_\_

**FRANCHISEE**

If Entity:

\_\_\_\_\_  
Name of Entity

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

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

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

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

If Individual(s):

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Date

**EXHIBIT E  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

**FADS USA, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY  
INFORMATION**

for the years ended December 31, 2022, 2021, and 2020



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
FADS USA, Inc. and Subsidiaries

### ***Opinion***

We have audited the accompanying consolidated financial statements of FADS USA, Inc. and Subsidiaries (the Company) which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FADS USA, Inc. and Subsidiaries as of December 31, 2022, 2021, and 2020, and the results of their operations and their cash flows for the years 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. 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 FADS USA, Inc. and subsidiaries 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 FADS USA, Inc.'s and subsidiaries 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FADS USA, Inc.'s and subsidiaries 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.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules presented on pages 23 through 27, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Information Included in the Franchise Disclosure Document***

Management is responsible for the other information included in the Franchise Disclosure Document (“FDD”). The other information comprises the information included in the FDD, but does not include the financial statements and our auditors’ report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

  
Springfield, Massachusetts  
May 2, 2023

# FADS USA, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents.....	\$ 3,864,809	\$ 1,742,731	\$ 734,273
Accounts receivable, net.....	140,745	150,764	310,050
Income tax receivable.....	227,415	227,415	227,415
Inventories.....	36,579	13,344	35,603
Investments.....		935,840	433,220
Prepaid expenses.....	18,437	6,800	17,003
Prepaid income taxes.....		23,662	
Due from related party.....		104,742	104,348
Notes receivable - stockholder, current .....	10,561	10,047	
Notes receivable, current portion.....	<u>377,039</u>	<u>252,754</u>	<u>242,869</u>
Total current assets.....	4,675,585	3,468,099	2,104,781
Property, plant and equipment, net.....	97,074	136,655	189,303
Intangibles, net.....	1,306,223	1,503,603	1,701,637
Goodwill.....	10,300,000	10,300,000	10,300,000
Investments.....	48,974	48,974	48,974
Deferred tax asset.....	301,100	560,600	
Notes receivable - stockholder, non-current portion.....	102,906	114,327	86,341
Notes receivable, non-current portion.....	<u>1,819,480</u>	<u>1,519,156</u>	<u>1,743,126</u>
Total assets.....	<u>\$ 18,651,342</u>	<u>\$ 17,651,414</u>	<u>\$ 16,174,162</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable.....	\$ 548,763	\$ 93,636	\$ 241,818
Deferred revenue, current portion.....	476,849	389,874	503,837
Notes payable, current portion.....	5,488,317	1,177,887	857,963
Accrued expenses.....	269,310	232,397	49,031
Accrued income taxes.....	218,857		
Dividends payable.....			30,000
Accrued interest payable, current portion.....	575,708		
Accrued compensation and related taxes, current portion.....	<u>127,215</u>	<u>118,415</u>	<u>118,415</u>
Total current liabilities.....	7,705,019	2,012,209	1,801,064
Notes payable, non-current portion.....	198,731	5,690,915	6,592,567
Accrued interest payable, non-current portion.....		513,208	363,208
Deferred revenue, non-current portion.....	2,942,989	2,557,343	2,954,178
Accrued compensation and related taxes, non-current portion.....		<u>1,063,547</u>	<u>1,182,454</u>
Total liabilities.....	<u>10,846,739</u>	<u>11,837,222</u>	<u>12,893,471</u>
<b>Stockholders' Equity</b>			
FADS USA, Inc. stockholders' equity			
Retained earnings.....	13,697,910	12,130,173	9,139,487
Paid in capital.....	49,990	49,990	49,990
Common stock, \$.01 par value, 1000 shares authorized, issued, and outstanding.....	<u>10</u>	<u>10</u>	<u>10</u>
Total FADS USA, Inc. stockholders' equity.....	13,747,910	12,180,173	9,189,487
Non-controlling interests in variable interest entities.....	<u>(5,943,307)</u>	<u>(6,365,981)</u>	<u>(5,908,796)</u>
Total stockholders' equity.....	<u>7,804,603</u>	<u>5,814,192</u>	<u>3,280,691</u>
Total liabilities and stockholders' equity.....	<u>\$ 18,651,342</u>	<u>\$ 17,651,414</u>	<u>\$ 16,174,162</u>

*See notes to consolidated financial statements.*

**FADS USA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**for the years ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues.....	\$ 13,104,724	\$ 10,019,052	\$ 4,677,317
Cost of revenues.....	<u>7,721,378</u>	<u>5,557,970</u>	<u>2,358,934</u>
Gross profit.....	5,383,346	4,461,082	2,318,383
General and administrative expenses.....	<u>2,440,573</u>	<u>1,883,962</u>	<u>2,217,109</u>
Income from operations.....	<u>2,942,773</u>	<u>2,577,120</u>	<u>101,274</u>
Non-operating (expense) income, net			
Miscellaneous expense, net.....	(71,923)	(48,350)	(57,962)
Interest expense, net.....	(117,327)	(120,143)	(170,677)
Investment loss, net .....	(5,112)	(2,154)	(1,943)
PPP grant revenue.....	<u>                    </u>	<u>                    </u>	<u>331,800</u>
Total non-operating (expense) income, net.....	<u>(194,362)</u>	<u>(170,647)</u>	<u>101,218</u>
Income before income taxes.....	2,748,411	2,406,473	202,492
Income tax expense (benefit).....	<u>718,000</u>	<u>(167,028)</u>	<u>(196,515)</u>
Net income.....	2,030,411	2,573,501	399,007
Amount attributable to non-controlling interests.....	<u>462,674</u>	<u>(417,185)</u>	<u>(250,051)</u>
Net income attributable to FADS USA, Inc.....	<u>\$ 1,567,737</u>	<u>\$ 2,990,686</u>	<u>\$ 649,058</u>

*See notes to consolidated financial statements.*

**FADS USA, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

**for the years ended December 31, 2022, 2021, and 2020**

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Balance at December 31, 2019, as restated.....	\$ 10	\$ 49,990	\$ 8,490,429	\$ 8,540,429	\$ (5,618,745)	\$ 2,921,684
Net income (loss).....			649,058	649,058	(250,051)	399,007
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2020.....	10	49,990	9,139,487	9,189,487	(5,908,796)	3,280,691
Net income (loss).....			2,990,686	2,990,686	(417,185)	2,573,501
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2021.....	10	49,990	12,130,173	12,180,173	(6,365,981)	5,814,192
Net income.....			1,567,737	1,567,737	462,674	2,030,411
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2022.....	<u>\$ 10</u>	<u>\$ 49,990</u>	<u>\$ 13,697,910</u>	<u>\$ 13,747,910</u>	<u>\$ (5,943,307)</u>	<u>\$ 7,804,603</u>

*See notes to consolidated financial statements.*

**FADS USA, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**for the years ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Net income.....	\$ 2,030,411	\$ 2,573,501	\$ 399,007
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation.....	57,365	55,835	55,760
Amortization.....	197,380	198,034	198,034
Deferred taxes.....	259,500	(560,600)	
(Increase) decrease in operating assets:			
Accounts receivable.....	10,019	159,286	(125,133)
Income tax receivable.....			(227,415)
Inventories.....	(23,235)	22,259	(5,400)
Due from related party.....	104,742	(394)	(14,466)
Prepaid income taxes.....	23,662	(103,200)	
Prepaid expenses.....	(11,637)	10,203	3,946
Increase (decrease) in operating liabilities:			
Accounts payable.....	455,127	(148,182)	(252,375)
Accrued expenses.....	36,913	183,366	(19,588)
Interest payable.....	62,500	150,000	63,208
Accrued income taxes.....	218,857	79,538	
Deferred revenue.....	(214,629)	(118,907)	47,251
Accrued compensation and related taxes.....	(1,054,747)	(510,798)	(202,493)
Net cash provided by (used in) operating activities .....	<u>2,152,228</u>	<u>1,989,941</u>	<u>(79,664)</u>
<b>Cash flow from investing activities</b>			
Investments, net change.....	935,840	(502,620)	
Net change in loans to stockholder.....	10,907	(38,033)	(40,387)
Payments received on notes receivable.....	262,641	214,085	380,631
Purchase of property, plant, and equipment.....	(17,784)	(3,187)	(3,173)
Net cash provided by (used in) investing activities.....	<u>1,191,604</u>	<u>(329,755)</u>	<u>337,071</u>
<b>Cash flows from financing activities</b>			
Payments on notes payable.....	(1,181,754)	(1,050,981)	(670,567)
Dividends paid.....	(40,000)	(40,000)	(40,000)
Proceeds from notes payable.....		469,253	159,900
Dividends payable.....		(30,000)	30,000
Net cash used in financing activities.....	<u>(1,221,754)</u>	<u>(651,728)</u>	<u>(520,667)</u>
Net change in cash.....	2,122,078	1,008,458	(263,260)
Cash and cash equivalents, beginning of year.....	<u>1,742,731</u>	<u>734,273</u>	<u>997,533</u>
Cash and cash equivalents, end of year.....	<u>\$ 3,864,809</u>	<u>\$ 1,742,731</u>	<u>\$ 734,273</u>

*See notes to consolidated financial statements.*

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Organization and Summary of Significant Accounting Policies

##### *Nature of Operations*

FADS USA, Inc. (formerly known as Megadance USA Corp.), holds a perpetual and exclusive license to use and sublicense certain intellectual property related to Fred Astaire Dance Studios®. FADS USA, Inc. engages in unit and area representative franchise programs and organizes and manages certain Fred Astaire Dance Studios® branded dance competitions throughout the United States.

FADS Holding, LLC (Holding) is a holding company whose subsidiaries are engaged in the business of dance instruction, dance competition, dance merchandise and related activities, and the selling and opening of dance franchises. FADS Holding, LLC was created in September 2017.

Fred Astaire Dance of North America, Inc. (FADNA) is a wholly-owned subsidiary of FADS Holding, LLC that provides consulting services to the other related entities.

Fred Astaire Dance Studios, Inc. (FADS), a wholly-owned subsidiary of Fred Astaire Dance of North America, Inc., is an intellectual property holding company that holds certain domestic and international intellectual property registrations related to the Fred Astaire Dance Studios® brand.

Fred Astaire Dance International Corp. (FADI), a wholly-owned subsidiary of Fred Astaire Dance of North America, Inc., engages in unit and area representative franchise programs and holds certain international intellectual property registrations related to the Fred Astaire Dance Studios® brand.

On April 16, 2018, FADS Holding, LLC created three new subsidiaries: FADS Distribution, Inc. (Distribution), FADS International, Inc. (International), and Fred Astaire Dance Board, Inc. (Board).

Distribution acts as approved supplier for certain items used in the operation of Fred Astaire Dance Studios and manages required and approved supplier and vendor arrangements.

International conducts certain international business relating to the Fred Astaire Dance Studios brand.

Board certifies and licenses third parties to use certain intellectual property to (i) examine, test, and certify students, (ii) examine, test, and certify instructors, and (iii) judge at Fred Astaire Dance Studios branded competitions and events according to our standards.

On January 31, 2019, FADS Events, LLC (Events) was created and is a wholly owned subsidiary of FADS USA, Inc. Events organizes certain Fred Astaire Dance Studios branded competitions, events, conferences, and related activities.

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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#### *Principles of Consolidation*

The financial statements include the accounts of FADS USA, Inc. and its wholly owned subsidiary FADS Events, LLC, and its variable interest entities Holding, FADNA, FADS, FADI, Distribution, International and Board. All significant inter-company balances and transactions have been eliminated in consolidation. Herein, FADS USA, Inc., Events, Holding, FADNA, FADS, FADI, Distribution, International, and Board are referred to as “the Company.”

FADS USA, Inc. financially supports Holding, FADNA, FADS, FADI, Distribution, International, and Board. These circumstances and the common ownership of the companies qualify Holding, FADNA, FADS, FADI, Distribution, International, and Board to be variable interest entities of FADS USA, Inc. as defined by the Consolidation topic of the FASB Accounting Standards Codification.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with a maturity of 90 days or less to be cash equivalents.

#### *Concentration of Credit Risk*

At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management believes that there is no significant risk with respect to these deposits. Total uninsured cash at December 31, 2022 was approximately \$3,535,000.

#### *Accounts Receivable, Trade*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable efforts are written off through a charge to the allowance and a credit to accounts receivable. Management will replenish the allowance as necessary throughout the year through a charge to bad debt expense and a credit to the allowance. Allowance for doubtful accounts was \$76,698 at December 31, 2022, 2021, and 2020, each year.



## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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#### *Inventory*

Inventory is stated at the lower of cost (first-in, first-out method) or market.

#### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred. Additions and betterments are capitalized. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and any resulting gains or losses are reflected in income.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

#### *Investments*

Investments are comprised of marketable securities and are classified as available for sale and reported at fair market value. Fair market value is determined using market quotations. Realized gains or losses, determined using the first-in, first-out method, are included in earnings.

#### *Goodwill and Intangible Assets*

Goodwill resulted from a certain purchase and merger agreement dated September 27, 2017. Annual impairment testing is required for goodwill with impairment being recorded if the carrying amount of goodwill exceeds its implied fair value. It has been determined by management that there was no impairment of goodwill at December 31, 2022, 2021, and 2020.

Intangible assets consist of reorganization costs and franchise acquisition costs. They are initially measured at fair value and then amortized over their estimated useful lives between 5 and 40 years.

#### *Debt*

The Company accounts for loans that meet the criteria to be forgiven as a government grant under *IAS 20 – Accounting for Government Grants*. The proceeds received from these loans are recorded as a deferred income liability and income is recorded as qualified expenses are incurred. The grant revenue is included in other income on the consolidated statement of income.

#### *Advertising and Promotion*

The Company expenses advertising and promotion costs as incurred. The advertising and promotion expense for the years ended December 31, 2022, 2021 and 2020 was \$130,152, \$99,575, and \$61,435, respectively.

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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#### *Shipping and Handling*

The Company classifies fees charged to customers as sales and the related shipping and handling costs as cost of sales.

#### *Revenue Recognition*

The Company considers certain pre-opening services as one performance obligation as allowed under ASU 2021-02. Revenue from sales of individual franchises is recognized, when this single performance obligation has been met, which includes assistance in site selection and studio design, training personnel, and providing proprietary operating manuals containing the Fred Astaire programs. Generally, this single performance obligation is considered complete and initial fee revenue is recognized on the date the studio opens for business to the general public.

Revenue from area exclusivity fees are recognized over the life of the franchise agreement, which can be up to 10 years.

Continuing franchise fees are earned based on a percentage of the gross receipts of each individual franchisee, including fees from franchises owned by a related entity and remitted to the Company pursuant to a management agreement.

Revenue from events are recognized when the event takes place.

Revenue from merchandise is recognized when shipped, and revenue from services provided is recognized when the services are performed.

#### *Deferred Revenue*

Revenue not meeting the above performance obligations is deferred to a future period.

#### *Income Taxes*

FADS USA, Inc., Fred Astaire Dance of North America, Fred Astaire Dance Studios, Fred Astaire Dance International, FADS Distributions, FADS International, and Fred Astaire Dance Board are C-corporations. FADS Holding LLC, has elected to be treated as a C corporation for income tax purposes. FADS Events, LLC is considered a disregarded entity for income tax purposes and all activity is included with FADS USA, Inc. The provision for corporate taxes includes federal and state corporation taxes currently payable and deferred taxes arising from temporary differences in the basis of assets and liabilities for financial reporting and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled. These differences relate to items such as accounts receivable reserves, depreciable assets, accrued expenses, deferred revenue, and net operating losses.

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

#### *Income Taxes, Continued*

The Company evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of December 31, 2022, the Company does not believe that they have taken any tax positions that would require the recording of any additional tax liability nor do they believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Company's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2022, the Company's federal and various state tax returns generally remain open for the last 3 years.

There is a federal income tax receivable in the amount of \$227,415 at December 31, 2022, 2021, and 2020 for an amended tax return relating to 2018.

#### 2. *Inventories*

Inventories consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Dance shoes			\$ 341
Dance apparel		\$ 175	175
Accessories and supplies	\$ 36,579	13,169	35,087
	<u>\$ 36,579</u>	<u>\$ 13,344</u>	<u>\$ 35,603</u>

#### 3. *Due from Related Party*

The Company had an amount due from a consultant, a related party, in the amount of \$104,742 as of December 31, 2021, (2020 - \$104,348). The Company paid expenses for development of a new business venture on behalf of the consultant. In 2022, the amount was written off as the business venture was not developed.

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

#### 4. Notes Receivable

Notes receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
On October 19, 2018, the Company entered into a note with an Area Representative in the amount of \$58,990. Monthly payments of \$1,325 were due, including interest at 3.0%. In April 2020, this note was amended and \$135,027 was added to the principal balance. New payment terms are monthly payments of principal and interest of \$2,199, interest charged at 7.00%, matures April 2030.	\$ 135,997	\$ 166,227	\$ 180,431
On December 14, 2018, the Company entered into a note with an Area Representative in the amount of \$521,870. Monthly payments of \$2,913 are due, which includes interest at 3.07%, a balloon payment of \$376,205 due on December 14, 2025.	441,414	462,462	482,875
On July 31, 2019, the Company entered into a note with an Area Representative in the amount of \$169,874. Monthly payments of \$1,972 are due, which includes interest at 7.0%, maturing August 1, 2028.	145,324	158,249	161,860
On August 5, 2019, the Company entered into a note with an Area Representative in the amount of \$153,964. Monthly payments of \$2,704 are due, which includes interest at 2.08%, maturing August 1, 2024.	53,109	84,102	114,458
On October 15, 2019, the Company entered into a note with an Area Representative in the amount of \$437,152. Monthly payments of \$5,777 are due, which includes interest at 10.0%, maturing October 15, 2029.	400,077	429,405	426,266
On November 25, 2019, the Company entered into a note with an Area Representative in the amount of \$242,302. Monthly payments of \$4,354 are due, which includes interest at 3.0%, maturing November 25, 2024.	97,196	145,734	200,554
On November 25, 2019, the Company entered into a note with an Area Representative in the amount of \$197,435. Monthly payments of \$3,548 are due, which includes interest at 3.0%, maturing November 25, 2024.	79,198	118,750	163,417
On February 21, 2020, the Company entered into a note with an Area Representative in the amount of \$60,316. Monthly payments of \$797 are due, which includes interest at 10.0%, maturing February 21, 2030.	48,798	53,239	57,259
On April 6, 2020, the Company entered into a note with an Area Representative in the amount of \$228,714. Monthly payments of \$3,910 are due, which includes interest at 1.0%, maturing April 6, 2025.	108,156	153,742	198,875
On November 9, 2022, the Company entered into a note with an Area Representative in the amount of \$294,666. Monthly payments of \$5,037 are due, which includes interest at 1.0%, maturing December 1, 2027.	294,666		
On November 11, 2022, the Company entered into a note with an Area Representative in the amount of \$119,000. Monthly payments of \$1,149 are due, which includes interest at 3.0%, maturing December 1, 2032.	119,000		
On December 14, 2022, the Company entered into a note with an Area Representative in the amount of \$273,584. Monthly payments of \$4,916 are due, which includes interest at 3.0%, maturing December 1, 2027.	273,584		
	2,196,519	1,771,910	1,985,995
Less current portion	377,039	252,754	242,869
	\$ 1,819,480	\$ 1,519,156	\$ 1,743,126

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**5. Notes Receivable – Shareholder**

In July 2021, the Company entered into a new note with one of the shareholders that assumed the debt below and the note also included new amounts owed to the Company. The amount of the note was \$126,000. Monthly payments of principal and interest in the amount of \$1,336 are due for 120 months with interest charged at 5.00%. The balance of the note at December 31, 2022 was \$113,467 (current - \$10,561 and long term - \$102,906). The balance of the note at December 31, 2021 was \$124,374 (current - \$10,047 and long term - \$114,327).

In 2020, the Company had notes for payment of royalties with a former shareholder. The balance at December 31, 2020 was \$86,341, which was recorded as long term, as payment was not expected to be received in 2021.

**6. Intangibles**

Intangible assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Franchise costs	\$ 5,941,919	\$ 5,941,919	\$ 5,941,919
Legal costs	129,100	129,100	129,100
Reorganization costs	<u>485,622</u>	<u>485,622</u>	<u>485,622</u>
	6,556,641	6,556,641	6,556,641
Less accumulated amortization	<u>5,250,418</u>	<u>5,053,038</u>	<u>4,855,004</u>
	<u>\$ 1,306,223</u>	<u>\$ 1,503,603</u>	<u>\$ 1,701,637</u>

Amortization expense for the years ended December 31, 2022, 2021, and 2020 was \$197,380, \$198,034, and \$198,034, respectively.

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**Intangibles, Continued**

Amortization expense for each of the next five years and thereafter is as follows:

2023	\$	197,381
2024		197,381
2025		196,731
2026		192,382
2027		192,380
Thereafter		329,968
		\$ 1,306,223

**7. Property, Plant, and Equipment**

Property, plant, and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 131,165	\$ 131,165	\$ 131,165
Equipment, furniture and fixtures	<u>1,181,751</u>	<u>1,163,967</u>	<u>1,160,780</u>
	1,312,916	1,295,132	1,291,945
Less accumulated depreciation	<u>1,215,842</u>	<u>1,158,477</u>	<u>1,102,642</u>
	<u>\$ 97,074</u>	<u>\$ 136,655</u>	<u>\$ 189,303</u>

Depreciation expense for the year ended December 31, 2022 was \$57,365 (2021 - \$55,835 and 2020 - \$55,760).

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**8. Notes Payable**

Notes payable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Term note payable to a bank, due in monthly installments of \$9,350, including interest at 3.50%. This note matures in March of 2024.	\$ 167,533	\$ 271,747	\$ 372,332
In 2017, the Company entered into a note payable to an individual (a former shareholder) as part of a purchase agreement. The note is payable in annual installments of \$110,000, including interest at 10%. Payments will be offset against royalties due from this individual. The note matured in December 2022.		100,000	200,000
In 2017, the Company entered into a note payable with two individuals (former shareholders) as part of a purchase agreement. Beginning January 2018, the note is payable in monthly installments of \$60,555 for the first 24 months and then beginning January 2020, monthly installments of \$81,388 for the remaining 36 months, including interest at 6%. The note matures in December 2022, at which time a final balloon payment will be due for \$5,000,000. On June 28, 2020 this note agreement was amended, monthly payments were modified to \$55,024 through May 2022, then payments increase to \$74,040 through May 2023, and interest is now charged at 3.00%. A balloon payment of \$5,615,184 is due June 2023, which includes accrued deferred interest.	5,348,480	5,975,429	6,583,872
In 2019, the Company entered into a note payable with LEAF Capital Funding in the amount of \$228,938 in order to purchase equipment. The note is payable in monthly installments of \$4,479 for 60 months, with interest at 6.50%. The note matures in January 2023.	26,883	80,636	134,426
In 2020, the Company received the Economic Injury Disaster Loan from the U.S. Small Business Administration (SBA) in the amount of \$159,900. The loan will be payable over 30 years, beginning June 2021, monthly payments of principal and interest in the amount of \$731, interest is charged at 3.75%.	144,152	144,883	159,900
On January 1, 2021, the Company entered into a promissory note with a vendor in the amount \$469,253, monthly payments are due in the amount of \$14,429, which began January 15, 2021 and a final payment in the amount of \$137,389 was due December 15, 2022. There was no interest charged on this note.		296,107	
	5,687,048	6,868,802	7,450,530
Less current portion	5,488,317	1,177,887	857,963
	<u>\$ 198,731</u>	<u>\$ 5,690,915</u>	<u>\$ 6,592,567</u>

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

#### Notes Payable, Continued

The aggregate principal repayments for notes payable for each of the next five years and thereafter are as follows:

2023	\$ 5,488,317
2024	61,482
2025	3,650
2026	3,789
2027	3,934
Thereafter	125,876
	<u>\$ 5,687,048</u>

The line of credit and the above notes have limited personal guarantees from some of the Company stockholders.

In accordance with the term note agreement, the Company is required to maintain a debt service ratio of 1.15. The Company was in compliance with this covenant at December 31, 2022.

#### **9. Line of Credit**

The Company has a \$50,000 demand line of credit with a bank. The interest rate is Prime plus 1.25%. There was no balance on this line as of December 31, 2022, 2021, and 2020.

#### **10. Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program**

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan in the amount of \$331,800. The Company used all of the proceeds from the note for qualifying expenses and thus expected to receive approval of its application for the loan to be forgiven in the future. As such, the full amount of the loan was recorded in the statement of income as grant revenue as of December 31, 2020. The loan was fully forgiven by the SBA on August 30, 2021.



## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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#### 11. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosure topic 820, of the FASB Accounting Standards Codification (ASC) provides the framework for reporting fair value. This framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority given to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2      Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There has been no change in the methodology used at December 31, 2022, 2021, or 2020.

**Goodwill:** Management tests goodwill at the reporting unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**Fair Value of Financial Instruments, Continued**

**Registered investment Company:** Invested primarily in mutual funds, short-term instruments, and money market funds. Mutual funds and short-term instruments are valued using market quotations or prices obtained from independent pricing sources, typically valued at the net asset value (NAV) of shares held by the Company at year end. Money market funds are valued at amortized cost.

The following table summarizes the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at December 31:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2022</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Common stock	\$ 48,974	_____	_____	48,974
	<u>\$ 48,974</u>	<u>                    </u>	<u>                    </u>	<u>\$ 48,974</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2021</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Cash and cash equivalents	\$ 935,840	_____	_____	935,840
Common stock	48,974	_____	_____	48,974
	<u>\$ 984,814</u>	<u>                    </u>	<u>                    </u>	<u>\$ 984,814</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2020</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Cash and cash equivalents	\$ 433,220	_____	_____	433,220
Common stock	48,974	_____	_____	48,974
	<u>\$ 482,194</u>	<u>                    </u>	<u>                    </u>	<u>\$ 482,194</u>

## FADS USA, INC. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

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#### 12. Employment Agreements/Deferred Compensation Plan/ and Accrued Compensation

On September 27, 2017, the Company signed an employment agreement with a former shareholder that ended December 31, 2018. Under this agreement, the Company paid the employee \$200,000 in 2018. Upon termination of the employment contract as of December 31, 2018, the Company will pay the individual or his beneficiaries' severance payments totaling \$550,000. These payments will be made in annual installments of \$110,000 over the next five years, including employer payroll taxes.

On September 27, 2017, the Company created a deferred compensation plan for the benefit of four officers. Benefits under the plan are payable according to the amounts designated in the plan document from the Company's general assets. The Company paid all administrative expenses of the plan. The plan was amended on June 28, 2020, under this amendment the four officers did not receive a salary for deferral for the period June 15, 2020 through May 15, 2022. On December 31, 2021, the shareholders voted to terminate the plan as of that same date, and participants can take distributions from the plan on or after December 31, 2022, but before March 15, 2023, as such, total plan assets were distributed to the shareholders on December 31, 2022. There was no deferred compensation expense for the years ended December 31, 2022 or 2021. Deferred compensation expense for the year ended December 31, 2020 was \$155,840.

As of December 31, 2022, total accrued compensation was \$127,215 (current portion – \$118,415 long term portion – \$8,800). As of December 31, 2021, total accrued compensation was \$1,181,962 , (current portion – \$118,415, long term portion – \$1,063,547). As of December 31, 2020, total accrued compensation was \$1,300,869, (current portion – \$118,415, long term portion – \$1,182,454).

#### 13. Leases

In June 2020, the Company entered into an operating lease agreement for new office space in Enfield, CT. The term of the lease began June 15, 2020 and ended June 30, 2022. On July 1, 2022, the lease became month-to-month. Rent is charged at a monthly rate of \$2,800.

In 2020, the Company leased office space in Longmeadow, MA under an operating lease on a month to month basis. Rental expense was \$7,909 per month.

Total rental expense for each of the years ended December 31, 2022 and 2021 for the Enfield lease was \$33,600. Rent expense for both of the above leases was \$73,560 for the year ended December 31, 2020.

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**14. Supplemental Disclosure of Cash Flow Information**

Supplemental cash flow information is as follows for the year ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash paid during the year for:			
Interest	\$ 165,427	\$ 78,302	\$ 171,193
Taxes	215,981	450,000	34,026
Non-cash transactions:			
Issuance of notes receivable for area exclusivity fee	687,250		424,057

**15. Deferred Revenue**

Deferred revenue represents initial franchise sales for which substantially all services to be performed by the Company have not yet been performed, area exclusivity fees that will be recognized over the life of the contract, and events where fees have been collected, but the event has not taken place. Deferred revenue is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Area exclusivity fees	\$ 3,419,838	\$ 2,947,217	\$ 3,344,052
Initial area/unit opening fees			90,000
Events			23,963
	3,419,838	2,947,217	3,458,015
Less current portion	476,849	389,874	503,837
	<u>\$ 2,942,989</u>	<u>\$ 2,557,343</u>	<u>\$ 2,954,178</u>

**16. Simple IRA Retirement Plan**

The Company has a Simple IRA retirement plan for employees who meet certain longevity and compensation requirements. The Company matches the employees' salary reduction up to 3% of the employees' wages, subject to annual limits set by the Internal Revenue Service. The Company's total contribution expense for the year ended December 31, 2022 was \$20,035 (2021 – \$6,268 and 2020 – \$14,619).

**FADS USA, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued**

**17. Income taxes**

The provision for income taxes is as follows as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current expense (benefit) - federal	\$ 362,300	\$ 271,800	\$ (227,415)
Current expense - state	96,200	121,772	30,900
Deferred tax expense (benefit) - federal	187,900	(406,000)	
Deferred tax expense (benefit) - state	71,600	(154,600)	
Total income tax expense (benefit)	<u>\$ 718,000</u>	<u>\$ (167,028)</u>	<u>\$ (196,515)</u>

The components of the deferred tax asset are as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred tax assets			
Accrued interest payable	\$ 166,900	\$ 148,800	\$ 105,300
Accrued severance payable	36,900	71,400	105,900
Deferred compensation		271,400	271,400
Deferred exclusivity fee	97,300	69,000	40,700
Net operating loss deduction			<u>272,100</u>
Gross deferred tax assets	<u>301,100</u>	<u>560,600</u>	<u>795,400</u>
Less valuation allowance			<u>(795,400)</u>
Net deferred tax asset	<u>\$ 301,100</u>	<u>\$ 560,600</u>	<u>\$</u>

**18. Contingency**

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen. The financial impact to the Company, our franchisees, and others is unknown at this time. The Company continues to operate in accordance with all federal, state, and local regulatory restrictions imposed to reduce the spread of the coronavirus. Currently management does not believe there is a significant negative impact to its financial assets.

**19. Subsequent Events**

The Company has evaluated subsequent events through May 2, 2023, the date the financial statements were available to be issued. The following was noted –

- On April 19, 2023, the Company entered into an agreement with the former owners to reduce the balloon payment due on the note payable and accrued interest in June 2023 by \$300,000, see note 8.

**FADS USA, INC. AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULES OF REVENUES**

**for the years ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Sub franchise royalties.....	\$ 844,727	\$ 991,031	\$ 695,355
Franchise royalties.....	4,663,649	2,437,173	1,011,986
WCDC.....	7,463		
VIC.....	114,132	227,062	
NDC.....	1,603,426	1,439,048	645,636
NVSC.....	32,634	34,129	58,795
FAWC.....	1,039,210	1,428,297	
CCDC.....	1,011,431	777,591	409,855
LBWYD.....	11,460	11,892	
WCS.....	554,760	424,728	155,410
Initial area/unit opening fees.....	897,455	550,000	417,500
Dancelife shoe .....			1,028
AMP income .....			6,318
Dance store income .....	73,342	70,634	109,950
Miscellaneous .....	207,459	32,440	60,046
Competition - outside entries.....	12,246	105,284	165,094
Curriculum income.....	9,270	4,663	3,887
Longevity award.....	7,820	8,135	1,250
International royalties .....	33,689	16,087	
Royalties interest.....	717	66,872	67,425
Area exclusivity fees.....	509,198	389,874	380,727
Advertising fee income.....	232,600	209,455	51,400
Conference fee income.....	34,000		
Transfer fee.....	44,450	24,000	8,000
Consulting fees.....			4,000
FADS Million Mask movement.....			47,414
Preferred vendor income.....	229,691	159,516	17,566
Technology fee.....	856,510	561,542	304,055
Access revenue.....	64,962	40,974	49,196
Admin fee.....	8,423	8,625	5,424
	<u>13,104,724</u>	<u>10,019,052</u>	<u>4,677,317</u>
Total revenues.....	<u>\$ 13,104,724</u>	<u>\$ 10,019,052</u>	<u>\$ 4,677,317</u>

**FADS USA, INC. AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULES OF COST OF REVENUES**

**for the years ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
NDC.....	\$ 981,325	\$ 720,879	\$ 354,582
CCDC.....	644,595	344,956	170,947
NVSC.....	3,274	4,924	5,404
FAWC.....	748,184	755,461	
VIC.....	53,866	101,567	
WCS.....	470,021	482,554	260,344
Consulting .....	244,655	177,613	75,154
Technology.....	638,781	1,010,785	610,104
Access expense.....	7,745	9,876	17,061
Shoes .....			4,565
Professional awards.....	111,000	114,830	56,425
Top teacher .....	90,400	91,600	50,750
Dance store .....	324,627	183,593	65,054
Franchisee training .....	46,889	13,909	21,091
Curriculum expense .....	15,570	17,442	
Travel and lodging .....	7,430	2,179	9,946
Opening kit .....	29,521	23,564	204
Professional show .....	3,256	7,114	3,054
Hot seminar .....			8,943
FACT seminar.....	10,914	57	1,675
AREA seminar.....	5,345		659
Other seminar expense.....	11,727		23,737
Refunds .....		4,880	15,253
Evaluation expense .....			16,600
Miscellaneous.....	8,963	5,897	17,281
Royalty compensation.....	3,194,987	1,431,283	521,598
Dance council expense.....	3,072	2,780	17,751
Competition expense - outside entries.....	65,231	50,227	30,752
	<u>\$ 7,721,378</u>	<u>\$ 5,557,970</u>	<u>\$ 2,358,934</u>
Total cost of revenues.....	<u>\$ 7,721,378</u>	<u>\$ 5,557,970</u>	<u>\$ 2,358,934</u>

**FADS USA, INC AND SUBSIDIARIES**

**CONSOLIDATED SCHEDULES OF  
GENERAL AND ADMINISTRATIVE EXPENSES**

**for the years ended December 31, 2022, 2021, and 2020**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Payroll.....	\$ 1,139,293	\$ 902,863	\$ 1,077,415
Legal fees.....	256,486	67,400	131,972
Advertising and promotion .....	130,152	99,575	(32,565)
Rent .....	34,644	33,600	73,560
Payroll taxes.....	99,429	72,115	103,869
Credit card and bank charges .....	59,690	46,175	20,877
Insurance .....	176,443	153,422	143,623
Amortization.....	197,380	198,034	198,034
Depreciation .....	57,365	55,835	55,760
SIMPLE expense .....	20,035	6,268	14,619
Taxes-other.....	7,349	7,641	15,307
Postage.....	(477)	(6,431)	(1,781)
Office expenses .....	9,389	22,221	27,616
Utilities .....	4,685	6,454	7,976
Professional fees.....	80,050	83,230	79,500
Meals and entertainment .....	4,714		1,706
Repairs and maintenance.....	4,132	5,084	5,602
Dues and subscriptions .....	68,237	80,747	66,542
Telephone .....	7,333	6,583	6,766
Printing .....	5,247	4,935	4,782
Employee training .....	5,858	1,834	3,423
Penalties .....	39		3,838
Payroll processing fee.....	5,532	5,155	5,278
Recruiting.....	3,314	536	338
Miscellaneous.....	38,426		
Deferred compensation.....	12,039		155,840
Promotional supplies.....	13,789	30,686	44,916
Temporary labor.....			2,296
	\$ 2,440,573	\$ 1,883,962	\$ 2,217,109



# FADS USA, INC. AND SUBSIDIARIES

## CONSOLIDATING BALANCE SHEET

December 31, 2022

	FADS USA, Inc.	FADS Events LLC	Eliminations	FADS USA, Inc. and wholly owned subsidiary	FADS Holding, LLC	Fred Astaire Dance of North America	Fred Astaire Dance International Corp	Fred Astaire Dance Studios, Inc.	FADS Distribution, Inc.	Fred Astaire Dance Board, Inc.	FADS International, Inc.	Eliminations	Consolidated Total
<b>ASSETS</b>													
<b>Current assets</b>													
Cash and cash equivalents.....	\$ 2,192,187	\$ 993,036		\$ 3,185,223			\$ 547		\$ 679,039				\$ 3,864,809
Accounts receivable, net.....	39,302	24,724		64,026			22,761		53,958				140,745
Income tax receivable.....	227,415			227,415									227,415
Inventories.....	30,254			30,254					6,325				36,579
Prepaid expenses.....	7,100	11,337		18,437									18,437
Notes receivable - stockholder, current.....	10,561			10,561									10,561
Notes receivable, current portion.....	377,039			377,039									377,039
Total current assets.....	2,883,858	1,029,097		3,912,955			23,308		739,322				4,675,585
Property, plant and equipment, net.....	92,183			92,183					4,891				97,074
Intangibles, net.....	1,306,223			1,306,223									1,306,223
Goodwill.....	10,300,000			10,300,000									10,300,000
Due from affiliates.....	4,055,654	2,639,987		6,695,641			128,761	\$ 1,044,645				\$ (7,869,047)	
Investments.....	48,974			48,974									48,974
Investment in subsidiary.....	3,289,932		\$ (3,289,932)										
Deferred tax asset.....	301,100			301,100									301,100
Notes receivable - stockholder, non-current portion.....	102,906			102,906									102,906
Notes receivable, non-current portion.....	1,819,480			1,819,480									1,819,480
Total assets.....	\$ 24,200,310	\$ 3,669,084	\$ (3,289,932)	\$ 24,579,462	\$	\$	\$ 152,069	\$ 1,044,645	\$ 744,213	\$	\$	\$ (7,869,047)	\$ 18,651,342
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>													
<b>Current liabilities</b>													
Accounts payable.....	\$ 395,737	\$ 145,452		\$ 541,189					\$ 7,574				\$ 548,763
Deferred revenue, current portion.....	476,849			476,849									476,849
Notes payable, current portion.....	5,488,317			5,488,317									5,488,317
Accrued income taxes.....	218,857			218,857									218,857
Accrued expenses.....	27,997	233,700		261,697					7,613				269,310
Accrued interest payable.....	575,708			575,708									575,708
Accrued compensation and related taxes, current portion.....	127,215			127,215									127,215
Total current liabilities.....	7,310,680	379,152		7,689,832					15,187				7,705,019
Notes payable, non-current portion.....	198,731			198,731									198,731
Due to affiliates.....					\$ 5,040,875	\$ 535,247			2,292,925			\$ (7,869,047)	
Deferred revenue, non-current portion.....	2,942,989			2,942,989									2,942,989
Total liabilities.....	10,452,400	379,152		10,831,552	5,040,875	535,247			2,308,112			(7,869,047)	10,846,739
<b>Stockholders' Equity</b>													
<b>FADS USA, Inc. stockholders' equity</b>													
Retained earnings.....	13,697,910	3,289,932	\$ (3,289,932)	13,697,910									13,697,910
Paid in capital.....	49,990			49,990									49,990
Common stock, \$.01 par value, 1000 shares authorized, issued, and outstanding.....	10			10									10
Total FADS USA, Inc. stockholders' equity.....	13,747,910	3,289,932	(3,289,932)	13,747,910									13,747,910
Non-controlling interests in variable interest entities.....					(5,040,875)	(535,247)	152,069	1,044,645	(1,563,899)				(5,943,307)
Total stockholders' equity.....	13,747,910	3,289,932	(3,289,932)	13,747,910	(5,040,875)	(535,247)	152,069	1,044,645	(1,563,899)				7,804,603
Total liabilities and stockholders' equity.....	\$ 24,200,310	\$ 3,669,084	\$ (3,289,932)	\$ 24,579,462	\$	\$	\$ 152,069	\$ 1,044,645	\$ 744,213	\$	\$	\$ (7,869,047)	\$ 18,651,342

**FADS USA, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF INCOME**  
**for the year ended December 31, 2022**

	<u>FADS USA, Inc.</u>	<u>FADS Events LLC</u>	<u>Eliminations</u>	<u>FADS USA, Inc. and wholly owned subsidiary</u>	<u>FADS Holding, LLC</u>	<u>Fred Astaire Dance of North America</u>	<u>Fred Astaire Dance International Corp</u>	<u>Fred Astaire Dance Studios, Inc.</u>	<u>FADS Distribution, Inc.</u>	<u>Fred Astaire Dance Board, Inc.</u>	<u>FADS International, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Revenues.....	\$ 7,359,133	\$ 4,415,697		\$ 11,774,830			\$ 95,927		\$ 1,233,967				\$ 13,104,724
Cost of revenues.....	3,679,116	3,205,644		6,884,760					836,618				7,721,378
Gross profit.....	3,680,017	1,210,053		4,890,070			95,927		397,349				5,383,346
General and administrative expenses.....	2,379,500	32,158		2,411,658			5,254		23,661				2,440,573
Income from operations.....	1,300,517	1,177,895		2,478,412			90,673		373,688				2,942,773
Non-operating income (expense), net													
Miscellaneous expense, net.....	(64,770)	(6,345)		(71,115)					(808)				(71,923)
Interest expense, net.....	(117,327)			(117,327)									(117,327)
Income from subsidiary.....	1,171,550		\$ (1,171,550)										
Investment loss, net .....	(4,233)			(4,233)			(879)						(5,112)
Total non-operating income (expense), net.....	985,220	(6,345)	(1,171,550)	(192,675)			(879)		(808)				(194,362)
Income before income taxes.....	2,285,737	1,171,550	(1,171,550)	2,285,737			89,794		372,880				2,748,411
Income tax expense.....	718,000			718,000									718,000
Net income .....	1,567,737	1,171,550	(1,171,550)	1,567,737			89,794		372,880				2,030,411
Less amount attributable to non-controlling interests.....							89,794		372,880				462,674
Net income attributable to FADS USA, Inc.....	\$ 1,567,737	\$ 1,171,550	\$ (1,171,550)	\$ 1,567,737	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,567,737

Unaudited Balance Sheet  
and Profit and Loss  
as of March 31, 2023

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

# FADS USA, Inc

## Balance Sheet

Reporting Book:

ACCRUAL

As of Date:

03/31/2023

Year To Date

03/31/2023

### Assets

#### Current Assets

Cash and Cash Equivalents	5,346,728.03
Short Term Investments	0.03
Accounts Receivable, Net	
Accounts Receivable	499,959.74
Allowance for Doubtful Accounts	76,698.43
Total Accounts Receivable, Net	423,261.31
Inventory	53,363.37
Prepaid Expenses	17,987.00
Intercompany Receivable	12,952,882.14
Deferred Tax Assets	301,100.00
Total Current Assets	<u>19,095,321.88</u>

#### Fixed Assets, Net

Fixed Assets	1,316,514.64
Accumulated Depreciation	1,215,841.95
Total Fixed Assets, Net	<u>100,672.69</u>

#### Intangible Assets, Net

Intangible Assets	6,556,639.95
Goodwill	10,300,000.00
Amortization	5,250,418.72
Total Intangible Assets, Net	<u>11,606,221.23</u>

#### Investments

Long Term Investments	48,973.75
Total Investments	<u>48,973.75</u>

#### Other Assets

Other Assets	2,215,259.06
Total Other Assets	<u>2,215,259.06</u>

### Total Assets

\$ 33,066,448.61

### Liabilities and Equity

#### Current Liabilities

Accounts Payable	262,501.51
Accrued Taxes	162,898.38
Income Tax Payable	(217,920.66)

Intercompany Payable	12,886,467.78
Other Current Liabilities	<u>227,649.21</u>
Total Current Liabilities	<u>13,321,596.22</u>
Long Term Liabilities	
Note Payable - Long Term	6,379,537.10
Loans	255,165.64
Long Term Debts	<u>0.00</u>
Total Long Term Liabilities	<u>6,634,702.74</u>
Other Liabilities	
Deferred Revenue	<u>3,419,837.98</u>
Total Other Liabilities	<u>3,419,837.98</u>
Stockholders Equity	
Partners Equity	380,853.75
Preferred Stock	(232,060.00)
Common Stock	(598,460.00)
Dividend Paid	120,000.00
Retained Earnings	8,364,269.17
Net Income (Loss)	<u>1,895,708.75</u>
Total Stockholders Equity	<u>9,690,311.67</u>
<b>Total Liabilities and Equity</b>	<b><u><u>\$ 33,066,448.61</u></u></b>

# FADS USA, Inc

## Profit and Loss - Previous Period Comparison

Reporting Book: ACCRUAL

As of Date: 03/31/2023

Year To Date

03/31/2023

### Revenue

Revenue - Services	1,778,926.58
Revenue - Products	105,459.40
Revenue - Sales	182,925.28
Revenue - Supports	321,892.00
Revenue - Other	<u>1,523,071.88</u>
Total Revenue	<u>3,912,275.14</u>

### Cost of Revenue

Cost of Sales Revenue	947,763.62
Cost of Products Revenue	72,099.49
Cost of Services Revenue	4,136.52
Cost of Supports Revenue	142,073.30
Cost of Consulting Revenue	12,500.04
Cost of Other Revenue	<u>247,786.46</u>
Total Cost of Revenue	<u>1,426,359.43</u>

Gross Profit 2,485,915.71

### Operating Expenses

#### General and Administrative Expenses

Copying and Printing	635.91
Due and Subscriptions	2,898.74
Education	428.00
Legal and Accounting	23,778.99
Travel Expenses	10,043.21
Meals and Entertainment	988.71
Office Supplies	3,701.81
Postage and Delivery	447.95
Total General and Administrative Expenses	42,923.32
Advertising and Promotion	18,599.87
Telecommunication	1,399.05

#### Payroll and Related Expenses

Benefits	25,252.53
Payroll Expenses	336,339.30
Payroll Taxes	34,365.37
Total Payroll and Related Expense	395,957.20

#### Utilities and Facilities

Rent	9,026.64
Repairs and Maintenance	870.04
Utilities	1,757.81
Total Utilities and Facilities	11,654.49

Operating and Maintenance Expenses	
Credit Card and Other Service Charges	16,682.82
Professional Services	16,450.00
Shipping	3,333.87
Total Operating and Maintenance Expenses	36,466.69
Taxes and Insurance	
Insurance	23,633.45
Taxes	2,665.06
Total Taxes and Insurance	<u>26,298.51</u>
Total Operating Expenses	<u>533,299.13</u>
<b>Other Income (Expense)</b>	
Interest Income	26,047.03
Foreign Currency Exchange Gain / Loss	1,966.91
Other Income	341,715.30
Interest Expenses	(82,452.77)
Other Expenses	<u>(333,876.60)</u>
Total Other Income (Expense)	<u>(46,600.13)</u>
<b>Income Taxes</b>	
State and Local Taxes	10,307.70
<b>Net Income (Loss)</b>	<u><u>\$ 1,895,708.75</u></u>

**EXHIBIT F**  
**TO THE**  
**FRANCHISE DISCLOSURE DOCUMENT**

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<b>TOTAL</b>	<b>403</b>



**EXHIBIT G  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**INFORMATION ABOUT CURRENT FRANCHISEES**

**LIST OF CURRENT FRANCHISEES**

The following is a list of franchisees with Studios open as of December 31, 2022:

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Fabian & Jacqueline Sanchez	1941 Hoover Court Suite J Birmingham, AL 35226	205-979-4777
James Greer & Evan Wellemeier	2600 Clinton Avenue West, Suite H, Huntsville, AL 35805	256-469-8299
Samanta Rico, Morten Jensen & Mira Jensen	1702 South Walton Blvd. Suite 4 Bentonville, AR 72712	479-367-2020
Lee Williams	3162 W Martin Luther King Blvd. Fayetteville, AR 72704	479-332-5327
Samanta Rico & Wallace Waite	5320 West Sunset Avenue, Springdale, AR 72762	479-318-2989
Cheryl Jones	1300 East 68 <sup>th</sup> Avenue Suite 202 Anchorage, AK 99518	907-522-4590
Kateryna Spasitel, Maksym Bulanyi, and Roman Myrkin	28244 N Tatum Blvd, Suite B4, Cave Creek, AZ 85331	480-771-5959
Lisa Bianco	2390 North Alma School Road Suite 123 Chandler, AZ 85224	480-917-9133
Lindsey Bianco	1435 East Warner Road Suite 105 Gilbert, AZ 85296	480-993-0977
Robert Doyle	5905 West Bell Road Suite 1-2 Glendale, AZ 85308	602-843-5700
Oleksandra Kharchenko & Alexander Zarek	6655 East McDowell Road Suite 109/110 Mesa, AZ 85215	480-618-6615
Mariya Ilchenko	8978 W. Union Hills Drive, Unit 106, Peoria, Arizona 85382	623-288-9898
Sarah & Nedko Petrov	1107 East Bell Road Suite #9 Phoenix, AZ 85022	602-795-2220

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Sergey Smolin & Shailesh Sharan	3138 East Indian School Road Phoenix, AZ 85016	602-900-4959
Ilya Velednitsky Mariya Ilchenko	3820 East Ray Road Suite 2 Phoenix, AZ 85044	602-218-8578
Roman Myrkin	9171 E. Bell Road C100 Scottsdale, AZ 85255	480-473-0388
Jonathan Kroll, Briana Santiago & Igor Ustymovych	4855 E Greenway Road Scottsdale, AZ 85254	602-493-3003
Wayne & Marie Corso	4811 E Grant Road Suite 151 Tucson, AZ 85712	520-300-5490
Oleg Astakhov & Kristina Androsenko	56 E Duarte Road Arcadia, CA 91006	626-476-9069
Aaron Pierce and David Moon	11699 South Street, Artesia, CA 90701	562-503-9486
Marcin & Qi Shen Mocarski	13788 Roswell Avenue Suite 168 Chino, CA 91710	909-342-9724
Briana & Kris Suakjian	27001 Moulton Parkway Suite A-208 Laguna Hills, CA 92656	949-448-0502
Joey Fusina & Michael Kage Hart	845 South Coast Hwy. Oceanside, CA 92054	760-757-1700
Tomasz & Izabela Lewandowski	1650 South Pacific Highway Redondo Beach, CA 90277	310-316-5800
Danelle Lockhart Ryan Lockhart	12075 Carmel Mountain Road San Diego, CA 92128	858-521-8266
Joey & Hunter Fusina	8303 Clairemont Mesa Blvd. Suite #205 San Diego, CA 92111	858-499-0180
Lyndsy Aguirre & Lawrence Aguirre Jr.	5649 N. Academy Blvd, Colorado Springs, CO 80918	719-344-5181
Mary Jo Hansen	11153 South Parker Road Suite S Parker, CO 80134	303-237-3733

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Mary Jo Hansen	6995 West 88 <sup>th</sup> Avenue Westminster, CO 80021	303-429-3237
Marcel Helms	14 Candlewood Lake Road Brookfield, CT 06804	203-775-6588
Erik & Eva Barckmann	16 Cheryl Drive Suite C Canton, CT 06019	860-693-1256
Alex Konovalov & Ecaterina Liubenco	2928 Main Street Glastonbury, CT 06033	860-657-9186
Elmar & Isabelle Schmidt	36 Sherwood Place, 2 <sup>nd</sup> Floor Greenwich, CT 06830	203-340-2760
Steven Powell & Miche Bernier	1869 Dixwell Avenue Hamden, CT 06514	203-288-5252
Andrew Kerski	19 Tuttle Place Middletown, CT 06457	860-788-7150
Vadim Asmolov	12 Roosevelt Avenue Mystic, CT 06355	860-245-0037
Martin & Gina Goethche	314 Westport Avenue, 2 <sup>nd</sup> Floor Norwalk, CT 06851	203-229-0801
Christian Lange & Paulo Jorge	174 Main Street Old Saybrook, CT 06475	860-388-9130
Stephanie McCool & Nenad Pavlovic	547B Boston Post Road Orange, CT 06477	203-614-1665
Chris Whitten & Kristyn Michaud	15 Ethan Allen Hwy. Ridgefield, CT 06877	203-544-7400
Yuliya Lukina & Viktor Tkachenko	1735 Ellington Road South Windsor, CT 06074	860-648-4482
Christina Lange & Paolo Jorge	316 Main Street South Unit F/G Southbury, CT 06488	203-267-7600
Henry Skopp & Monika Barska	3300 Post Road Southport, CT 06890	203-254-8250
Anastasia Barhatova & Andrew Kerski	68 Bridge Street Suite 118 Suffield, CT 06078	860-929-2365
Marko Urosevic	964 White Plains Road Trumbull, CT 06611	203-268-6588
Clemens & Jessica Lengenfelder	141 South Street Suite F West Hartford, CT 06110	860-232-2678

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Danilo Rakita	958 Clint Moore Road C-108 Boca Raton, FL 33496	727-798-2708
Mikhail Zharinov	1055 Kane Concourse Bay Harbor Island, FL 33154	305-866-5146
James Brann & Sayra Vazquez	151 Minzer Blvd. SE Suite 16A Boca Raton, FL 33432	561-391-8591
Yuriy & Alexandra Datsyk	25221 Chamber of Commerce Drive Bonita Springs, FL 34135	239-949-9680
Vicente Martinez & Megan Murphy	398 N. Congress Avenue Suite 380 Boynton Beach, FL 33426	561-733-1111
Ronald & Katie Guillen	14415 SR 70 East Bradenton, FL 34202	941-405-4983
David & Kelle Chancellor	1076 East Brandon Blvd. Unit 113/114 Brandon, FL 33511	813-438-5963
Vera & Vladimir Kosarev	45 Alhambra Plaza Coral Gables, FL 33134	305-443-0085
Clifton Sepulveda and Mardelys Martinez Duarte	247 SE 6 <sup>th</sup> Avenue Suite 4 Delray Beach, FL 33483	561-707-5085
Alexandra Nema	1433 SE 17 <sup>th</sup> Street Ft. Lauderdale, FL 33316	954-763-2212
Ruslan Meshkov & Mariia Meshkova	5975 N Federal Highway Suite 138 Ft. Lauderdale, FL 33308	954-999-0197
Andrei & Elena Rudenco	14261 S Tamiami Trail Suite 4 Ft. Myers, FL 33912	239-939-1517
Joe & Tommie Trovato	11 Yacht Club Drive Ft. Walton Beach, FL 32548	850-244-4480
Sergh Aliev	115 1 <sup>st</sup> Street Jupiter, FL 33458	561-743-3216
Jose & Joanna Decamps	4270 Minton Road, West Melbourne, FL 32904	321-233-1445
Irina Fedosova & Strahinja Lackovic	1585 Pine Ridge Road, #26 Naples, FL 34109	239-592-7737

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Kristin Casella, Ronald & Katie Guillen	5680 Tuscola Blvd. North Port, FL 34287	941-564-8425
Tetyana Makarenko & Igor Puzhevich	8060 Via Dellagio Way Suite 210 Orlando, FL 32819	407-757-7751
Kristian Sese & Mae Lozada	9820 Alternate A1A Suite 206 Palm Beach Gardens, FL 33410	561-299-5858
Elizabeth Whitney	14109 South Dixie Highway Palmetto Bay, FL 33176	305-988-1955
Danielle Oplaski & Isidro Erreguin	4400 Bayou Blvd. Suite 2 Pensacola, FL 32503	850-332-7343
Michael and Tanya Chaves	1172 SE Blvd., Port St. Lucie, FL 34952	772-353-5609
Mila Popovich	7019 Central Avenue St. Petersburg, FL 33710	727-347-7700
Tim Pennenga & Tiana Ramirez	2738 Bee Ridge Road Sarasota, FL 34239	941-921-6651
Jill Bogacik & Greg Delekta	2147 SE Federal Highway Stuart, FL 34994	772-678-7368
Mike & Dena Dill	1139 East Tennessee Street, #3 Tallahassee, FL 32308	850-681-8884
Linda Goethche	141 South Dale Mabry Hwy. Tampa, FL 33609	813-467-3000
Alberto Tabares & Yolaine Romero	14459 North Dale Mabry Highway Tampa, FL 33618	813-513-4432
Enrique Curi	200 North Tamiami Trail Unit J/K Venice, FL 34285	941-484-9200
Doreen Scheinpflug	157 FL-7 Suite 103 Wellington, FL 33414	561-812-3825
Mykhailo Azarov & Anastasia Kuzmich	1900 Okeechobee Blvd. Suite A2 West Palm Beach, FL 33409	561-478-1400

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Hayk Balasanyan & Emilia Poghosyan	1400 Howell Branch Road Winter Park, FL 32789	407-907-5507
Chaiquita M. Grady & Philip Gutierrez	887 West Marietta St. NW J-105 Atlanta, GA 30318	404-897-5556
Tim Brooks & Philip Gutierrez	4317 Abbotts Bridge Rd. Suite 2 Duluth, GA 30097	678-417-7555
Monica Gere & Lisa Trice	1511 West Main Street, Boise, ID 83702	208-514-0440
Michael Micek & Larry Boyce	212 Burr Ridge Parkway Burr Ridge, IL 60527	630-455-0665
Jesse DeSoto, Ellie Homan & Andre Santore	1239 West Lake Street Chicago, IL 60607	312-465-5100
Bill Davy	2356 W Higgins Road Hoffman Estates, IL 60195	847-310-8300
Cristina & Dumitru Turcan	19 N. Park Blvd. Glen Ellyn, IL 60137	847-653-6157
Irina Shukhat & Donald Johnson	118 N. Milwaukee Avenue, Libertyville, IL 60048	224-513-5999
Jesse DeSoto & Aaron DeSoto	340 Old McHenry Road Long Grove, IL 60047	847-634-1100
Bill Davy	19840 S. LaGrange Road Mokena, IL 60047	708-478-5722
Kharyton & Anastasia Khomenko	4187 Dundee Road Northbrook, IL 60062	847-272-4202
Hannah & Adrian Dydynski	17 N. Prospect Avenue Park Ridge, IL 60089	847-653-6157
Jackie & Eugene Grytsak	2400 East Main Street St. Charles, IL 60174	630-945-3275
Bill Davy	328 E. Highway 30 Scherville, IN 46375	219-440-6502
Mark Smith	2759 Morthland Drive Valparaiso, IN 46385	219-242-8643
Dan Rutherford, Lindsey Rutherford & Nicole Carroll	820 E. 116 <sup>th</sup> Street Suite 600 Carmel, IN 46032	317-846-3237
Patric Didier	5404 Meijer Drive Fort Wayne, IN 46835	260-209-4130
Dan Rutherford	2002 East Southport Road Indianapolis, IN 46227	317-643-5606

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Pam Rutherford	583 East 53 <sup>rd</sup> Street Suite B Davenport, IA 52807	563-332-1900
Steve & David Kerich	5103 Pegasus Court Suite A Frederick, MD 21704	240-232-2329
Kemar Bennet & David Robinson	448 Common Street Belmont, MA 02478	617-489-7272
Renzo Aida	619 High Street Dedham, MA 02026	781-320-5678
Adam & Michelle Fox	835 W. Central Street Suite 3 Franklin, MA 02038	508-528-6200
Mihail & Mariana Lacusta	24 Rockland St. Suite 5 Hanover, MA 02339	781-778-3303
Catherine Baird	9 Aldrin Road Plymouth, MA 02360	508-732-6790
Michelle Davy	54A Wayside Avenue West Springfield, MA 01089	413-788-4500
Christopher Uy & Rachael Heron-Uy	304 Cambridge Rd. Suite 240 Woburn, MA 01801	781-819-0923
Norman Thibeault	319 Shrewsbury Street Worcester, MA 01604	508-755-8635
Izabela Jaworska	155-396 North Maple Road Ann Arbor, MI 48013	734-320-8650
Evan Mountain	2172 Franklin Road Bloomfield Hills, MI 48302	248-220-6483
Daniel Rutherford	5660 Maybee Road Suite 200 Clarkston, MI 48346	248-309-8601
Evan Mountain	5526 Drake Road W. Bloomfield Township, MI 48322	248-562-7292
Chad & Joanna Lessard	1975 Seneca Road Suite 700 Eagan, MN 55122	651-451-6300
Martin Raphael	4160 S. Fort Apache Unit C Las Vegas, NV 89147	702-242-4400



<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Kaitlin & Timothy Emmott	414 Pompton Avenue Cedar Grove, NJ 07009	973-783-8999
Christian Pozo Devyn Pasalano	318 U.S. Highway 9 Englishtown, NJ 07726	732-414-1835
Darya Gidaspova & Juan Ramirez	24 N Union Street Lambertville, NJ 08530	609-608-0448
Denise Buchner & Dana Masi	2410 Highway 35 Manasquan, NJ 08736	732-528-0151
Gabriela Jileva	140 Morris Street Morristown, NJ 07960	973-993-9222
Jaime Azcona Nikki Azcona	382 Kinderkamack Road Oradell, NJ 07649	201-265-6100
Tara Fanzo	301 North Harrison Street Suite 10 E Princeton, NJ 08540	609-921-8881
Lee Boocock- Stephenson	84 Park Avenue, Rutherford, NJ 07070	201-340-4319
Alexander Barakov	1201 Sycamore Avenue #203 Tinton Falls, NJ 07724	732-542-4188
Ilya Iffraimov & Nadia Goulina	688 Main Road Towaco, NJ 07082	973-917-3034
Olga Shchuchynska Volodymyr Shchuchynskyy	100 Town Center Drive Warren, NJ 07059	732-667-7000
Mykhailo Anufriiev	291 Franklin Avenue, Wyckoff, NJ 07481	973-303-5469
Victor Russu	295 Route 304 2 <sup>nd</sup> Floor Bardonia, NY 10954	845-623-7147
Marat Bakh & Sana Pavlova	121 Clocktower Commons Brewster, NY 10509	845-279-4504
Marat Bakh, Kseniya Dukhina, Mykyta Zhukovskyy, and Yuliya Lisovska	128 Montague Street, Brooklyn, NY 11201	TBD
Yuriy & Melissa Herhel	3182 Route 9 Suite 104/105 Cold Spring, NY 10516	845-424-6353
Vladislav Ivanov, Karina Moskalyeva and Natalia Oreshkina	118 Mill Street Fayetteville, NY 13066	315-637-3718

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Eugene Yeremenko Marisa Yatsenko	726 Franklin Avenue Garden City, NY 11530	516-559-0888
Alexey & Irina Vasendin	25 West Hartsdale Avenue Hartsdale, NY 10530	914-949-2554
Boris & Sasha Spitchka	368 Troy Schenectady Road Latham, NY 12110	518-783-3130
Stanley McCalla & Kateryna Ulerio	451 East Boston Post Road Mamaroneck, NY 10021	914-381-2562
Eugene Yeremenko & Marisa Yatsenko	20 Park Avenue Manhasset, NY 11030	516-439-5477
Marat Bakh & Sana Pavlova	69 South Moger Avenue Mount Kisco, NY 10549	914-864-1335
Timofey Shalney & Jessa Mae Briones	548 W 28 <sup>th</sup> Street Suite 232 New York, NY 10001	646-964-4004
Artur Sveshnikov & Svitlana Glibova	291 Broadway Suite 900 New York, NY 10007	212-267-9500
Plamen Danailov and Radostina Gerova	328 East 61 <sup>st</sup> Street 5 <sup>th</sup> Floor New York, NY 10021	212-209-2410
Timofey Shalnev, Mae Lozada and Kristian Sese	201 East 34 <sup>th</sup> Street 2 <sup>nd</sup> Floor New York, NY 10016	212-697-6535
Darius & Jolanta Mosteika and Valerij Greibenin	174 West 72 <sup>nd</sup> Street 2 <sup>nd</sup> Floor New York, NY 10023	212-595-3200
Marat Bakh, Kseniya Dukhina, Igor Melnyk, and Angelina Boiko	1289 Madison Avenue 2 <sup>nd</sup> Floor, New York, NY 10128	917-639-3215
Vladimir Triaszin	2030 Monroe Avenue Rochester, NY 14618	585-292-1240
Elizabeth Hayner & Grey Masko	426 Maple Avenue Unit 1 Saratoga Springs, NY 12866	518-587-0300
Sasha & Olga Bylim	358 North Broadway Suite 102 Sleepy Hollow, NY 10591	914-366-4695

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Anneliece Mondria, Philip Gutierrez, Artem Belmeha & Anna Shevchenko	11 West Main Street Smithtown, NY 11787	631-656-6143
Evgeny Graev and Daria Graeva	2239 Hyland Blvd. 2 <sup>nd</sup> Floor Staten Island, NY 10306	718-979-2144
Alex Vasendin & John Mandia	1562 Route 9 2 <sup>nd</sup> Floor Wappingers Falls, NY 12590	845-297-2711
Serge & Yana Nelyubov	5443 Sheridan Drive Williamsville, NY 14221	716-633-1866
Paul Millington	107 Edinburgh South Drive, #123 Cary, NC 27511	919-380-2185
Oksana Klyuchnyk	1553 Beaver Creek Commons Drive Apex, NC 27502	919-200-4021
Oksana Klyuchnyk, Serhiy Tryl & Adriana Dwyer	10320 Durant Road Suite 105 North Raleigh, NC 27614	919-825-1572
Yuriy Simakov & Oksana Klyuchnyk	4702 Garrett Road Durham, NC 27707	919-489-4313
Sasha Tsyhankov & Alyosha Anatoliy	1500 Mill Street Suite 105 Greensboro, NC 27408	336-379-9808
Szymon Lubarski	14225 Market Square Drive, Huntersville, NC 28078	704-750-0204
Yuriy Simakov, Oksana Klyuchnyk, Kostyantyn Karchanov and Olena Karchanova	6300 Creedmoor Road Suite 122 Raleigh, NC 27612	919-872-0111
Oleksandr Zyrianov	5629 Oleander Drive Unit 3 Wilmington, NC 28403	910-769-7086
Dustin Jones	5090 Market Street Boardman, OH 44512	330-788-3200
Calin Panainte, Victoria Matfei & Vadim Panainte	8225 East Washington Street, Box 13 Chagrin Falls, OH 44023	440-840-0308

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Daniel Tackett	1089 Bethel Road Columbus, OH 43220	614-459-8079
Pamela Baragona, Devin Taylor, Gina Snyder	8885 Basil Western Road Suite F Canal Winchester, OH 43110	614-833-3400
Aleksei Minaev and Elena Minaeva	4647 Great Northern Boulevard, North Olmsted, OH 44070	440-431-6319
Pamela Baragona, Gina Snyder & Devin Taylor	3499 Market Street Powell, OH 43065	740-368-9040
Leesha Thompson	2023 Elm Road Warren, OH 44483	330-369-2870
Keith Jastram and Victoria Jastram	1091 Eastwind Drive Westerville, OH 43081	614-890-9790
Kellie Love Titus	34601 Ridge Road #9 Willoughby, OH 44094	440-516-7837
Jessica Aillon, Alexander Aillon & Kacey Bicking	12305 SW Horizon Blvd., #201 Beaverton, OR 97007	971-204- 9188 <b>be</b>
Alex & Jessi Aillon	6520 SW Rosewood Street Lake Oswego, OR 97035	971-255-1918
Roman Manolachi	555 Lancaster Avenue Suite G Berwyn, PA 19312	610-251-0404
Roman Manolachi	222 East Main Street Collegeville, PA 19426	610-251-0400
Igori Bogatirov & Yulia Jung	30 West Oakland Avenue Doylestown, PA 18901	215-254-5494
Artur Aleksandrov	233 West Chocolate Avenue, Hershey, PA 17033	717-298-1558
Evgenii Grinin & Olga Morozova	205 Arch Street Philadelphia, PA 19106	215-970-9658
Dmitriy Karabanov & Daria Emelianova	1173 Wilmington Pike West Chester, PA 19382	484-315-8025
Vladislav Ivanov	1113 Carlisle Road, Delco Plaza York, PA 17404	717-900-6568
Joseph Kaufman & Lisa Ellis	5600 Post Rd. East Greenwich, RI 02818	401-372-2113

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Caleb & Rusina Converse and Rogelio Garcia	23 Pier Market Place Narragansett, RI 02882	401-515-4007
Paige Toolan & Brendan Gill	1235 Wampangoag Trail, Riverside, RI 02915	401-415-9766
Rogelio Garcia & Victoria Venturini	19 Sanderson Rd. Smithfield, RI 02917	401-404-5404
Rogelio Garcia,Victoria Venturini & Emily Cortez	120 Lambert Lind Highway Warwick, RI 02886	401-427-2494
Evan Wellemeyer	6645 Poplar Avenue #206 Germantown, TN 38138	901-753-2158
Evan Wellemeyer, Natalie Duke, Joseph Hasson & Kate Wellemeyer	235 E Main Street Suite 350 Hendersonville, TN 37075	615-265-9010
Mark Adler, Laura Sinclair & Stephanie Schlueter	815 W 47 <sup>th</sup> Street Suite 101 Austin, TX 78751	512-520-4800
Rebecca Rendon & Philip Gutierrez	925 West Price Road Suite B Brownsville, TX 78520	956-567-0420
Philip Gutierrez & Alexandra Dane	5509 Colleyville Blvd. #220 Colleyville, TX 76034	817-656-4181
Philip Gutierrez	25250 NW Freeway Suite 280 Cypress, TX 77429	281-758-4707
Mihaly Meszaros & Alexandra Dane	4800 Main Street, Frisco, TX 75033	TBD
Alexandra Dance, Mihaly Meszaros, Philip Gutierrez	3421 West 7 <sup>th</sup> Street Ft. Worth, TX 76107	817-332-8880
Philip Gutierrez	134 Vintage Park Boulevard Suite F Houston, TX 77070	281-655-0069
Philip Gutierrez	12649 – G1 Memorial Drive Houston, TX 77024	713-929-2255

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Patrick Stuckwisch, Mark Adler, Stephanie Schlueter, Brittany Gill & Jhondar Lopez	3601 B Westheimer Road Houston, TX 77027	713-871-1300
Christopher Simon & Philip Gutierrez	1000 W Loop Freeway N, Houston, TX 77024	TBD
Alex Armaos & Joshua O'Leary	18321 West Lake Houston Parkway Suite 440 Humble, TX 77346	281-913-2623
Alex Armaos & Joshua O'Leary	1051 Heights Blvd. Suite 230 Houston, Texas 77008	281-825-3893
Roman Mocharsky	402 West Grand Parkway S. Suite 101 Katy, TX 77494	281-392-0068
Helena Tokarew & Philip Gutierrez	9825 Mason Road, Richmond, TX 77406	281-762-7584
Philip Gutierrez	7720 Jones Maltsberger Road Suite 107 San Antonio, TX 78216	713-437-9890
Philip Gutierrez & Steffany Soucie-Sears	115 North Loop 1604 East San Antonio, TX 78237	210-490-3733
Mihaly Meszaros & Alexandra Dane	TBD	TBD
Peter Ekkart & Ellen Saey	TBD	TBD
Mark Adler, Stephanie Schlueter, Aaron Vo & Alexis Ho	2140 Lone Star Drive Sugarland, TX 77479	281-265-0644
Mark Adler, Stephanie Schlueter, Amber Seifert & Bernd Seifert	1925 Hughes Landing Blvd. Suite 400 The Woodlands, TX 77380	281-367-0005
Amber Lynell Seifert & Bernd Seifert	26400 Kuykendahl, Unit A150, Tomball, TX 77375	TBD

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Peter & Ellen Ekkart	20810 Gulf Freeway Suite H Webster, TX 77598	281-316-0715
Joshua O’Leary and Armaos	TBD	TBD
Vladyslav Dolya	Charlottesville Ballroom, 1739-D, Allied Street, Charlottesville, VA 22903	434-977-3327
Susannah Moss	510 Spring Street Suite 110 Herndon, VA 20170	571-306-7925
Jack Bettin	100 Arboretum Place Suite 110 Richmond, VA 23236	804-476-8297
Vladyslav Dolya	10960 Three Chopt Rd., Unit F, Richmond, VA 23233	8084-457-6543
Oksana Klyuchnyk, Dmytro Stepanenko & Catherine Baumgartner	4725 Virginia Beach Blvd. #170 Virginia Beach, VA 23462	757-499-3237
Nicholas & Melinda Plante	2021 North Casaloma Drive Appleton, WI 54913	920-707-3111
Albina Habrle	15760 West Capitol Drive Brookfield, WI 53005	262-796-1121
Dymytrii Goncharov	4868 South 74 <sup>th</sup> Street Suite A-04 Greenfield, WI 53220	414-281-9191
Dymytrii Goncharov Tetiana Lutsenko	2727 West Beltline Hwy. Madison, WI 53713	608-467-3333
Hayk Arshakian	10934 N Port Washington Road Mequon, WI 53092	262-241-1221
Hayk Arshakian	N87 W17317 Main Street Menomonee Falls, WI 53051	262-251-2000
Albina Habrle	625 E St. Paul Avenue Suite 100 Milwaukee, WI 53202	414-291-9999
Rachel Sayotovich & Oleskandr Kozhukhar	15437 West National Avenue, New Berlin, WI 583151	262-330-8685

<b>Franchisee Name</b>	<b>Studio Address</b>	<b>Telephone Number</b>
Anna Krasnoshapka & Mykyta Serdyuk	2121 E Rawson Ave. Oak Creek, WI 53154	414-304-8999
Hayk Arshakian	615 Ryan Street Suite 200 Pewaukee, WI 53072	262-691-8181
Anna Krasnoshapka & Mykyta Serdyuk	9000 76 <sup>th</sup> Street Unit B Pleasant Prairie, WI 53158	262-577-5861
Birgit Jung	1050 Vienna Kriehbergasse 9/2	011 43 131 701 47
Randa Gerges Haddad & Vladimir Popovic	City Walk Blvd 2, Unit 19-05, Downtown District, Dubai	971509796499
Alessandro Maurizio Cilio	Via Cappuccini 21, 20122, Milano, Italy	90236513250
Rami Jeryes	Abu Al Hala Complex 6 Wakib Al Afyouni Street Amman, Jordan	00962 796 77 77 59
Tania Sawaya, Amal Alam Sawaya & Alain Sawaya	Dora Highway Wooden Bakery Building, 2 <sup>nd</sup> Floor Dora Lebanon, 961	001 961 25 80 50
Katie & Ronald Guillen	C. Las Aguilas 199, Surquillo 15047, Peru	51 962 324 246
Adriana Cazacu & Ion Cazacu	Soseaua Pipera 42, Bucuresti, Bucharest, Romania 077190	TBD
Anna Trukhan	Aleja Grundwaldzka 100, 80-244, Gdansk, Poland	011 48 797 797 078
Levi Michael Holtzhausen	Shop 29A Honeydew Shopping Centre, 1 Blueberry St, Honeydew, Randburg, 2169, South Africa	011 2711 794 4208

\*Signed but not open as of December 31, 2022.



**EXHIBIT H  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO HAVE LEFT THE FADS SYSTEM**

**LIST OF FRANCHISEES WHO HAVE LEFT THE FADS SYSTEM**

**CLOSED**

<b>Franchisee Name</b>	<b>City</b>	<b>State</b>	<b>Telephone Number</b>
Alexander Ivanov & Carly Goellner	Weston	Florida	954-849-8484
Sergio Sanchez & Tetiana Lutsenko	St. Petersburg	Florida	727-954-4058

**TRANSFERRED**

<b>Franchisee Name</b>	<b>City</b>	<b>State</b>	<b>Telephone Number</b>
Andrei Abrashin	Palm Beach Gardens	FL	518-248-7440
Amy Jordan	Westerville	OH	614-554-3007
Richard & Vanina Soppa	Greenfield	WI	414-698-9148

**If you buy this franchise, your contact information may be disclosed to other potential franchisees when you leave the FADS System.**

**EXHIBIT I  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**INFORMATION ABOUT CURRENT AREA REPRESENTATIVES**

**INFORMATION ABOUT CURRENT AREA REPRESENTATIVES**

The following is a list of area representatives with Area Businesses open as of December 31, 2022:

<b>Entity Name</b>	<b>Operating Principal</b>	<b>Salesperson(s)</b>	<b>Business Address</b>	<b>Telephone Number</b>	<b>Territory Description</b>
<b>Northern Arkansas</b>					
Arkansas Dance Productions LLC	Mira Jensen	Mira Jensen and Morten Jensen	1906SW Cypress Street, Bentonville, AR 72713	203-814-2681 860-331-9318	Benton, Washington, Crawford, Sebastian, Scott, Logan, Franklin, Madison, Carroll, Boone, Newton, Johnson, Pope, Yell, Perry, Conway, Faulkner, White, Woodruff, St. Francis, Cross, Crittenden, Jackson, Poinsett, Mississippi, Craighead, Greene, Clay, Randolph, Lawrence, Independence, Cleburne, Van Buren, Searcy, Marion, Baxter, Fulton, IZard, Sharp, and Stone Counties in Arkansas
<b>Georgia</b>					
AAA Dance, Inc.	Tim Brooks and Kristin Brooks	Tim Brooks and Kristin Brooks	4317 Abbotts Bridge Road, Suite 3, Duluth, GA 30097	860-970-1802	Fannin, Gilmer, Dawson, Forsyth, Gwinnett, Rockdale, Henry, Spalding, Fayette, Coweta, Heard, Carroll, Haralson, Polk, Chattooga, Floyd, Dade, Walker, Catoosa, Whitfield, Murray, Gordon, Bartow, Paulding, Douglas, Fulton, Clayton, Dekalb, Cobb, Pickens, and Cherokee Counties in Georgia
<b>Eastern Pennsylvania</b>					
IDance Group LLC	Vladislav Ivanov	Vladislav Ivanov & Karina Moskaleva	118 Mill Street Fayetteville, NY 13066	646-327-8830	Montgomery, York, Delaware, Berks, Bucks, Chester, Lancaster, Lehigh and Philadelphia Counties in Pennsylvania.
<b>Western Pennsylvania</b>					
IDance Group LLC	Vladislav Ivanov	Vladislav Ivanov	8045 Shadowrock Road, Manlius, New York, 13104	646-327-8830	The following counties in the state of Pennsylvania: Potter, Clinton, Centre, Huntingdon, Fulton, Mckean, Cameron, Elk, Forest, Warren, Erie, Crawford, Venago, Mercer, Clarion, Butler, Lawrence, Beaver, Allegheny, Washington, Greene, Fayette, Westmoreland, Armstrong, Jefferson, Indiana, Clearfield, Cambria, Blair, Somerset and Bedford
<b>Houston, San Antonio &amp; Ft. Worth</b>					
M3 Entertainment LLC	Mark Adler	Mark Adler, Stephanie Schlueter & Erica Hur	1925 Hughes Landing Blvd. Ste. 400 The Woodlands, TX 77381	281-367-0005	Harris; Galveston; Fort Bend; Montgomery; Brazoria; Bexar; Comal; Tarrant; Denton; Dallas; Parker; Wise; Travis; Hays; and Williamson Counties in Texas
<b>Indiana</b>					

<b>Entity Name</b>	<b>Operating Principal</b>	<b>Salesperson(s)</b>	<b>Business Address</b>	<b>Telephone Number</b>	<b>Territory Description</b>
DLR Dance Franchising LLC	Daniel Rutherford	Daniel Rutherford & Nicole Carroll-Rutherford	820 E 116 <sup>th</sup> Street Suite 660 Carmel, IN 46032	317-846-3237	City limits of: Indianapolis, IN Schererville, IN Valparaiso, IN Bloomington, IN Ft. Wayne, IN
<b>Los Angeles County</b>					
Torrance FADS, LLC	Tomasz Lewandowski	Tomasz Lewandowski Izabella Lewandowski	1650 S Pacific Coast Highway, Suite 110 Redondo Beach, CA 90277	310-316-5800	5 mile radius of city limits of: Chino Hills, Huntington Beach, Los Angeles, Laguna Hills and Arcadia, CA
<b>Long Island</b>					
LI Dance Works, LLC	Sasha Bylim	Sasha Bylim Olga Bylim	30 Wyldwood Drive Tarrytown, NY 10591	914-861-4641	Nassau, Suffolk and Queens Counties in New York
<b>Michigan</b>					
MTN Michigan, LLC	Evan Mountain	Evan Mountain	2172 Franklin Rd Bloomfield, MI 48302	248-454-1715	State of Michigan
<b>New Jersey</b>					
In Dance Creations, Inc.	Ilya Ifraimov	Ilya Ifraimov Nadia Goulina	9 Sherbrooke Drive Lincoln Park, NJ 07035	973-917-3034	State of New Jersey
<b>Oregon</b>					
C OR D, LLC	Alexander Aillon	Alexander Aillon Jessica Aillon	6520 SW Rosewood St Lake Oswego, OR 97035	971-755-1918	State of Oregon
<b>San Diego County</b>					
Papalone Inc.	Joseph Fusina	Joseph Fusina	8303 Clairemont Mesa Blvd Suite 205 San Diego, CA 92111	858-499-0180	San Diego County in California
<b>Tampa Bay Area</b>					
PLG Dance, Inc.	Linda Goethche	Linda Goethche Peter Goethche	4707 Ranchway Ct Tampa, FL 33624	414-405-4914	Pinellas, Pasco, Hernando, Hillsborough and Polk Counties in Florida
<b>Western Tennessee</b>					
Dance Tennessee, LLC	Evan Wellemeyer	Evan Wellemeyer	1115 Stanton Hall Road, Collierville, TN 38017	860-867-7771	Henry, Hardin, Decatur, Benton, Carroll, Henderson, McNairy, Chester, Madison, Hardeman, Fayette, Shelby, Tipton, Lauderdale, Haywood, Crockett, Gibson, Weakley, Obion, Dyer and Lake Counties in Tennessee
<b>Central Tennessee</b>					

<b>Entity Name</b>	<b>Operating Principal</b>	<b>Salesperson(s)</b>	<b>Business Address</b>	<b>Telephone Number</b>	<b>Territory Description</b>
Dance Tennessee, LLC	Evan Wellemeyer	Evan Wellemeyer	6645 Poplar Ave, Suite 206, Germantown, TN 38138	860-867-7771	Robertson, Cheatham, Williamson, Maury, Giles, Franklin, Marion, Grundy, Warren, White, Putnam, Van Buren, Overton, Clay, Jackson, Macon, Sumner, Davidson, Marshall, Bedford, Moore, Lincoln, Coffee, Rutherford, Wilson, Trousdale, Smith, Dekalb, and Cannon Counties in Tennessee
<b>Colorado</b>					
Colorado Dance Machine Inc.	Mary Jo Hansen	Mary Jo Hansen	2394 Cubs Pt., Apt. 101, Highlands Ranch, CO 80129	303-482-5429	State of Colorado
<b>South Virginia</b>					
SDance Promotions, LLC	Yuriy Simakov	Yuriy Simakov & Oksana Klyuchnyk	4702 Garrett Road, Durham, NC 27707	919-597-9109	The following counties in the state of Virginia: Lee, Wise, Norton City, Scott, Washington, Bristol City, Russell, Dickenson, Buchanan, Tazewell, Smyth, Wythe, Bland, Giles, Pulaski, Radford City, Montgomery, Floyd, Carroll, Galax City, Grayson, Patrick, Martinsville City, Henry, Danville City, Pittsylvania, Franklin, Salem City, Roanoke City, Roanoke, Craig, Botetourt, Alleghany, Covington City, Bedford, Campbell, Lynchburg City, Amherst, Rockbridge, Buena Vista City, Lexington City, Halifax, Mecklenburg, Brunswick, Greensville, Southampton, Franklin City, Emporia City, Suffolk City, Isle of Wight, Chesapeake City, Virginia Beach City, Norfolk City, Portsmouth City, Hampton City, Newport News City, Poquoson City, York, James City, Williamsburg City, Surry, Sussex, Dinwiddie, Lunenburg, Charlotte, Appomattox, Prince Edward, Nottoway, Prince George, Hopewell City, Chesterfield, Petersburg City, Colonial Heights City, Amelia, Cumberland, Buckingham, Powhatan, Richmond City, Henrico, Charles City, Hanover, Goochland, New Kent, Mathews, Gloucester, Nelson, Fluvanna, King William, King and Queen, Middlesex.

<b>Entity Name</b>	<b>Operating Principal</b>	<b>Salesperson(s)</b>	<b>Business Address</b>	<b>Telephone Number</b>	<b>Territory Description</b>
<b>Northern Virginia</b>					
SDance Promotions, LLC	Oksana Klyuchnyk	Oksana Klyuchnyk	4702 Garrett Road, Durham, North Carolina 27707	919-597-9109	The following counties in the state of Virginia: Augusta, Waynesboro City, Staunton City, Highland, Louisa, Caroline, Essex, Richmond, Northumberland, Lancaster, Northampton, Accomack, Westmoreland, King George, Spotsylvania, Stafford, Fredericksburg City, Orange, Culpeper, Fauquier, Madison, Greene, Rockingham, Harrisonburg City, Shenandoah, Page, Rappahannock, Warren, Winchester City, Frederick, Clarke, Loudoun, Alexandria City, Arlington, Falls Church City, Fairfax City, Fairfax, Prince William, Manassas Park City, and Manassas City
<b>East North Carolina</b>					
SDance Promotions, LLC	Yuriy Simakov	Yuriy Simakov & Oksana Klyuchnyk	4702 Garrett Road, Durham, NC 27707	919-597-9109	The following counties in the state of North Carolina: Caswell, Alamance, Chatham, Moore, Scotland, Hoke, Robeson, Columbus, Brunswick, New Hanover, Pender, Bladen, Cumberland, Harnett, Lee, Orange, Person, Granville, Durham, Wake, Johnston, Sampson, Duplin, Onslow, Carteret, Dare, Hyde, Craven, Jones, Lenoir, Wayne, Wilson, Nash, Franklin, Vance, Warren, Halifax, Northampton, Hertford, Gates, Pasquotank, Camden, Currituck, Perquimans, Chowan, Tyrrell, Washington, Bertie, Edgecombe, Martin, Pitt, Greene, Beaufort and Pamlico.
<b>West North Carolina</b>					
Dance NC, Inc.	Alosha Anatoliy	Alosha Anatoliy & Oleksandr Tsyhankov	1500 Mill Street, Unit 105, Greensboro, NC 27408	336-420-2707 & 919-641-8164	The following counties in the State of North Carolina: Richmond, Montgomery, Randolph, Guilford, Rockingham, Anson, Stanly, Davidson, Forsyth, Stokes, Surry, Yadkin, Davie, Rowan, Cabarrus, Mecklenburg, Union, Gaston, Lincoln, Catawba, Iredell, Alexander, Wilkes, Alleghany, Ashe, Watauga, Caldwell, Avery, Burke, McDowell, Mitchell, Yancey, Rutherford, Cleveland, Polk, Henderson, Buncombe, Madison, Haywood, Transylvania, Jackson, Swain, Graham, Cherokee, Clay and Macon.

<b>Entity Name</b>	<b>Operating Principal</b>	<b>Salesperson(s)</b>	<b>Business Address</b>	<b>Telephone Number</b>	<b>Territory Description</b>
<b>Wisconsin</b>					
Dance Works of Wisconsin, LLC	John Gates	Stephen Knight	615 Ryan Street Suite 100, Pewaukee, WI 53072	262-691-9121	State of Wisconsin
<b>Chicago, Illinois Metro</b>					
Great Lakes Franchising, Inc.	Rae Aguila	Rae Aguila	2400 E Main St, Suite 107B, St. Charles, IL 60174	630-945-3275	The following counties in the State of Illinois: Cook, Lake, DuPage, Will, McHenry, Kendall and Kane.
<b>North Florida Coast</b>					
North Florida Coast Inc.	Luann Pulliam	Angela Schultz	915 Sara Drive, Shalimar, FL 32579	850-368-4480	The following counties in the state of Florida: Brevard, DeSoto, Duval, Flagler, Hardee, Highlands, Indian River, Manatee, Nassau, Okeechobee, Sarasota, St. Johns, St. Lucie, Volusia, Escambia, Santa Rosa, Okaloosa, Walton, Washington, Jackson, Calhoun, Bay, Gulf, Gadsen, Leon, Wakulla, Franklin, Jefferson, Madison, Taylor, Citrus, Lake, Levy and Marion.
<b>Connecticut</b>					
T D Dance, LLC	Driton Dovolani	Driton Dovolani	2 Woods End LN, Weston, CT 06883	845-494-9263	The following counties in the state of Connecticut: Litchfield, Hartford, Tolland, Windham, New Haven, Middlesex and New London counties in the State of Connecticut. The following towns in Fairfield County are also included in the Territory: Monroe, Shelton, Stratford, Bridgeport, Easton, Trumbull, Fairfield and Southport.
<b>Massachusetts</b>					
Dance Alliance 2021 LLC	Boris Spitchka, Aleksandra Spitchka and Driton Dovolani	Driton Dovolani	595 New London Road, #262, Latham NY 12110	518-330-8911	State of Massachusetts
<b>Rhode Island</b>					
Life Through Dance, LLC	Rogelio Garcia and Juliet Garcia	Rogelio Garcia	110 Hamilton Drive, East Greenwich, I 02818	860-670-3801	State of Rhode Island
<b>Northern New England</b>					
Achieve Creativity LLC	Adam Fox and Michelle Fox	Adam Fox	13 Rockridge Road, Hopedale, MA	617-206-0239	States of Vermont, Maine and New Hampshire
<b>Western Pennsylvania</b>					
IDance Group LLC	Vladislav Ivanov	Vladislav Ivanov	8045 Shadowrock Road, Manlius, New York, 13104	646-327-8830	The following counties in the state of Pennsylvania: Potter, Clinton, Centre, Huntingdon, Fulton, Mckean, Cameron, Elk, Forest, Warren, Erie,



Entity Name	Operating Principal	Salesperson(s)	Business Address	Telephone Number	Territory Description
					Crawford, Venago, Mercer, Clarion, Butler, Lawrence, Beaver, Allegheny, Washington, Greene, Fayette, Westmoreland, Armstrong, Jefferson, Indiana, Clearfield, Cambira, Blair, Somerset and Bedford
<b>Northern Virginia</b>					
SDance Promotions, LLC	Oksana Klyuchnyk	Oksana Klyuchnyk	4702 Garrett Road, Durham, North Carolina 27707	919-597-9109	The following counties in the state of Virginia: Augusta, Waynesboro City, Staunton City, Highland, Louisa, Caroline, Essex, Richmond, Northumberland, Lancaster, Northampton, Accomack, Westmoreland, King George, Spotsylvania, Stafford, Fredericksburg City, Orange, Culpeper, Fauquier, Madison, Greene, Rockingham, Harrisonburg City, Shenandoah, Page, Rappahannock, Warren, Winchester City, Frederick, Clarke, Loudoun, Alexandria City, Arlington, Falls Church City, Fairfax City, Fairfax, Prince William, Manassas Park City, and Manassas City
<b>Idaho</b>					
G2 Investments, LLC	Monica & Scott Gere	Monica & Scott Gere	15300 NW Fair Acres Drive, Vancouver, Washington 98685	907-244-6274	The following counties in the state of Idaho: Ada and Canyon

**Business Experience:**

Northern Arkansas:

*Mira Jensen:*

Ms. Jensen has been the Director of Arkansas Dance Productions LLC, which is located in Bentonville, Arkansas, and is our area representative for certain territory in Northern Arkansas, since February 2020. Ms. Jensen has been the Director of FADSRidgefield LLC, which is one of our franchised dance studios located in Ridgefield, CT, from September 2013 until December 2019.

*Morten Jensen:*

Mr. Jensen has been the Director of Arkansas Dance Productions LLC, which is located in Bentonville, Arkansas, and is our area representative for certain territory in Northern Arkansas,

since February 2020. Mr. Jensen has been the Director of FADSRidgefield LLC, which is one of our franchised dance studios located in Ridgefield, CT, from September 2013 until December 2019.

Northwest Georgia:

*Kristin Brooks:*

Ms. Brooks has been the Secretary of AAA Dance, Inc., which is located in Duluth, GA, and is our area representative for certain territory in Georgia, since April 6, 2020. Before this role, Ms. Brooks owned one of our franchised dance studios located in Menomonee Falls, WI, from March 4, 2013 until October 11, 2020.

*Tim Brooks:*

Mr. Brooks has been the President of AAA Dance, Inc., which is located in Duluth, GA, and is our area representative for certain territory in Georgia, since April 6, 2020. Before this role, Mr. Brooks owned one of our franchised dance studios located in Menomonee Falls, WI, from March 4, 2013 until October 11, 2020.

Eastern Pennsylvania and Western Pennsylvania:

*Vladislav Ivanov:*

Mr. Ivanov has been the president and chief executive officer of IDance Group LLC, which is located in Fayetteville, NY and is our area representative for certain territory in Pennsylvania, since July 2015. Mr. Ivanov has been the president and chief executive officer of Dance NY, Inc. which is one of our franchised dance studios located in Fayetteville, NY, since September 2006. Mr. Ivanov has been the managing member of Shadowrock Piter, LLC, a property management company located in Manlius, NY, since March 2011.

*Karina Moskaleva:*

Ms. Moskaleva has been the Vice-President of IDance Group LLC, which is located in Fayetteville, NY, and is one of our area representatives for certain territory in Pennsylvania, since January 2015. Prior to her position at of IDance Group LLC, Ms. Moskaleva worked as a Studio Owner/Dance instructor in Fayetteville, NY from October 2006 until present time.

Houston, San Antonio & Ft. Worth:

*Mark Adler:*

Mr. Adler has been the director of M3 Entertainment LLC, which is located in The Woodlands, TX and is our area representative for the Texas territory, since May 2019. Mr. Adler is currently the operating principle of KM Lifestyle LLC, our franchise studio located in Houston, Texas since December 2010; director of BDW Impressions, LLC, our franchise studio located in

Sugarland, Texas since August 2006; member of Keep Austin Dancing, LLC, our franchise studio in Austin, Texas since July 2013; and director of MAR Impressions, L.L.C., our franchise studio in The Woodlands, Texas since February 2005. Mr. Adler has been with Fred Astaire Dance Studios since January 2005.

*Stephanie Schlueter:*

Ms. Schlueter has been the director of M3 Entertainment LLC, which is located in The Woodlands, TX and is our area representative for the Texas territory, since May 2019. Ms. Schlueter is currently a director of KM Lifestyle LLC, our franchise studio located in Houston, Texas since December 2010; director of BDW Impressions, LLC, our franchise studio located in Sugarland, Texas since August 2006; member of Keep Austin Dancing, LLC, our franchise studio in Austin, Texas since July 2013; and director of MAR Impressions, L.L.C., our franchise studio in The Woodlands, Texas since February 2005. Ms. Schlueter been with Fred Astaire Dance Studios since January 2003.

*Erica Hur:*

Ms. Hur has been the regional manager of M3 Entertainment LLC, which is located in The Woodlands, TX and is our area manager for the Texas territory, since May 2019. Ms. Hur has acted as the administrative director of KM Lifestyle LLC, our franchise studio located in Houston, Texas since December 2015; administrative director of BDW Impressions, LLC, our franchise studio located in Sugarland, Texas since December 2015; administrative director of Keep Austin Dancing, LLC, our franchise studio in Austin, Texas since December 2015; and administrative director of MAR Impressions, L.L.C., our franchise studio in The Woodlands, Texas since December 2014. Ms. Hur has been with Fred Astaire Dance Studios since October 2010.

Indiana:

*Daniel Rutherford:*

Mr. Rutherford has been a member of DLR Dance Franchising LLC which is located in Carmel, IN and is one of our area representatives for certain territory in Indiana and Iowa since July 2019. Mr. Rutherford has been the president and chief executive officer of The Indianapolis Ballroom Company, Inc. which is one of our franchised studios in Carmel, IN, since April 1987. Mr. Rutherford has been an international adjudicator for World Dance Council, Ltd. since January 1998, and Mr. Rutherford has been an adjudicator for National Dance Council of America, Inc. since January 1998.

*Nicole Carroll-Rutherford:*

Ms. Carroll has been an owner of DLR Dance Franchising LLC which is located in Carmel, IN and is one of our area representatives for certain territory in Indiana and Iowa. Ms. Carroll has been the treasurer of The Greenwood Ballroom Company, Inc. which is one of our franchised studios in Indianapolis, IN, since August 2019. Ms. Rutherford has been an dance instructor and judge for Midwest Dancesport since April 2004.

Los Angeles County:

*Izabella Lewandowska:*

Ms. Lewandowska has been a managing member of Torrance FADS LLC, which is located in Redondo Beach, CA and is our area representative for certain territory in California, since January 2015. Ms. Lewandowska has been self-employed as a dance instructor and coach since January 2005.

*Tomasz Lewandowski:*

Mr. Lewandowski has been a managing member of Torrance FADS LLC, which is located in Redondo Beach, CA and is our area representative for certain territory in California, since January 2015. Mr. Lewandowski has been self-employed as a dance instructor and coach since January 2005.

Long Island:

*Olga Bylim:*

Ms. Bylim has been the vice-president of LI Dance Works LLC, which is located in Tarrytown, NY and is our area representative for certain territory in New York, since June 2011. Ms. Bylim has been the vice-president of Westchester Dance Enterprises LLC, which is located in Tarrytown, NY and is one of our subfranchised dance studios, since November 1999.

*Sasha Bylim:*

Mr. Bylim has been the president of LI Dance Works LLC, which is located in Tarrytown, NY and is our area representative for certain territory in New York, since June 2011. Mr. Bylim has been the president of Westchester Dance Enterprises LLC, which is located in Tarrytown, NY and is one of our subfranchised dance studios, since November 1999. Mr. Bylim has been a National Dance Director for us since September 2013.

Michigan:

*Evan Mountain:*

Mr. Mountain has been the chief executive officer of MTN Michigan, LLC, which is located in Bloomfield Hills, MI and is our area representative for certain territory in Michigan, since August 2018. Mr. Mountain has been the chief executive officer of MTN Bloomfield Hills, LLC, which is located in Bloomfield Hills, MI and is one of our franchised studios, since December 2005, and he has been the chief executive officer of Novi11, LLC, which is located in Bloomfield Hills, LL, since October 2011.

New Jersey:

*Ilya Ifraimov:*

Mr. Ifraimov has been the president of In Dance Creations, LLC, which is located in Montville, NJ and is our area representative for certain territory in New Jersey, since May 2018. Mr. Ifraimov has been the president of In Creations, LLC, which is located in Montville, NJ and is one of our franchised studios, since January 2013.

*Nadia Goulina:*

Ms. Goulina has been the vice president of In Dance Creations, LLC, which is located in Montville, NJ and is our area representative for certain territory in New Jersey, since May 2018. Ms. Goulina has been the president of In Creations, LLC, which is located in Montville, NJ and is one of our franchised studios, since January 2013.

Oregon:

*Alexander Aillon:*

Mr. Aillon has been the president of C or D, LLC, which (i) is located in Lake Oswego, OR, (ii) is our area representative for certain territory in Oregon and (iii) operates one of our franchised studios in Lake Oswego, IL, since December 2009. Prior to serving as president of C or D, LLC, Mr. Aillon was a salesman for Carl Greve Jewelers in Portland, OR from May 2004 to June 2009.

*Jessica Aillon:*

Ms. Aillon has been the vice president of C or D, LLC, which (i) is located in Lake Oswego, OR, (ii) is our area representative for certain territory in Oregon and (iii) operates one of our franchised studios in Lake Oswego, IL, since December 2009. Prior to serving as vice president of C or D, LLC, Ms. Aillon was a research assistant and marketing strategist for the F. Cecil Grace Foundation from May 2009 to August 2009.

San Diego County:

*Joseph Fusina:*

Mr. Fusina has been the chief executive officer of Papalone Inc., which is located in San Diego, CA and is our area representative for certain territory in California, since June 2007. Mr. Fusina has been the chief executive officer of JHart, Inc., which is located in Oceanside, CA and is one of our franchised dance studios, since June 2008. Mr. Fusina has been the chief executive officer of JJF Dance, Inc., which is located in San Diego, CA and is one of our franchised dance studios, since January 2016.

Tampa Bay Area:

*Linda Goethche:*

Ms. Goethche is the president of PLG Dance, Inc., which is located in Tampa, FL and is our area representative for certain territory in Florida, since December 2018. Ms. Goethche was vice president of Madison FADS, Inc, one of our franchised studios located in Madison, WI, from July 2007 to September 2018 and was vice president of Madison FADS East, Inc., one of our franchised studios located in Madison, WI, from January 2013 to March 2016. Between January 2018 and October 2018, Ms. Goethche worked as office support for Dance Works of Wisconsin, Inc., which is located in Pewaukee, WI and serves as our subfranchisor for the state of Wisconsin, and, between October 2014 to February 2017, Ms. Goethche worked as a sole proprietor as an independent dance coach.

*Peter Goethche:*

Mr. Goethche has been the vice president of PLG Dance, Inc., which is located in Tampa, FL and is our area representative for certain territory in Florida, since December 2018. Mr. Goethche was president of Madison FADS, Inc, one of our franchised studios located in Madison, WI, from July 2007 to September 2018 and was president of Madison FADS East, Inc., one of our franchised studios located in Madison, WI, from January 2013 to March 2016. Since January 2008, Mr. Goethche has also worked as a sole proprietor as an independent dance coach and judge.

Western Tennessee & Central Tennessee:

*Evan Wellemeyer:*

Mr. Wellemeyer has been the president of Dance Tennessee, LLC, which is located in Collierville, TN and is our area representative for certain territory in Tennessee, and Dance Germantown, LLC, which is one of our franchised studios located in Germantown, TN, since August 2018. Since January 2011, Mr. Wellemeyer has been the president of Unforgettable, LLC, which is one of our franchised studios in Glastonbury, CT.

Colorado:

*Mary Jo Hansen:*

Ms. Hansen has been the president of Colorado Dance Machine Inc., which is located in Highlands Ranch, CO and is our area representative of Colorado, since October 2019. Ms. Hansen is currently president of You Can Dance Inc., with two of our franchised studios located in Parker and Westminster, Colorado since June 2005. Ms. Hansen has also worked as a former ballroom dance instructor and has been with Fred Astaire Dance Studios since 1991.

South Virginia, Northern Virginia and East North Carolina:

*Oksana Klyuchnyk:*

Ms. Klyuchnyk is a manager of SDance Promotions, LLC, which is located in Durham, NC and is our area representative for certain territory in Virginia and North Carolina, since November 2019. She is also a co-owner of Durham Dance Center Inc., one of our franchised studios located in Durham, NC since July 2006, and Raleigh Dance Center, Inc., one of our franchised studios located in Raleigh, NC since February 2011. Ms. Klyuchnyk has worked as a judge, board member and is a former dancer.

*Yuriy Simakov:*

Mr. Simakov is a manager of SDance Promotions, LLC, which is located in Durham, NC and is our area representative for certain territory in Virginia and North Carolina, since November 2019. He is a co-owner of Durham Dance Center Inc., one of our franchised studios located in Durham, NC since July 2006, and Raleigh Dance Center, Inc., one of our franchised studios located in Raleigh, NC since February 2011. Mr. Simakov has worked as an independent dance coach, judge, board member and is a former dancer.

West North Carolina:

*Alosha Anatoliy:*

Mr. Anatoliy is a manager of Dance NC, Inc., which is located in Greensboro, NC and is our area representative for certain territory in North Carolina, since August 2019. Mr. Anatoliy is also Vice President of Love to Dance, Inc., one of our franchised studios located in Greensboro, NC since December 2005. Mr. Anatoliy has been a lifelong performer and instructor since 1995.

*Oleksandr Tsyhankov:*

Mr. Tsyhankov is a manager of Dance NC, Inc., which is located in Greensboro, NC and is our area representative for certain territory in North Carolina, since August 2019. Mr. Tsyhankov is also President of Love to Dance, Inc., one of our franchised studios located in Greensboro, NC since December 2005. Mr. Tsyhankov has been a lifelong performer and instructor in the United States since 2001.

Wisconsin:

*Gaetano “John Gates” Noce:*

Mr. Noce, who is also known as John Gates, has been our Chief Operating Officer, Chief Development Officer, one of our Vice Presidents and a member of our Board of Directors since September 2017. From September 2013 to September 2017, Mr. Noce served as our National Competition Director. Mr. Noce previously served on the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., from November 2016 to September 2017.

Additionally, Mr. Noce has been a co-owner and a managing member of Dance Works of Wisconsin, LLC, which is based in Pewaukee, WI and serves as our subfranchisor for the State of Wisconsin, since January 2005. Mr. Noce serves in his present capacities in Pewaukee, WI.

*Stephen Knight:*

Mr. Knight has been our Chief Dance Director & Class Experience Officer, one of our Vice Presidents and a member of our Board of Directors since September 2017. From September 2012 to September 2017, Mr. Knight served as our National Dance Director. Mr. Knight previously served on the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., from November 2013 to October 2014. Additionally, Mr. Knight has been a co-owner and a managing member of Dance Works of Wisconsin, LLC, which is based in Pewaukee, WI and serves as our subfranchisor for the State of Wisconsin, since January 2005. Mr. Knight serves in his present capacities in Pewaukee, WI.

Chicago, Illinois Metro:

*Rae Aguila:*

Ms. Aguila, who is also known as Rae Josephs, has served on our Board of Directors since September 2017. Since November 2013, Ms. Aguila has previously served as a member of the board of directors of our parent entity, Fred Astaire Dance of North America, Inc., multiple times. Ms. Aguila has been the owner and chief executive officer of Great Lakes Franchising, Inc., which is based out of St. Charles, IL and serves as our subfranchisor for certain territory in Illinois, from January 2005 to the present. Additionally, Ms. Aguila has served as an adjudicator for the National Dance Council of America, Inc. from January 1998 to the present.

North Florida Coast

*Luann Pulliam:*

Ms. Pulliam, who is also known as Patricia Luann Pulliam-Triliegi, has been our Chief Executive Officer, President and a member of our Board of Directors since September 2017. From September 1996 to September 2010, Ms. Pulliam served as our one of our National Dance Directors. Ms. Pulliam was a co-owner of ALX of Ft. Walton Beach, Florida, Inc., which is based in Fort Walton Beach, FL and serves as our subfranchisor for certain territory in Florida from October 1995 to December 2016, and Ms. Pulliam has been the vice-president of ALX of Ft. Walton Beach, Florida, Inc. since December 2016. Ms. Pulliam was a co-owner of B J Corp. of Fort Walton Beach, Inc., which is based in Fort Walton Beach, FL and is one of our subfranchised studios, from January 1983 to September 2017. Additionally, Ms. Pulliam has been the owner and president of North Florida Coast Inc., which is based out of Shalimar, FL and serves as our subfranchisor for certain territory in Florida, from March 2021 to the present. Ms. Pulliam has been the owner and manager of South Citrus Coast LLC, which is based out of Shalimar, FL and serves as our subfranchisor for certain territory in Tampa Bay, FL from February 2022 to the present. Ms. Pulliam serves in her present capacities in Fort Walton Beach, FL.



*Angela Schultz:*

From December 2016 until February 2021, Ms. Schultz was the Manger of Ecoast Dance Inc., which was located in Ft. Walton Beach, FL, and was our area representative for certain territory in Florida, and a Manger of ALX of Ft. Walton Beach, Florida Inc., which was located in Ft. Walton Beach, FL and was our area representative for certain territory in Florida. Ms. Schultz has been the Manager of North Florida Coast Inc., which is located in Shalimar, FL and is our area representative for certain territory in Florida, since March 2021. Ms. Schultz has also worked as a Scrutineer as well as Corporate Consultant for AMP Development.

#### Connecticut

*Driton Dovolani:*

Mr. Dovolani is a manager of T D Dance, LLC, which is located in Weston, CT and is our area representative for certain territory in Connecticut, since February 2021. Mr. Dovolani is also a manager of Dance Alliance 2021 LLC, which is located in Latham, NY and is our area representative for certain territory in Massachusetts, since September 2021. From November 2018 to December 2020, Mr. Dovolani served as one of our Public Figures. Mr. Dovolani has been a lifelong performer and instructor in the United States since 1990.

#### Massachusetts

*Boris Spitchka:*

Mr. Spitchka is a manager of Dance Alliance 2021 LLC, which is located in Latham, NY and is our area representative for certain territory in Massachusetts, since September 2021. Mr. Spitchka is also a member of Latham Dance Studios, Inc., one of our subfranchise studios located in Latham, NY since October 1998, and Saratoga Dance Studio, LLC, one of our subfranchise studios located in Saratoga Springs, NY since October 2016. Mr. Spitchka has been a lifelong performer and instructor in the United States since 1996.

*Aleksandra Spitchka:*

Ms. Spitchka is a manager of Dance Alliance 2021 LLC, which is located in Latham, NY and is our area representative for certain territory in Massachusetts, since September 2021. Ms. Spitchka is also a member of Latham Dance Studios, Inc., one of our subfranchise studios located in Latham, NY since October 1998, and Saratoga Dance Studio, LLC, one of our subfranchise studios located in Saratoga Springs, NY since October 2016. Mr. Spitchka has been a lifelong performer and instructor in the United States since 1996.

*Driton Dovolani:*

Mr. Dovolani is a manager of Dance Alliance 2021 LLC, which is located in Latham, NY and is our area representative for certain territory in Massachusetts, since September 2021. Mr. Dovolani is also a manager of T D Dance, LLC, which is located in Weston, CT and is our area

representative for certain territory in Connecticut, since February 2021. From November 2018 to December 2020, Mr. Dovolani served as one of our Public Figures. Mr. Dovolani has been a lifelong performer and instructor in the United States since 1990.

### Rhode Island

#### *Rogelio Garcia:*

Mr. Garcia is a manager of Life Through Dance, LLC, which is located in East Greenwich, RI and is our area representative for certain territory in Rhode Island, since March 2021. Mr. Garcia is also a member of Dance Insight LLC, one of our franchised studios located in Warwick, RI since June 2013; Dancing On the Pier, LLC one of our franchised studios located in Narragansett, RI since June 2017; and Venturtainment, LLC, one of our franchised studios located in Smithfield, RI since November 2021. Mr. Garcia has been a lifelong performer and instructor in the United States since 2002.

#### *Juliet Garcia:*

Ms. Garcia is a manager of Life Through Dance, LLC, which is located in East Greenwich, RI and is our area representative for certain territory in Rhode Island, since March 2021. Ms. Garcia is also a member of Dance Insight LLC, one of our franchised studios located in Warwick, RI since June 2013; Dancing On the Pier, LLC one of our franchised studios located in Narragansett, RI since June 2017; and Venturtainment, LLC, one of our franchised studios located in Smithfield, RI since November 2021. Ms. Garcia has been a lifelong performer and instructor in the United States since 2004.

### Northern New England

#### *Adam Fox:*

Mr. Fox is a manager of Achieve Creativity LLC, which is located in Hopedale, MA and is our area representative for certain territory in Vermont, Maine and New Hampshire, since April 2021. Mr. Fox is also a member of Magic of Dance, LLC, one of our franchised studios located in Franklin, MA since June 2014.

#### *Michelle Fox:*

Ms. Fox is a manager of Achieve Creativity LLC, which is located in Hopedale, MA and is our area representative for certain territory in Vermont, Maine and New Hampshire, since April 2021. Ms. Fox is also a member of Magic of Dance, LLC, one of our franchised studios located in Franklin, MA since June 2014.

### Idaho

#### *Monica Gere:*

Ms. Gere is a Member of G2 Investments, LLC, which is located in Vancouver, Washington and is our area developer for certain territory in Idaho since January 2022. Ms. Gere is also a member of Boise Ballroom Dance LLC LLC, one of our franchised studios located in Boise, Idaho since April 2022. Ms. Gere has been the CFO of Gere Tactical since 1994.

*Scott Gere:*

Mr. Gere is a Member of G2 Investments, LLC, which is located in Vancouver, Washington and is our area developer for certain territory in Idaho since January 2022. Mr. Gere has been the CEO of Gere Tactical since 1994.

**Litigation:**

None of our area representatives have any litigation information required to be disclosed in **Item 3** of the Disclosure Document.

**Bankruptcy:**

None of our area representatives have any bankruptcy information required to be disclosed in **Item 4** of the Disclosure Document.

**EXHIBIT J  
TO THE  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE EFFECTIVE DATES AND RECEIPTS**

### **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 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
Indiana	Pending
Maryland	Pending
New York	Pending
Rhode Island	Pending
Virginia	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.

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FADS USA, Inc. ("FADS") offers you a franchise, FADS must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, FADS or its affiliate in connection with the proposed franchise sale. Iowa and New York require that FADS gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that FADS gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If FADS 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

Issuance Date: May 2, 2023.

The franchisor is FADS USA, Inc., located at 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082. Its telephone number is (413) 567-3200.

FADS's franchise sellers involved in offering and selling the franchise is Gateano Noce, Stephen Knight, Luann Pulliam, Pahjmon Lipsey, 413-567-3200; 151 Hazard Avenue, Suite 12, Enfield, Connecticut 06082; or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:\_\_\_\_\_

FADS authorizes the respective state agencies identified on Exhibit A to receive service of process for FADS in the particular state.

I have received a disclosure document with an issuance date of May 2, 2023, that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement
- D. State Specific Addenda and Riders
- E. Financial Statements
- F. Table of Contents of Confidential Franchisee Manual
- G. Information about Current Franchisees
- H. List of Franchisees Who Have Left the FADS System
- I. Information about Current Area Representatives
- J. State Effective Dates and Receipts

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

Its: \_\_\_\_\_

Signature \_\_\_\_\_

Copy for Franchisee

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If FADS USA, Inc. ("FADS") offers you a franchise, FADS must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, FADS or its affiliate in connection with the proposed franchise sale. Iowa and New York require that FADS gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that FADS gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If FADS 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

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- J. State Effective Dates and Receipts

Date: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
(Print Name of Prospective Franchisee (For Entity))

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

Signature \_\_\_\_\_

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to the Legal Department by email to legal@fredastaire.com or by fax to (262) 691-9335.

Copy for FADS USA, Inc.