



## FRANCHISE DISCLOSURE DOCUMENT

**Arthur Murray International, Inc.**  
A Delaware corporation  
1077 Ponce de Leon Boulevard  
Coral Gables, Florida 33134  
(305) 445-9645  
info@arthurmurray.com  
[www.arthurmurray.com](http://www.arthurmurray.com)

The franchise offered is to operate an Arthur Murray Dance Studio, which provides dance instruction and similar services.

The total investment necessary to begin operation of an Arthur Murray Dance Studio franchised business is \$71,285 to \$252,650. This includes \$0 to \$100,000 that must be paid to the franchisor or its affiliate(s).

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Arthur Murray International, Inc., Wayne Smith, 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134, (305) 445-9645.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "[A Consumer's Guide to Buying a Franchise](#)," which can help you understand how to use this disclosure document, is available 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 of this Franchise Disclosure Document:      October 27, 2023, as amended  
December 5, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<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 E and F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit B 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 Arthur Murray Dance Studio 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 Arthur Murray Dance Studio franchisee?</b>	Item 20 or Exhibits E and F 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 designates. These items may be more expensive than similar items you could buy on your own.

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

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

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

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

### Some States Require Registration

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by arbitration and/or litigation only in Florida. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate or litigate with the franchisor in Florida than in your own state.
2. **Mandatory Minimum Payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment

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

**THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY THE MICHIGAN  
FRANCHISE INVESTMENT LAW ONLY**

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

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

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

- 1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
- 2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
- 3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
- 4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48913  
Telephone Number: (517) 335-7567

Notwithstanding paragraph F of the Michigan cover pages attached to this Addendum, Arthur Murray International, Inc. intends to enforce fully the provisions of the arbitration section contained in its Franchise Agreement. Arthur Murray International, Inc. believes that paragraph F is unconstitutional and cannot preclude it from enforcing its arbitration section.

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## **Item 1**

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

“We,” “us” or “our” means Arthur Murray International, Inc., the franchisor. “You” means a person to whom we grant a franchise. If you are a corporation, partnership or other entity, your owners must sign a guaranty, which means that all of the provisions of our Franchise Agreement (Exhibit C) also will apply to your owners.

#### **Our Corporate History**

Arthur and Kathryn Murray originally owned the Arthur Murray System. They operated the business in New York City from 1913 to February 25, 1946 and offered franchises from 1939 to 1946. We originally incorporated in Delaware on February 26, 1946 under the name Arthur Murray, Inc. Our principal business address is 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134. We operated the business and offered franchises as Arthur Murray, Inc. from 1946 until July 15, 1964, when we merged with “James Banta-Harry Evons & Associates, Inc.” but continued to operate under the “Arthur Murray, Inc.” name. After the merger, Mr. and Mrs. Murray no longer were shareholders or directors or otherwise involved in management. Our affiliation with James Banta-Harry Evons & Associates, Inc. ended in 1967. We changed our name to Arthur Murray International, Inc. on December 31, 1979. In June 1999, Arthur Murray International, Inc. merged into a newly organized entity. The new entity was formed as a Delaware corporation by the controlling shareholders of Arthur Murray International, Inc. to enable the company to repurchase the shares of its minority shareholders. The transaction had no material impact on the company’s consolidated assets and liabilities or its operations. Upon completion of the merger, the surviving entity continued to be known as Arthur Murray International, Inc.

We have a subsidiary, Arthur Murray Enterprises, Inc. (“AME”), that sells certain items to our franchisees. AME is a New York corporation, and it shares our principal business address. AME has never offered any franchises, and it has not conducted a business of the type you will operate. We have no parent companies.

If we have an agent in your state for service of process, we disclose that agent in Exhibit A. We operate under our corporate name and various trade and service marks, including “Arthur Murray” and “Arthur Murray Dance Studio” (the “Marks”), and no other name. Except as noted above, we have no predecessors. Except for AME, we have no affiliates that offer franchises in any line of business or provide products or services for franchisees.

#### **Franchise Offered**

The franchise we offer you is to operate an Arthur Murray Dance Studio (the “Studio”), which offers dance instruction and similar services, and you might be permitted (under additional agreements) to conduct dance competitions and similar events. We offer the franchise to persons who have owned, operated, or instructed at dance studios or have been involved in the dance studio business. You will operate the Studio according to our business formats, methods, standards and specifications. We do not charge an initial franchise fee to prospects who have worked at Arthur Murray Studios.

## **The Market and Competition**

Arthur Murray Studios offer dance instruction services to the general public. You will compete with other local dance studios, some of which might be franchisees or licensees of other national or regional chains. The market for dance instruction services is developed in some areas and developing in other areas.

During the Covid-19 pandemic, most of our Studios had to close or significantly reduce student instruction at the Studios. Since Covid-19, virtual instruction has become an important part of Studio operations and our business model. We expect that to continue for the foreseeable future.

## **Our Experience**

We have offered franchises for Arthur Murray Studios since 1946. We do not now operate any Arthur Murray Studios, although we did for a short time in 1965, 1966, 1968 and 1980. We have no parent companies. Except as disclosed in this Item 1, we have no predecessors or affiliates. Neither we nor our predecessors or affiliates have offered franchises for any other type of business or, except as noted in this Item 1, engaged in other business activities.

Our policy is that franchise applicants must be at least 25 years old, have at least 5 years experience at an Arthur Murray Studio or another dance studio and have experience in a managerial or executive position. We consider whether the applicant is honest and has good moral character, sufficient capital to operate the Studio during the start-up period, the ability to train and instruct employees, and good dancing ability. We periodically may change these criteria.

Arthur Murray Studios are specifically regulated by the Federal Trade Commission Consent Decree and, in many states, by laws covering the operation of dance studios and the sale of dance instruction services, including bonding requirements for dance studio operations. You also must comply with laws that apply generally to all businesses. You should investigate all of these laws.

## **Item 2**

### **BUSINESS EXPERIENCE**

#### **Chief Executive Officer, Chairman of the Board, and Director: Philip S. Masters**

Mr. Masters has been our Chief Executive Office since March 29, 2022. In addition, he has been our Chairman of the Board since May 1979 and one of our Directors since August 1964. He has been with us in various capacities since August 1964.

#### **Director: Margaret Masters**

Ms. Masters has been one of our Directors since December 2022. She has also been our Director of Franchisee Relations since October 2020 and Editor of the Murray Marquee Magazine since October 2012. Prior to October 2012, she was Executive Assistant to our Chairman for many years.

**Director: Matthew Savage**

Mr. Savage has been one of our Directors since January 2018. Mr. Savage has been President of Dorilton Capital Advisors LLC, New York, NY since September 2009.

**Executive Vice President: Wayne Smith**

Mr. Smith has been our Executive Vice President since December 2017. He was Vice President Studio Services from December 2016 to December 2017. Mr. Smith was Director of Studio Services from April 2008 to December 2016. Mr. Smith assumed certain management responsibilities for our franchise program in July 2017.

**Vice President of Events and Promotions: Tom Murdock**

Mr. Murdock is our Vice President of Events and Promotions, a position he has held since May 2012. Mr. Murdock has been with the Company since 1989 in various capacities, including Vice President of Marketing and Promotions from 1997 to May 2012.

**Vice President of Human Resources and Franchising Services: Minerva Mesa**

Ms. Mesa is our Vice President of Human Resources and Franchising Services, a position she has held since June 2020. Ms. Mesa was Human Resources Manager and Franchise Coordinator from January 2017 to June 2020. She has been with us since 1995 in various capacities.

**Secretary: Rodney Rett**

Mr. Rett has been our corporate Secretary since October 2017. He has been with us in various capacities since August 2005, including Vice President Finance since December 2014.

**Item 3**

**LITIGATION**

**FTC Consent Decree.**

We and our franchisees are subject to an Amended Consent Decree of March 10, 1980 with the Federal Trade Commission (F.T.C.) under F.T.C. Docket Number 7845. The original F.T.C. Order, dated July 27, 1960, charged that there were unfair and deceptive acts and practices and unfair methods of competition within the meaning of the Federal Trade Commission Act. No one admitted these allegations. These acts, also described in Item 16, allegedly injured dance studio customers. The Cease and Desist Order, by its terms, applies to all franchisees.

The Amended Order requires that all students who enroll at Arthur Murray Studios have the following rights:

“A right to cancel any student enrollment agreement with full refund if cancellation occurs within three (3) business days of signing the agreement or a pro rata refund

if cancellation occurs after three (3) business days. In the latter situation, the Studio may charge a reasonable and fair service fee: for agreements of one thousand dollars (\$1,000) and under, the fee would be no greater than ten percent (10%) of the total contract price; for agreements over one thousand dollars (\$1,000), the fee would be no greater than one hundred dollars (\$100) plus an amount equal to five percent (5%) of the total contract price over one thousand dollars (\$1,000) (not to exceed two hundred fifty dollars (\$250) in total). The Studio is obliged to make all refunds within thirty (30) days after notice of cancellation.”

Certain mandatory language disclosing the student’s rights also must appear in all student enrollments:

“This agreement is subject to cancellation at any time during the term of the agreement upon notification by the Student. If this agreement is cancelled within three business days, the Studio will refund all payments made under the agreement. After three business days, the Studio will only charge you for the dance instruction and dance instruction services actually furnished under the agreement plus a reasonable and fair service fee. If other than an original enrollment, this agreement, if for dance instruction, is subject to cancellation by the Student without charge within seven days after the completion of the previous course of dance instruction.”

We must stop dealing with any franchisee who continues to violate the Order. We give franchisees a copy of the Amended 1980 Order either at the time they sign the Franchise Agreement or shortly afterwards. They must agree in writing to follow the Order.

Other than these actions, no litigation is required to be disclosed in this Item.

#### **Item 4**

#### **BANKRUPTCY**

No bankruptcy proceedings are required to be disclosed in this Item.

#### **Item 5**

#### **INITIAL FEES**

Your initial franchise fee depends on the population in your Market Area, if any, and whether you have been a dance instructor at an Arthur Murray Studio. Prospects who have worked in our System need not pay any initial franchise fee.

	<u>Population</u>	<u>Franchise Fee</u>
a)	No Market Area granted and Market Area with population of 0 to 250,000	\$25,000
b)	250,001 to 500,000	\$50,000
c)	500,001 to 1,000,000	\$75,000
d)	Over 1,000,000	\$100,000

If we charge the fee because you have not worked in the Arthur Murray System, you must pay this fee in a lump sum when you sign the Franchise Agreement. We do not charge a fee to those who have worked in the Arthur Murray System and qualify. We did not collect any initial fees during the 2023 fiscal year. The initial franchise fee is not refundable.

You must buy or lease all video tapes, promotional brochures and step charts for student lessons from AME. Initial purchases or leases for video tapes typically range from \$200 to \$500; for promotional brochures from \$50 to \$75; and for step charts from \$35 to \$75. These are proprietary materials, which are not available elsewhere. Once paid, these initial fees are non-refundable under any circumstances. Additionally, during the 2023 fiscal year, no fees were collected from a franchisee before the Studio opened for supplies as well as for charts.

### Item 6

#### OTHER FEES

Column 1	Column 2	Column 3	Column 4
Type of Fee <sup>1</sup>	Amount	Due Date	Remarks
Royalty	5% - 10% of weekly gross receipts <sup>2</sup>	Due by Friday of each week on previous week's gross receipts	"Gross receipts" mean all monies you receive for instruction, lessons, services, parties, competitions, trips, clubs, memberships and similar services
National Advertising Fund	Up to 2% of weekly gross receipts or other fair share <sup>3</sup>	Due by Friday of each week	You must pay this amount if we run national advertising. You must also conduct local advertising. (See Note 3)
Check Handling	\$30	As billed	Due if bank does not honor your checks <sup>4</sup>

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Interest	Lesser of (i) one and one half percent (1½%) per month or (ii) highest applicable rate permitted by law	As billed	Due on all amounts which are more than 10 days late
Teaching Time Obligations	Then current reimbursement rate for lessons	15 days after invoice	You must pay the franchisee who gives dance instruction to students enrolled in your Studio; teaching time obligations are part of your payroll costs. They occur when you ask another franchisee to teach the lessons you have enrolled and for which you have received payment. The reimbursement rate currently is \$50 for each personal lesson
Contest Entry or Participation	\$50 - \$200 per person for one or two dinner/dance awards programs	Before entering	Paid to area programmer (not us) when you participate in marketing contests or promotions
Audit	Reimbursement of costs and expenses	As billed	Due if we audit or inspect the Studio because you do not give us reports, records or other information or understate gross receipts

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Lobbying	\$1,000	As billed	You must pay your share of the reasonable fees and expenses incurred for legislative matters concerning your operations; we base your share on ratios of population statistics, media circulation, gross receipts and other factors. The amount you spend will depend on how aggressively your state government is trying to pass legislation adversely affecting your Studio. The last time a franchisee in our system paid fees for lobbying, the charge was \$3,800
Liquidated Damages (violation of rules)	\$7,500	15 days after invoice	Due for each deliberate and/or major violation
Demand Note	\$25,000	On demand	Due if you do not return our manuals and training aids
Liquidated Damages (trademark infringement)	25% of weekly gross receipts	Due by Friday of each week	Due if you use our Marks after your Franchise Agreement terminates or expires
Curing Defaults	Will vary under circumstances	As agreed	You must cure the defaults of other franchisees if you want to open or take over a Studio in their former market areas
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Due if we win an arbitration proceeding or lawsuit or incur any costs or expenses to obtain your compliance with the Franchise Agreement
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims from the Studio's operation
Convention	Up to \$250	As incurred	

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Type of Fee<sup>1</sup></b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Database Software License Fee	\$2,300 plus tax	Upon execution of the Database Software License Agreement	We offer software for use in connection with your operation of your studio. You may, at your option, obtain a license from us to use the software.
Administrative Fee	\$100.00 per report past due	As incurred	We have the right to assess you an administrative charge in an amount we determine in the event of any failure to report properly, a discrepancy or understatement of gross receipts
Liquidated Damages (unauthorized participation)	Higher of (i) 25% of revenues or other consideration received in connection with the competition or event or (ii) \$10,000 dollars	As incurred	Due if you organize, engage, or participate in any dance competition or similar even not sponsored by us without our prior written consent
Liquidated Damages (required meetings)	\$1000.00 per meeting or event	As incurred	Due if you fail to attend or participate in any required meeting or event
Administrative Transfer Fee	\$5000.00	Prior to or concurrent with the effective date of the assignment	

1/ Except as noted in this Item, all fees are imposed and collected by and payable to us. All fees are non-refundable.

2/ Our standard royalty is 8%. Beginning with the second year of your Studio's operation, you must pay minimum annual royalty fees based on assumed annual gross receipts of \$175,000. You must pay any additional royalty fee due by January 31 of each year.

We charge different royalty fees under our incentive expansion programs. (See Exhibit D) We design these programs to encourage expansion in new or existing market areas. We offer a reduced royalty fee ranging from 5% to 7% for existing franchisees who open additional Studios in certain metropolitan areas. Existing franchisees who set up an additional Studio in new market areas, where no Arthur Murray Studios operate, receive a



reduced royalty of 5% during the first year of operation, 6% during the following 6 months of operation, 7% during the following 6 months of operation and 8% during the remaining term of the Franchise Agreement.

We previously had a program whereby an existing franchisee received a payment from us for releasing part of the territory granted to the franchisee so that another franchisee could open a Studio within the released territory. Under this program, the new franchisee would pay a 10% royalty fee and we would, in turn, pay the existing franchisee a percentage of the gross receipts of the Studio operated by the new franchisee (up to 5% depending upon the type of Studio and the amount owed by the existing franchisee). We no longer offer this program. However, there are several existing franchisees who are still able to take advantage of this program. If you are purchasing a franchise under this program, you will be paying a 10% royalty fee to us.

If you do not submit weekly reports, we may estimate the Studio's gross receipts for that week and base your royalty fee on that amount.

Royalty fees must be paid online by ACH Credit, credit card, or by other means we specify in writing periodically.

- 3/ You must spend at least 12% of the Studio's annual gross receipts on advertising and public relations. Any amounts you pay to a National Advertising Fund we establish, or an advertising or public relations program in which other franchisees participate, count toward this percentage. We may designate the advertising agency that you must use.
- 4/ If your bank does not honor more than 3 of your checks during any calendar year, we may make you submit all payments for 6 months by cashier's check, bank draft, certified check or Electronic Fund Transfer ("EFT"), and you must provide written authorization and any documentation necessary to implement and facilitate EFT.
- 5/ We have advertising cooperatives operating in the following metropolitan areas: Phoenix, AZ; Sacramento, CA; San Francisco, CA; San Jose, CA; San Diego, CA; Redlands, CA; Santa Barbara, CA; Woodland Hills, CA; Denver, CO; New Britain, CT; Washington, DC; Jacksonville, FL; Orlando, FL; Tampa, FL; Atlanta, GA; Chicago, IL; Indianapolis, IN; Fort Wayne, IN; Boston, MA; Arnold, MD; Detroit, MI; Grand Rapids, MI; Minneapolis, MN; Raleigh, NC; Charlotte, NC; Chatham, NJ; Green Brook, NJ; Albuquerque, NM; Las Vegas, NV; New York, NY; White Plains, NY; Williston Park, NY; Cincinnati, Ohio; Portland, OR; Pittsburgh, PA; Dallas, Texas; Houston, TX; Seattle, WA; and Madison, WI. However, because we do not operate any Arthur Murray Studios, we do not control the fees that franchisees pay to the cooperatives. The amount a franchisee pays for cooperative advertising is established by agreement of the franchisees participating in the cooperative. We do not control or direct the amount payable by a franchisee. No advertising cooperative payments are paid to use or our affiliates nor do we collect any advertising cooperative payments on behalf of any third party. We have no voting power on any fees collected by any advertising cooperative.

**Item 7**

**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<b>Column 1 Type of Expenditure<sup>(1)</sup></b>	<b>Column 2 Amount</b>	<b>Column 3 Method of Payment</b>	<b>Column 4 When Due</b>	<b>Column 5 To Whom Payment is to be made</b>
Initial Franchise Fee (2)	\$25,000 - \$100,000	Lump Sum	When you sign Franchise Agreement	Us
Leasehold Improvements (3)	\$30,000 - \$75,000	As Agreed	As Incurred	Third Parties
Furniture, Fixtures and Equipment (4)	\$2,000 - \$18,000	As Agreed	As Incurred	Third Parties
Video Tapes, Promotional Brochures, and Step Charts (5)	\$285 - \$650	As Agreed	As Incurred	Our Affiliates
Signs (6)	\$2,000 - \$10,000	As Agreed	As Incurred	Third Parties
Three Months' Rent (7)	\$12,000 - \$24,000	Lump Sum	Monthly	Landlord
Additional Funds - 3 months (8)	\$0 - \$20,000	As Incurred	As Incurred	Third Parties
Training Expenses	\$0 - \$5,000	As Incurred	As Incurred	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT (9)</b>	\$71,285 - \$252,650			

**Explanatory Notes**

1. Unless otherwise specified, all expenditures listed in Item 7 are nonrefundable.
2. We describe the initial franchise fee in Item 5.
3. This item includes a maple or oak wood dance floor. You also will need interior walls and ceiling installation if your space does not yet have them.

4. This item covers chairs, tables, filing cabinets, ballroom mirrors and telephone and music systems.

5. This item includes the video tapes, promotional brochures, and step charts you must lease or purchase from AME for use in operating the Studio.

6. This item covers the signs for your Studio. Signs vary from basic lettering on the door to large box or individual letter signs that the lease might require. Because the sign ordinances for different municipalities differ significantly, you may work with any sign company to produce the largest sign that state or other laws allow. The logo artwork must satisfy our standards for shape.

7. You should have a total of at least 2,800 to 3,500 square feet of space in large cities. The main ballroom should have at least 1,600 square feet and a hardwood floor. The second ballroom should have at least 600 square feet and a hardwood floor (although many franchisees often split the main ballroom with a bi-fold door). There should be a manager's office, which may double as an enrollment office, that has a hardwood floor and is large enough for an interviewing dance lesson. You also should have a training classroom with at least 180 square feet and a hardwood floor for training staff members. The Studio also must have a coat closet, a staff office, restrooms, a janitor/storage room and a kitchen. The cost of the Studio's facility will depend on its location and condition.

8. This item estimates your initial start up expenses (other than the items identified separately in the table). These expenses include payroll costs but not any draw or salary for you. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales level reached during the initial period.

9. We relied on our many years of experience in franchising Arthur Murray Studios, dating back to 1946, to compile these estimates. You should review these figures carefully with a business advisor before deciding to acquire a franchise.

10. We do not offer financing directly or indirectly for any part of the initial investment. The availability and terms of financing will depend on many factors, including the availability of financing generally, your creditworthiness and collateral and lending policies of financial institutions from which you request a loan.

If you plan to operate a Studio in a Market Area in which you or another franchisee previously owned another Studio, you must pay us any outstanding debts of that Studio (and satisfy any other obligations necessary for the new Studio's operation) and teach all paid-for but untaught lessons of the former Studio's students.

## **Item 8**

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

You must follow our methods and execution of dance instruction and all dance steps, standards, programs, testing, charting, recording and similar activities that are part of our System. Except as noted below, there currently are no goods, services, supplies, fixtures, equipment, inventory or real estate for the Studio that you must purchase or lease from us or a designated or approved supplier or under our standards and specifications. Therefore, we do not issue and modify specifications or grant and revoke approval to suppliers. We lease a software program for the operation of your Studio. Currently, you are not required to lease this software program from us but we reserve the right to require you to do so in the future. You must buy all video tapes, promotional brochures and step charts for student lessons from AME. These are proprietary materials, which are not available elsewhere. AME sells these items at its production cost. AME received \$39,961 from our franchisees during the fiscal year ending June 30, 2023 for these items. We received payments totaling \$43,345 during our last fiscal year from suppliers of promotional materials to our franchisees, representing 0.3% of our total net revenue for the year ending June 30, 2023 of \$15,415,280. We also have an arrangement with Showtime Dance Shoes where we receive 10% of franchisees' sales of shoes in the Studio. Except as described above, neither we nor AME supplies any other items to franchisees. None of our officers has an interest in any approved suppliers.

You must obtain and maintain, at your own expense, the insurance coverage that we periodically require from carriers meeting our minimum standards. You currently must have a commercial general liability insurance policy with limits of not less than \$2,000,000 combined single limit for bodily injury and property damage (or such greater limits as may be required by the landlord of the Studio premises), including motor vehicle liability coverage on any vehicle used to any degree in conjunction with Studio operations, full risk property insurance in an amount equal to full replacement value of all business personal property and leasehold improvements. Premiums depend on the insurance carrier's charges, the terms of payment and your history. All insurance policies must name us as an additional insured party.

Before you use them, you must submit to us for approval samples of all advertising and promotional materials that we have not prepared or previously approved. We will approve or disapprove these materials within a reasonable time (not exceeding 60 days). You may not use any materials that we have not approved or which do not include all copyright or trademark notices we require.

The Studio's dance floors, which must be oak or maple wood or other approved surface, and furniture, furnishings and decorations must be in good taste and of high quality and character. The Studio also must have a high quality music system.

Collectively, the purchases and leases described above represent 98% of your total purchases and leases in establishing, and an insignificant percentage of your total purchases and leases in operating, the Studio.

Except as described above, we do not derive revenue or other material consideration from required purchases or leases. There currently are no purchasing or distribution cooperatives. We do not negotiate purchase arrangements with suppliers for the benefit of franchisees. We do not provide material benefits to a franchisee for using designated or approved sources.

### Item 9

#### FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	Section 2(i) of Franchise Agreement	Items 7, 11 and 12
b. Pre-opening purchases/leases	Sections 10(j) and (r), 13(a) and 16 of Franchise Agreement	Items 7, 8 and 11
c. Site development and other pre-opening requirements	Sections 2(i), 10(j), 13(a) and 16 of Franchise Agreement	Items 7, 8 and 11
d. Initial and ongoing training	Sections 10(b), (l), (m)(1) and (p) of Franchise Agreement	Item 11
e. Opening	Section 2(b) of Franchise Agreement	Item 11
f. Fees	Sections 5, 6, 8, 9, 10(f), (i) and (q), 11(f), 19(h), 21(a) and (b), 23(a), 24(b) and 25(n) of Franchise Agreement  Section B. of Database Software License Agreement	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	Sections 8, 10, 11 and 12 of Franchise Agreement  Section A. of Database Software License Agreement	Items 8 and 11
h. Trademarks and proprietary information	Sections 3(a), 14 and 15 of Franchise Agreement  Section C. of Database Software License Agreement	Items 13 and 14

<b>OBLIGATION</b>	<b>SECTION IN AGREEMENT</b>	<b>DISCLOSURE DOCUMENT ITEM</b>
i. Restrictions on products/services offered	Sections 10(a), (c), and (o) and 11 of Franchise Agreement Sections A.3. and D. of Database Software License Agreement	Items 8, 11 and 16
j. Warranty and customer service requirements	Sections 8 and 11 of Franchise Agreement Section G. of Database Software License Agreement	Items 8 and 16
k. Territorial development and sales quotas	Sections 2(c), (d), (e), and (f) and 6(c) of Franchise Agreement	Items 6, 12 and 17
l. Ongoing product/service purchases	Sections 10(a), (i) and (r) of Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 4(d) and 10(j) of Franchise Agreement	Item 8
n. Insurance	Section 16 of Franchise Agreement	Items 7 and 8
o. Advertising	Section 9 of Franchise Agreement	Items 6, 7, 8 and 11
p. Indemnification	Section 23(a) of Franchise Agreement	Item 6
q. Owner's participation/management/staffing	Sections 2(h), 10(k) and (m)(1) and 12 of Franchise Agreement	Items 11 and 15
r. Records and reports	Sections 7, 10(e), 11 and 12 of Franchise Agreement	Items 8 and 15
s. Inspections and audits	Sections 2(i) and 10(f) of Franchise Agreement	Item 6
t. Transfer	Section 17 of Franchise Agreement Section E. of Database Software License Agreement	Item 17
u. Renewal	Section 4 of Franchise Agreement	Item 17
v. Post-termination obligations	Section 19 of Franchise Agreement Section F. of Database Software License Agreement	Item 17
w. Non-competition covenants	Section 20 of Franchise Agreement	Item 17

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
x. Dispute resolution	Sections 21 and 25(g) of Franchise Agreement	Item 17
y. Security interest	Section 6(j) of Franchise Agreement	Item 6
z. Teaching time obligations	Section 8 of Franchise Agreement	Item 8
aa. Student enrollments	Section 11 of Franchise Agreement	Items 8 and 16

### **Item 10**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation. For your information, our franchisees are eligible for expedited and streamlined Small Business Administration loan processing through the SBA's Franchise Registry Program ([www.franchiseregistry.com](http://www.franchiseregistry.com)).

### **Item 11**

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

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

Before you open the Studio, we will:

1. Approve the Studio's address and physical description. (Franchise Agreement - Section 2(i).) We also will designate your Market Area. (Franchise Agreement - Section 2(c).) You will select the Studio's location within your Market Area and we will approve the location before you sign the Franchise Agreement. We will consider the Studio's general location and neighborhood, size and physical condition. We will approve or disapprove the location within a reasonable time. If we disapprove, you must find another acceptable location. You may not acquire a franchise if you do not have an acceptable location for the Studio. Our approval of a site will not constitute, nor be deemed, a judgment as to the likelihood of success of the Studio at the location or a judgment as to the relative desirability of the location in comparison to other locations within the Market Area. At our request, you must execute a collateral assignment of lease in the form we require to secure your obligations to us under the Franchise Agreement in accordance with Section 2 of the Franchise Agreement.

2. Loan you one copy of our operating and technical manuals and training aids. (Franchise Agreement - Section 10(d)) You may view these manuals and aids before acquiring the franchise. They will show you how to operate the Studio under our System.
3. At our option, train you or the Studio's manager. (Franchise Agreement - Section 10(b)) We describe this training later in this Item.

During the Studio's operation, we will:

1. Allow you to use our Marks. (Franchise Agreement - Sections 3(a) and 14)
2. Allow you to use our latest available data on syllabuses of dance steps and methods of teaching dancing. (Franchise Agreement - Sections 3(b) and 10(a))
3. Give you suggested, reasonable individual business advice by mail and telephone and suggested operational procedures on a continuing basis. (Franchise Agreement - Sections 3(c) and 10(d))
4. Tell you the records you must keep, the reports you must submit and the forms you must use. (Franchise Agreement - Sections 7, 10(e), 11 and 12)
5. Loan you one copy of all operating and technical manuals and training aids, including syllabuses, video tapes and films, and give you mandatory and suggested specifications, standards and operating procedures for operating the Studio. We may modify the manuals and training aids periodically to reflect changes in our System. (Franchise Agreement - Section 10(d))
6. Periodically sponsor international, national, regional or local marketing contests, promotions or meetings. (Franchise Agreement - Sections 10(e) and (p)). We currently charge a registration fee of \$495 to attend our franchisee convention which is held once every 2 years. We currently charge a \$30 entry fee per participant per dance for dance competitions we sponsor. These are the only international, national, regional or local marketing contests, promotions, or meetings we currently sponsor. You and your students/participants must also pay all of your or their travel and living expenses attending these events.

### **Advertising.**

We may periodically administer an advertising fund (the "Fund") for national advertising, public relations and promotional programs in the form and media that we think are most effective. We have not established a Fund that operates on an on-going basis. Currently, we collect Fund contributions when we decide to run advertising. You must contribute to the Fund as we periodically require, but not more than 2% of your Studio's gross receipts. Generally, we pay for advertising and then collect these amounts from our franchisees. Therefore, you generally will not pay us a monthly Fund contribution. During our last fiscal year, we spent approximately \$219,370 of our own funds on national advertising. Of this amount, we spent 62% on production, 13% on



media placement, and 25% on development and production of brochures and tapes. We need not contribute to the Fund. (Franchise Agreement - Section 9(d) and (e))

We may determine the composition of all geographic territories and market areas for developing and implementing the advertising, public relations and promotional programs. We may have the Fund pay all of the costs of formulating, developing and producing these programs (including compensating our employees or agents who spend time doing so). We need not audit any Fund nor have it prepare financial statements. The Fund need not spend any particular amount on advertising in the area where your Studio is located. We will not use Fund monies for advertising that is principally a solicitation for the sale of franchises. Financial statements relating to the Fund or advertising expenditures are not available for review by a franchisee. Franchisees will not receive a periodic accounting of how Fund monies are spent unless they specifically request the accounting in writing.

We advertise Arthur Murray Studios and the services they offer nationally, regionally and locally on television and radio and in print media. An outside national advertising agency develops our advertising. You can obtain samples of the items we have prepared.

Before you use them, you must submit to us all advertising and promotional materials, including websites (defined below), that we have not prepared or previously approved, including directory listings, brochures and classified advertisements and listings. If you do not receive our approval of these materials within 15 days, they are deemed disapproved. You may not use any materials that we have not approved or that do not include our copyright and trademark notices. (Franchise Agreement – Section 9(a))

We may require you to establish a website. You must comply with our standards and specifications for websites as described in our operating and technical manuals or otherwise in writing. A “Website” is an interactive electronic document, contained in a network of computers linked by communications software that you operate or authorize others to operate that refers to the Studio, the Names and Marks, us and/or the System. We may require you to establish your Website as part of our Website and/or establish electronic links to our Website. (Franchise Agreement – Section 9(b))

You must spend at least 12% of the Studio’s annual gross receipts (whatever we specify) on advertising and public relations in approved media. This includes your allocated percentage of the cost of national, regional and local advertising and/or public relations we conduct or permit franchisees to conduct. “National advertising” includes public relations, advertising and promotion placed in media having national circulation or distribution; “regional advertising” includes public relations, advertising and promotion placed in regional publications or regional broadcasting; and “local advertising” includes advertising or promotions in local publications or local broadcasting. “Allocated percentage costs” mean the proportionate share of the total cost of advertising, public relations or promotions that we or a majority of the Arthur Murray Studios participating in the advertising allocates to you. Any allocation we select or approve is binding on you. We may designate an advertising agency that you must use. (Franchise Agreement – Section 9(c))

You must participate in all international, national, regional or local marketing contests or promotions we sponsor. (Franchise Agreement – Section 9(f))

We have a franchisee advertising council that advises us on advertising policies. We select the council's members. There currently are 6 franchisee members. The council serves in an advisory capacity only. We may form, change or dissolve the advertising council.

We also have regional and local advertising cooperatives in which you must participate (depending on your Studio's location). The cooperative's area or membership is defined by your Studio's location. The franchisees administer the cooperatives, which must operate from written governing documents (which you may review). The cooperatives need not prepare annual or periodic financial statements. We may require cooperatives to form, change, dissolve or merge. You are not required to contribute any amount to these cooperatives. The amount is established by agreement of the franchisees participating in the cooperative.

### **Computer System**

Currently, we do not require you to buy or use electronic cash register or computer systems. However, if we implement such a requirement, you must obtain and use the computer hardware and operating software that we require and we reserve the right to have independent access to the information and data that is electronically collected. We may modify specifications for and components of the required computer system and these modifications may require additional expenditures.

Currently, you may, at your option, obtain a non-exclusive license from us to use our database software by executing the form of Database Software License Agreement attached as Exhibit H. The cost of the license and software is approximately \$2,300 (plus tax). In order to use our software, however, you will have to use IBM-compatible computer hardware (Pentium II or higher).

### **Your Obligations Regarding Proprietary Information**

As discussed above, we will loan you one copy of our operating and technical aids. You are under an obligation to return these materials when your Agreement terminates or expires. When you sign a Franchise Agreement, you must sign a \$25,000 Demand Note (Exhibit G). This Note is only for security purposes to make sure that you return our proprietary operating and technical manuals and other training aids when the Agreement terminates or expires. If you do not return these materials within 10 days, you must pay us \$25,000 on demand. If you do not pay this amount, you must pay our collection costs, including attorneys' fees. Overdue amounts will bear interest at 10% per year or the maximum rate the law allows, whichever is less.

You waive presentment for payment, demand, protest, notice of dishonor and protest, bringing of suit, diligence in collection and all other notices or demands concerning the Note's delivery, acceptance, performance or enforcement (except for the demand for payment). The Note

is not subject to offset, counterclaim, recoupment or defense due to our or the holder's debt, liability, indebtedness or obligation to you.

**Studio Opening**

We estimate that it will be 0 to 90 days between the time you sign the Franchise Agreement and open the Studio. The interval depends on your finding a suitable location, the Studio's physical condition and your compliance with local laws and regulations. You must open the Studio within 90 days after signing the Agreement. Some franchisees have encountered obstacles and delays in opening their Studios due to the pandemic. Others have been able to work through the obstacles and opened on a timely basis. The obstacles faced by franchisees in opening of the Studio related to construction delays caused by vendor shut-downs or restrictions in how they were able conduct business, including delays in completing leasehold improvements as well as delays in staffing the Studio.

**Training**

Because you already have experience in operating a dance studio, we do not routinely conduct a training program. However, at our option, you or the Studio's approved manager must enroll in and complete to our satisfaction a 2 to 3 day training program before the Studio opens. You also may voluntarily attend this training program. Training currently occurs once or twice a year at our Training Facility in Coral Gables, Florida. We will use our manuals and training aids in conducting training. We do not charge for training, but you must pay all of your or your manager's travel and living expenses. We do not have any mandatory refresher training programs during the year. You may attend any training programs that we periodically offer at various locations for free, although you must pay your own travel and living expenses. As of the end of the fiscal year ending June 30, 2023, we provided the following training:

**TRAINING PROGRAM**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Introduction/ Company History/ Market and Location/ Business Structures/ Staffing	7		Coral Gables, Florida
Marketing		20-40	Coral Gables, Florida or Other Agreed Upon Location
Dancing		20-80	Coral Gables, Florida or Other Agreed Upon Location

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-Job Training</b>	<b>Location</b>
Marketing and Selling/ Financial Matters/FTC Consent Agreement/ Overview	8		Coral Gables, Florida

Wayne Smith oversees our training program. Mr. Smith has been our Executive Vice President since December 2017. He was Vice President Studio Services from December 2016 to December 2017. Mr. Smith was Director of Studio Services from April 2008 to December 2016. Mr. Smith assumed management responsibilities for our franchise program in July 2017. There were 12 new franchisees in our fiscal year ending June 30, 2023, all of whom have enrolled in our training program.

### **Item 12**

#### **TERRITORY**

You must give us the address and a physical description of your Studio before signing the lease or opening the Studio. We first must approve the Studio location. You do not receive an exclusive area. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands we control. However, if your market is large enough to justify more than one Studio, we might designate a “Market Area” in which you may operate as many Arthur Murray Studios as you want. We must approve each Studio location before you open it. You must sign our then current form of franchise agreement for each Studio you choose to open. You need not pay any fee for a new Studio. If your market is large enough, we will insert the Market Area’s precise boundaries, and the number of Studios you want to open, in the Franchise Agreement before you and we sign it. The Market Area’s typical boundaries will be city or county lines, streets and highways or other appropriate political subdivisions. The Market Area generally will be an area based on population density. Each area is a city with at least 50,000 people (or a Census Bureau urbanized area of at least 50,000 people) and a total drawing area population of at least 100,000. That area also might include outlying counties with close economic and social relationships with the central county. These counties must have specified levels of commuting to the central county and meet certain standards concerning metropolitan character (like population density). Each area has at least one central city.

If we grant you a Market Area, we may not change it without your written consent. We will not operate, or allow others to operate, an Arthur Murray Studio within the Market Area during the term of your Franchise Agreement unless we terminate your territorial protection or “release” a portion of the Market Area to another franchisee. We will terminate your territorial protection (at our election) if you: (a) do not have open and operating within the Market Area the number of

Arthur Murray Studios stated in the Franchise Agreement by the specified dates; or (b) breach any of your obligations under the Franchise Agreement, and fail to cure that breach within 30 days following written notice from us. We may terminate the Franchise Agreement if you do not open a specific number of Arthur Murray Studios by a specific date.

You must conduct your business exclusively within your Market Area. If we do not grant you a Market Area, we may designate an area around your Studio and you must conduct your business exclusively within that area. You may not engage in any activities outside this area (or, if applicable, your Market Area), including dance competitions, without our written consent. We do not operate any Arthur Murray Studios and therefore cannot solicit or accept orders in your Market Area (if you have one). You may move your Studio to another address in the Market Area if we approve the location. Whether or not we would allow you to move your Studio to another location depends on the circumstances at the time and what is in the Studio's best interest and the Arthur Murray System's best interest. The new location must meet our then-current standards for site location and selection including, but not limited to, location, facilities, premises and floor plan. There are no fees or other charges paid to us if you move or relocate. Except as discussed above, you have no options, rights of first refusal or similar rights to acquire additional franchises anywhere.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your Market Area through any method of distribution other than an Arthur Murray Dance Studio including, sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels") and we need not compensate you for these sales made in your Market Area. You may not solicit or accept orders from consumers inside or outside your Market Area using alternative distribution channels such as the Internet, catalog sales, telemarketing, or other direct marketing to make sales outside or inside your Market Area without our consent.




We and our affiliates can use alternative channels of distribution to make sales within your Market Area of products or services under trademarks different from the Trademarks you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type.

Except as described above, continuation of your territorial exclusivity does not depend on your achieving a certain sales volume, market penetration or other contingency.

### **Item 13**

#### **TRADEMARKS**

You may use certain Marks in operating your Studio. Our primary Marks, all of which are registered on the Principal Register of the United States Patent and Trademark Office (PTO), cover dance instruction and similar services and methods. We have filed all required affidavits. These primary Marks are:

Mark	Registration Number	Registration/Renewal Date
Service Mark- ARTHUR MURRAY	554,061	January 22, 1952 Renewed January 22, 2022
Trademark- ARTHUR MURRAY  <b>ARTHUR MURRAY</b>	623,511	March 20, 1956 Renewed March 20, 2016
Service Mark- Drawing of Dancers (No. 1) (Ballroom Gown)  	990,453	August 6, 1974 Renewed August 6, 2024
ARTHUR MURRAY & Design # I  	1,348,651	July 9, 1985 Renewed July 9, 2015
Trademark-Drawing of Dancers (No. 5)  	1,379,676	January 21, 1986 Renewed January 21, 2016

You must follow our rules when you use the Marks. You may not use any Mark as part of your corporate name or with modifying words, designs or symbols. You may not use any Mark in selling any unauthorized services or products or in any other manner we have not expressly authorized in writing.

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, and no pending

infringement, opposition or cancellation proceedings or material litigation, involving the principal Marks. No agreement limits our right to use or license the Marks in a manner material to the franchise.

You must notify us immediately of any infringement or challenge to your use of any Mark or of any person’s claim of any rights in any Mark. We may take the action we think best (including no action) and control any administrative proceeding or litigation. We will reimburse you for all damages for which you are held liable, and all expenses you reasonably incur, in any proceeding contesting your authorized use of the Marks.

If it becomes advisable in our sole discretion for you to modify or discontinue using any Mark and/or use one or more additional or substitute trade or service marks, you must do so promptly. We will reimburse you for your reasonable tangible costs of doing so if you notify us before incurring the costs.

We do not actually know of either superior prior rights or infringing uses that could materially affect a franchisee’s use of our principal Marks in any state.

**Item 14**

**PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

No patent is material to the franchise.

We have registered copyrights for operating and technical manuals, syllabuses, films and books on dancing and operating an Arthur Murray Studio. We also have copyrights on cast metal figures used as trophies. You may use these items only as we specify while operating your franchise. Our registered copyrights are:

REGISTRATION NO.	TITLE	PUBLICATION DATE
A 24,730	Arthur Murray Studios Teachers’ Manual Vol. I	10/14/68
A 24,731	Arthur Murray Studios Teachers’ Manual Vol. II	10/14/68
A 24,732	Arthur Murray Studios Teachers’ Manual Vol. III	10/14/68
A 89,216	Executive Manual	8/13/69
A 878,540	The Arthur Murray Way	3/21/76
RE 786,363	Syllabus in Gold and Gold Bar Social Smooth Dances	6/10/70
RE 831,816	Simple Guide to the Medalist System	11/20/72
A 513,577	Why Good Dancers Are Popular	7/17/61
AA 580,503	Silver Intermediate and Silver Medal Standard (Booklet)	8/18/62
AA 580,504	Silver Intermediate Silver Standard	8/18/62

REGISTRATION NO.	TITLE	PUBLICATION DATE
AA 580,861	Evaluation of Dance Ability	7/31/62
AA 580,862	Bronze Intermediate Bronze Standard	7/31/62
AA 580,863	Course Planned For . . . (Booklet)	7/31/62
AA 702,537	Gold Medal Standard and Bar Medal Standard Chart	6/1/64
A 740,935	Arthur Murray Studios Office Manual with Receptionist Procedures	3/21/75
A 755,282	Bronze Medal and Silver Medal Systems	5/20/76
RE 670,391	A Training Guide to the Easy Interview	3/31/66
RE 670,392	Extension by Demonstration	3/31/66
RE 670,393	Syllabus in Gold, Gold Bar, and Gold Star Dancing	3/31/66
A 876,810	Associate Gold and Gold Medal Syllabus Social Standards of Ballroom Dancing	5/5/77
A 878,447	Associate Bronze Medal Social Standards I and II Planning and Progress Chart	3/21/76
A 878,448	Associate Silver Medal Social Standards I and II Planning and Progress Report	3/21/76
A 878,449	Silver Medal Social Standards III and IV Planning and Progress Chart	3/21/76
A 878,451	Bronze Medal Social Standards III and IV Planning and Progress Chart	3/21/76
RE 819,823	Murray-Go-Round	3/21/72
RE 699,862	Murray-Go-Round	11/1/67
TX 120-002	Associate Gold Medal and Gold Medal Syllabus Social Standards of Ballroom Dancing	5/25/78
TX 205-038	Associate Gold Bar Medal and Gold Bar Medal Syllabus Social Standards of Ballroom Dancing	5/25/78
TX 219-609	The Foxy	3/8/79
RE 680-518	Arthur Murray Dance Studios Extension By Demonstration	3/1/66
TX 1-212-667	Guest Showcase Guide	7/7/83
TX 1-212-668	Business Administration School	7/28/83
TX 1,604,119	Silver Social Standard Planning and Progress Chart	6/20/85
TX 1,604,120	Bronze Social Standard Planning and Progress Chart	4/20/84



REGISTRATION NO.	TITLE	PUBLICATION DATE
TX 2-380-136	Interviewing Training Manual	3/22/88
TX 24-863	Silver Medalist Social Standards Planning and Progress Chart	3/13/78
TX 24-864	Bronze Medalist Social Standards and Progress Chart	3/13/78
TX 29-475	Gold Bar Medalist Social Standards Planning and Progress Chart	3/13/78
TX 29-476	Gold Medalist Social Standards Planning and Progress Chart	3/13/78
TX 356-922	Training Manual	7/13/79
TX 841-719	Touch Disco	9/15/78
TX 841-720	Cadillac Treatment	1/02/82 – published 1/02/81
TX 3356-505	Gold Social Standard Planning and Progress Chart	11/10/88
TX 3349-794	Gold Bar Social Standard Planning and Progress Chart	7/13/89
PA 306-783	Arthur Murray Bronze Theatrical Ballroom Program (Videotape)	5/23/86
PA 512,657	Dance Magic	11/12/90
TX 3480503	Arthur Murray International Latin American Planning and Progress Chart	7/27/92
TX 3480502	Country Western Planning and Progress Chart	8/18/92
RE 354554	How to Become a Good Dancer	3/9/59
TX 5-655-983	Curve of Learning	8/3/02
PA 1047003	Latin American Style Dance Syllabus	8/1/91
PA 1041338	International Style Dance Syllabus	8/1/98
PA 1076310	Bronze Social Standard Planning and Progress Chart	8/1/99
TX 5-091-855	What a Feeling Brochure	3/12/98

We will renew these copyrights when they expire if this is in our System’s best interests.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding the copyrighted materials. No agreement limits our right to use or allow others to use the copyrighted materials. We do not actually know of any infringing uses which could materially affect your use of the copyrighted materials in any state. We need not protect or defend copyrights, although we intend to do so if in our System’s best interests.

Our operating and technical manuals, training aids and other materials contain our confidential information. This information includes methods of operation, interviewing and

teaching, advertising, publicity, promotion ideas, marketing methods, student names and other aspects of operating an Arthur Murray Studio. You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to unauthorized personnel.

### **Item 15**

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

You must devote your full time, attention and best efforts to operating the Studio. The Studio always must be under your direct, on-premises control and full-time supervision. If you operate more than one Studio, each Studio must be under the direct on-premises supervision of an acceptable manager who has demonstrated the ability to operate a Studio. The manager need not have an equity interest in the business. However, the manager must sign an agreement containing confidentiality and noncompetitive provisions with the Studio.

At our option, you or the Studio's manager must successfully complete our training program before the Studio opens. You must control and supervise your employees and agents so that they comply with our standards. You may not employ anyone involved in dance instruction unless he or she has successfully completed a teacher's training class at an Arthur Murray Studio for at least 100 hours of training or has shown sufficient dance knowledge and teaching ability to meet the necessary instructor standards and our proficiency tests.

You must conduct ongoing staff training programs so that all of your instructors, specialists, counselors, supervisors and other personnel know all of our operating and technical manuals and aids and policy releases that are relevant to their respective jobs. All dance instructors must be qualified. Our authorized certified examiners may evaluate their dancing proficiency. All of your trainees, instructors, supervisors, managers and sales personnel must have written employment agreements with you containing specific provisions for our protection. They must protect the confidentiality of our proprietary information.

If you assign the Franchise Agreement to a corporation, all of its shareholders, directors and executive officers must agree to be bound personally by the Franchise Agreement.

### **Item 16**

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

You must offer all products and services that we periodically require for Arthur Murray Studios. You may not offer any products or services that we have not authorized. You must conduct your business exclusively within your Market Area (or, if we do not grant you a Market Area, an area we specify) and you may not engage in any activities outside this area, including dance competitions, without our consent. You may not engage or participate in any dance competition or similar events not sponsored or authorized by us without our prior written consent. Your Studio must follow the dance instruction methods, dance steps, standards, programs, testing, charting, recording and similar activities that are part of our System. We may change these periodically.

There are no limits on our right to do so. You must attend and participate in all technical, training, promotional or other meetings we sponsor, whether locally, regionally, nationally or internationally. All student examinations for full standard medal categories must be judged by an examiner we certify. You may not conduct any competitions, showcases, meetings, projects or promotions which conflict with, or are to occur within 14 days of, any regional, area or national event we sponsor of which you have reasonable notice and which you must attend.

You must give dance instruction to students enrolled in any Arthur Murray Studio (to the extent they have not used all of their paid-for courses). The franchisee who enrolled those students will reimburse you for the lessons you teach at the current rates (which will equal the median lesson rates that most franchisees pay employees).

We and our franchisees are subject to a Federal Trade Commission Consent Decree which prohibits us from engaging in certain allegedly unfair and deceptive acts and practices and unfair methods of competition. You may not do the following (which include some, though not all, of the prohibited practices): represent directly or implicitly that any service or thing of value is available at reduced prices if it is not so available; refuse to honor the terms of any offer; use promotional means to obtain customers if that purpose is not disclosed; induce the purchase of dance instruction in certain ways; request pupils to sign incomplete contracts; or falsely represent that a given course of instruction will allow one to achieve a certain standard of dancing proficiency.

Our Franchise Agreement provides that every student enrollment and other agreement you use must comply strictly with applicable law. We must approve all student enrollment agreements and contracts for lessons or services before you use them. You must comply with our standards for the maximum total number of lessons and dollar amount for which any one student may reasonably be enrolled (including parties, trips, club memberships and other Studio services). The current limitations are in Section 11(c)(1) of the Franchise Agreement.

**Item 17**

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**THE FRANCHISE RELATIONSHIP**

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

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
a. Length of the franchise term	Section 4(a) of Franchise Agreement	Expires on December 31 of the fifth calendar year after Franchise Agreement signed

<b>PROVISION</b>	<b>SECTION IN FRANCHISE OR OTHER AGREEMENT</b>	<b>SUMMARY</b>
b. Renewal or extension of the term	Sections 4(b) to (d) of Franchise Agreement	Franchise automatically renewed for successive 5-year terms on our then current terms unless we or you give the other 3 months' notice of an election not to renew
c. Requirements for franchisee to renew or extend	Sections 4(c) and (d) of Franchise Agreement	Sign new agreement which may include materially different terms and conditions than the original agreement and remodel
d. Termination by franchisee	Not Applicable	You have no express right to terminate the Franchise Agreement or Database Software License Agreement
e. Termination by franchisor without cause	Not Applicable	We may not terminate you without cause
f. Termination by franchisor with cause	Section 18 of Franchise Agreement and Section F. of Database Software License Agreement	We may terminate only if you or the Studio commits one of several violations
g. "Cause" defined – curable defaults	Section 18 of Franchise Agreement and Section F. of Database Software License Agreement	You have 15 days to cure monetary defaults, a failure to submit reports and records and operational defaults not listed in (h) below. You have 7 days to cure after written notice under the Database Software License Agreement
h. "Cause" defined – non-curable defaults	Section 18 of Franchise Agreement and Section F. of Database Software License Agreement	Non-curable defaults include: your material misrepresentation; your conviction of a crime; failure to operate the Studio actively; an assignment for the benefit of creditors, admission of inability to pay debts, bankruptcy, dissolution or similar proceeding and an appointment of a trustee or receiver; unapproved transfers; unauthorized use of the Marks; failure to follow rules on maximum dollar value and number of lessons or services a student can have remaining at one time; operation of Studio would

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		jeopardize the Marks or our reputation; failure to notify us of any summons or complaint against you; conviction of selling alcohol to a minor; you or an employee sells or dispenses any illegal substances; you or an employee fraternizes with a student; failure to provide a manager; failure to provide proof of insurance; and intentional understatement of gross receipts
i. Franchisee’s obligations on termination/non-renewal	Section 19 of Franchise Agreement and Section F.3. of Database Software License Agreement	Under the Franchise Agreement, obligations include payment of amounts due, including but not limited to liquidated damages, satisfying unused and paid for dance lessons and services, no further use of confidential information, complete de-identification, return of manuals and training aids, cooperation with successor and (at our request) assign to us your right to the Studio’s premises and your assets and Student Enrollment Contracts (also see (o) and (r) below). Under the Database Software License Agreement, obligations include deliver to us all documentation for software, all data generated by use of the Database Software and all other relevant materials and information
j. Assignment of contract by franchisor	Section 17(a) of Franchise Agreement	No restriction on our right to assign
k. “Transfer” by franchisee – defined	Section 17(b) of Franchise Agreement and Section E. of Database Software License Agreement	Includes transfer of Franchise Agreement and Studio and ownership change
l. Franchisor approval of transfer by franchisee	Section 17(b) of Franchise Agreement	We must consent to all transfers; no transfer without our written consent
m. Conditions for franchisor approval of transfer	Section 17 of Franchise Agreement	Transferee meets our standards, you pay amounts due, including but not limited to an administrative transfer

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
		fee, transferee agrees to comply with our then current form of franchise agreement, we receive the assignment documents at least 15 days before the planned effective date and approve them and we receive a current student inventory showing total liability for lessons and services, and a list of your other financial obligations with the Studio, at least 15 days before the planned effective date (also see (n) below)
n. Franchisor's right of first refusal to acquire franchisee's business	Section 17(h) of Franchise Agreement	We may match any offer for your Studio or an ownership interest in you
o. Franchisor's option to purchase franchisee's business	Section 19(f) of Franchise Agreement	We may acquire the Studio's premises and your assets and Student Enrollment Contracts after the Franchise Agreement terminates or expires
p. Death or disability of franchisee	Section 17(c) of Franchise Agreement	We will allow transfer if transferee meets our standards, is not likely to disclose our confidential information and signs our then current form of franchise agreement; we will not deny transfer to an immediate family member if there is a proven qualified manager to operate the Studio
q. Non-competition covenants during the term of the franchise	Section 20(a) of Franchise Agreement	No interest anywhere as owner, employee or otherwise in dance school or other business selling dance instruction or similar services
r. Non-competition covenants after the franchise is terminated or expires	Sections 20(b) and (c) of Franchise Agreement	No interest as owner, employee or otherwise in competing business for 2 years within your Market Area or 25 miles of your Market Area; no solicitation of former students
s. Modification of the agreement	Section 25(i) of Franchise Agreement and Section D.2. of Database Software License Agreement	No modifications generally but our manuals and standards, specifications and procedures may change

PROVISION	SECTION IN FRANCHISE OR OTHER AGREEMENT	SUMMARY
t. Integration/merger clause	Section 25(i) of Franchise Agreement  Section 25(m) of Franchise Agreement	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside disclosure document and Franchise Agreement 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any other document executed in connection with the franchise.
u. Dispute resolution by arbitration or mediation	Section 21(b) of Franchise Agreement	Unless we go to court to terminate the Franchise Agreement or recover monies you owe us, we and you must arbitrate all disputes in the city in which our principal office is located, before a single arbitrator (subject to state law)
v. Choice of forum	Section 25(g) of Franchise Agreement	If dispute is not arbitrable, litigation must be in Florida (subject to state law)
w. Choice of law	Section 25(g) of Franchise Agreement	Except for Federal Arbitration Act and other federal law, Florida law applies (subject to state law)

Applicable state law might require additional disclosures relating to the information contained in this Item 17. These additional disclosures, if any, appear in Exhibit J.

**Item 18**

**PUBLIC FIGURES**

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

**Item 19**

**FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We 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 either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Mr. Wayne Smith at our principal office at 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134, (305) 445-9645, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

**Systemwide Outlet Summary**

**For years 2021 to 2023**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Franchised	2021	208	217	+9
	2022	217	222	+5
	2023	222	227	+5



<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at the Start of the Year</b>	<b>Outlets at the End of the Year</b>	<b>Net Change</b>
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
<b>Total Outlets</b>	<b>2021</b>	<b>208</b>	<b>217</b>	<b>+9</b>
	<b>2022</b>	<b>217</b>	<b>222</b>	<b>+5</b>
	<b>2023</b>	<b>222</b>	<b>227</b>	<b>+5</b>

These numbers are for the fiscal years ending June 30, 2021, June 30, 2022 and June 30, 2023.

**Table No. 2**

**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For years 2021 to 2023**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Arizona</b>	2021	0
	2022	2
	2023	0
<b>California</b>	2021	2
	2022	2*
	2023	4
<b>Florida</b>	2021	0
	2022	1*
	2023	4
<b>Maryland</b>	2021	0
	2022	2
	2023	2
<b>Massachusetts</b>	2021	1
	2022	0
	2023	0

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Minnesota</b>	2021	0
	2022	0
	2023	1*
<b>New Jersey</b>	2021	1
	2022	1*
	2023	2
<b>New Mexico</b>	2021	1
	2022	0
	2023	0
<b>Tennessee</b>	2021	0
	2022	0
	2023	1
<b>Virginia</b>	2021	0
	2022	0
	2023	1*
<b>Totals</b>	<b>2021</b>	<b>5</b>
	<b>2022</b>	<b>8</b>
	<b>2023</b>	<b>15</b>

\*Reorganization of franchise entity, wherein one principal transferred her ownership interest to another principal.

These numbers are for the fiscal years ending June 30, 2021, June 30, 2022 and June 30, 2023.

*[Table 3 begins on next page]*

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2021 to 2023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- -tions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Arizona	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Arkansas	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
California	2021	40	2	0	0	0	1	41
	2022	41	1	0	0	0	0	42
	2023	42	2	0	0	0	0	44
Colorado	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Connecticut	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Florida	2021	15	3	0	0	0	0	18
	2022	18	3	0	0	0	0	21
	2023	21	1	0	0	0	0	22
Georgia	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Hawaii	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Idaho	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Illinois	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	1	0	0	0	0	10
Indiana	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- -tions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Iowa	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Kansas	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Kentucky	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Maryland	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	1	0	0	0	0	9
Massachusetts	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Michigan	2021	7	0	0	0	0	1	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Minnesota	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
Nevada	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
New Hampshire	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
New Jersey	2021	15	0	0	0	0	0	15
	2022	15	0	0	0	0	0	15
	2023	15	0	0	0	0	0	15
New Mexico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- -tions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
New York	2021	12	1	0	0	0	0	13
	2022	13	0	0	0	0	0	13
	2023	13	0	0	0	0	0	13
North Carolina	2021	4	2	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	0	0	0	0	0	6
Ohio	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Oregon	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Pennsylvania	2021	9	1	0	0	0	0	10
	2022	10	0	0	0	0	0	10
	2023	10	0	0	0	0	0	10
South Carolina	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Tennessee	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Texas	2021	13	1	0	0	0	0	14
	2022	14	0	0	0	0	1	13
	2023	13	0	0	0	0	0	13
Utah	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Virginia	2021	6	0	0	0	0	0	6
	2022	6	0	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Washington	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Wisconsin	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termina- -tions	Col. 6 Non- Renewals	Col. 7 Reacquired By Franchisor	Col. 8 Ceased Operations Other Reasons	Col. 9 Outlets at End of the Year
Puerto Rico	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
<b>Totals</b>	<b>2021</b>	<b>208</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>217</b>
	<b>2022</b>	<b>217</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>222</b>
	<b>2023</b>	<b>222</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>227</b>

These numbers are for the fiscal years ending June 30, 2021, June 30, 2022 and June 30, 2023.

**Table No. 4**

**Status of Company-Owned Outlets**

**For years 2021 to 2023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of the Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired From Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisee	Col. 8 Outlets at End of the Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
<b>Totals</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

These numbers are for the fiscal years ending June 30, 2021, June 30, 2022 and June 30, 2023.

**Table No. 5**

**Projected Openings As Of June 30, 2023**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>State</b>	<b>Franchise Agreements Signed But Outlet Not Opened</b>	<b>Projected New Franchised Outlet In The Next Fiscal Year</b>	<b>Projected New Company-Owned Outlet In the Next Fiscal Year</b>
All States	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

While we do not currently estimate granting a specific number of franchises in a specific location during the next one-year period, we may do so, depending upon the qualifications of the prospective franchisee and the desirability of particular locations. We have not owned or operated any Studios during the last 3 fiscal years nor do we currently own or operate any Studio.

Exhibit E is a list of the names of all Arthur Murray Studio franchisees and the addresses and telephone numbers of all of their Studios as of June 30, 2023. Exhibit F has the names and city and state of the last known home addresses and home telephone numbers of the franchisees who had Studios transferred, terminated, cancelled or not renewed or who otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period beginning July 1, 2022 and ending June 30, 2023 or who have not communicated with us within 10 weeks of the application date. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We do not have any independent franchise organizations that have been asked to be included in this disclosure document. We did not enter into confidentiality agreements during the last 3 years restricting franchisees ability to speak openly about their experience with us.

**Item 21**

**FINANCIAL STATEMENTS**

Exhibit B contains our audited balance sheets as of June 30, 2023, 2022, and 2021, and our audited statements of income, shareholder equity, and cash flows for the fiscal years ended June 30, 2023, 2022, and 2021. Exhibit B also contains our unaudited financial statements for the period ended September 30, 2023.

**Item 22**

**CONTRACTS**

Attached are our Franchise Agreement (Exhibit C), Demand Note (Exhibit G), Database Software License Agreement (Exhibit H) and Collateral Assignment of Lease (Exhibit I).

**Item 23**

**RECEIPTS**

Our and your copies of the Franchise Disclosure Document Receipt are located at the last 2 pages of this disclosure document.



**EXHIBIT A**

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

## **STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of the franchise laws. There may be states in addition to those listed below in which we have appointed an agent for service of process.

There also may be additional agents appointed in some of the states listed.

### **CALIFORNIA**

Website: [www.dfpi.ca.gov](http://www.dfpi.ca.gov)

Email: [ask.DFPI@dfpi.ca.gov](mailto:ask.DFPI@dfpi.ca.gov)

Commissioner of Department of Financial  
Protection & Innovation  
Department of Financial Protection &  
Innovation  
Toll Free: 1 (866) 275-2677

#### ***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013-2344  
(213) 576-7500

#### ***Sacramento***

2101 Arena Boulevard  
Sacramento, California 95834  
(866) 275-2677

#### ***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 525-4233

#### ***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104-4428  
(415) 972-8559

### **HAWAII**

(for service of process)

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813  
(808) 586-2722

(for other matters)

Commissioner of Securities  
Department of Commerce  
and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 205  
Honolulu, Hawaii 96813  
(808) 586-2722

### **ILLINOIS**

Illinois Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**INDIANA**

(for service of process)

Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

(state agency)

Indiana Secretary of State  
Securities Division  
Room E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

**MARYLAND**

(for service of process)

Maryland Securities Commissioner  
at the Office of Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(state agency)

Office of the Attorney General-  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

**MICHIGAN**

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1st Floor  
525 West Ottawa Street  
Lansing, Michigan 48933  
(517) 335-7567

**MINNESOTA**

Commissioner of Commerce  
Department of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1500

**NEW YORK**

(for service of process)

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6<sup>th</sup> Floor  
Albany, New York 12231-0001  
(518) 473-2492

(Administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, New York 10005  
(212) 416-8236

**NORTH DAKOTA**

(for service of process)

Securities Commissioner  
North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-4712

(state agency)

North Dakota Securities Department  
600 East Boulevard Avenue, Suite 414  
Bismarck, North Dakota 58505  
(701) 328-2910

**OREGON**

Oregon Division of Financial Regulation  
350 Winter Street NE, Suite 410  
Salem, Oregon 97301  
(503) 378-4140

**RHODE ISLAND**

Securities Division  
Department of Business Regulations  
1511 Pontiac Avenue  
John O. Pastore Complex-Building 69-1  
Cranston, Rhode Island 02920  
(401) 462-9500

**SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

**VIRGINIA**

(for service of process)

Clerk, State Corporation Commission  
1300 East Main Street  
First Floor  
Richmond, Virginia 23219  
(804) 371-9733

(for other matters)

State Corporation Commission  
Division of Securities and Retail Franchising  
Tyler Building, 9th Floor  
1300 East Main Street  
Richmond, Virginia 23219  
(804) 371-9051

**WASHINGTON**

(for service of process)

Director Department of Financial Institutions  
Securities Division  
150 Israel Road SW  
Tumwater, Washington 98501  
(360) 902-8760

(for other matters)

Department of Financial Institutions  
Securities Division  
P. O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

**WISCONSIN**

(for service of process)

Administrator, Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-2139

(state administrator)

Division of Securities  
Department of Financial Institutions  
4822 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-9555

**EXHIBIT B**  
**FINANCIAL STATEMENTS**

**AUDITED FINANCIAL STATEMENTS**

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**REPORT ON AUDITS OF CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

# ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY

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## Independent Auditor's Report

To the Shareholders and Board of Directors  
Arthur Murray International, Inc.  
Coral Gables, Florida

### Opinion

We have audited the accompanying consolidated financial statements of Arthur Murray International, Inc. and subsidiary (a Delaware corporation), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of income, changes in shareholders' 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 consolidated financial position of Arthur Murray International, Inc. and subsidiary as of June 30, 2023 and 2022, 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 Arthur Murray International, Inc. and subsidiary 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 consolidated 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 Arthur Murray International, Inc. and subsidiary's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 Arthur Murray International, Inc. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arthur Murray International, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

*Templeton & Company, LLP*

Fort Lauderdale, Florida  
October 14, 2023

**ARTHUR MURRAY INTERNATIONAL, INC.**

**CONSOLIDATED BALANCE SHEETS**

**June 30, 2023 and 2022**

**ASSETS**

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 4,964,000	\$ 4,109,600
Licensee receivables, net of allowance for credit losses	1,562,300	1,169,100
Refundable federal and state income taxes	63,800	174,000
Other current assets	203,100	489,700
Total current assets	6,793,200	5,942,400
Licensee receivables, net of current portion	55,600	55,600
Property and equipment, net	1,283,900	1,282,100
Software development costs	607,200	359,000
Cash value of officer's life insurance	1,415,100	1,353,500
Deferred tax assets, net	297,900	214,700
Right-of-use assets - operating leases	79,300	-
Other assets	9,400	9,400
Total assets	\$ 10,541,600	\$ 9,216,700

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 118,800	\$ 164,600
Accrued expenses	620,400	701,600
Deferred revenue	134,900	106,700
Deferred non-qualified compensation agreements, current portion	75,000	75,000
Current portion of lease liabilities	27,700	-
Dividends payable	5,200	143,300
Total current liabilities	982,000	1,191,200
Lease liabilities, net of current portion	51,600	-
Deferred non-qualified compensation agreements, net of current portion	681,100	751,000
Total liabilities	1,714,700	1,942,200
Shareholders' equity:		
Common stock, \$1 Par Value; 100,000 shares authorized; issued and outstanding 34,600 shares	34,600	34,600
Retained earnings	8,792,300	7,239,900
Total shareholders' equity	8,826,900	7,274,500
Total liabilities and shareholders' equity	\$ 10,541,600	\$ 9,216,700

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Revenue:</b>		
Licensee fees	\$ 10,832,700	\$ 9,497,700
Dance-O-Rama's	4,430,700	4,192,300
Other income	150,400	18,600
Total revenue	15,413,800	13,708,600
<b>Operating expenses:</b>		
Dance-O-Rama's	2,707,400	2,564,400
Compensation and benefits	6,554,300	4,401,400
Advertising and marketing	980,200	496,100
General and administrative	1,772,200	1,662,900
Licensee support services	528,100	694,600
Interest	-	67,300
Depreciation	79,200	116,200
Total operating expenses	12,621,400	10,002,900
Income from operations	2,792,400	3,705,700
Other income (expense):		
Foreign exchange losses	(20,000)	(13,200)
Employee Retention Credit (see Note 16)	-	244,400
Income before provision for income taxes	2,772,400	3,936,900
Provision for income taxes	702,000	895,200
Net income	\$ 2,070,400	\$ 3,041,700
<b>Basic and diluted earnings per common share</b>	\$ 59.96	\$ 88.08
<b>Weighted average common shares outstanding used in computing basic earnings per share</b>	\$ 34,532	\$ 34,532

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Years Ended June 30, 2023 and 2022**

	Common Stock		Retained Earnings	Total
	<u>Shares</u>	<u>Amount</u>		
Balance, July 1, 2021	34,600	\$ 34,600	\$ 4,819,800	\$ 4,854,400
Net income	-	-	3,041,700	3,041,700
Dividends declared, \$18 per share	<u>-</u>	<u>-</u>	<u>(621,600)</u>	<u>(621,600)</u>
Balance, June 30, 2022	34,600	34,600	7,239,900	7,274,500
Net income	-	-	2,070,400	2,070,400
Dividends declared, \$15 per share	<u>-</u>	<u>-</u>	<u>(518,000)</u>	<u>(518,000)</u>
Balance, June 30, 2023	<u>34,600</u>	<u>\$ 34,600</u>	<u>\$ 8,792,300</u>	<u>\$ 8,826,900</u>

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Net income	\$ 2,070,400	\$ 3,041,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	79,200	116,200
Allowance for credit losses	132,583	380,500
Deferred compensation agreements	(69,900)	(114,500)
Deferred income taxes	(83,200)	42,700
Loss on sale of equipment	8,477	-
Changes in operating assets and liabilities:		
Increase in licensee receivables	(525,783)	(534,300)
Decrease (increase) in refundable income taxes	110,200	(100,800)
Decrease (increase) in other current assets	286,600	(298,600)
(Decrease) increase in accounts payable	(45,800)	71,000
(Decrease) increase in accrued expenses	(81,200)	91,400
Increase (decrease) in deferred revenue	28,200	(37,100)
Net cash provided by operating activities	1,909,777	2,658,200
Cash flows from investing activities:		
Purchase of property and equipment	(111,977)	-
Proceeds from sales of equipment	22,500	-
Software development costs paid	(248,200)	(230,900)
Collections on licensee loans receivable	-	56,400
Increase in other assets	(61,600)	(58,100)
Net cash used in investing activities	(399,277)	(232,600)
Cash flows from financing activities:		
Payments under preferred debt-equity securities	-	(1,850,000)
Dividends paid on common stock	(656,100)	(656,100)
Net cash used in financing activities	(656,100)	(2,506,100)
Net increase (decrease) in cash and cash equivalents	854,400	(80,500)
Cash and cash equivalents, beginning of year	4,109,600	4,190,100
Cash and cash equivalents, end of year	\$ 4,964,000	\$ 4,109,600
Supplemental cash flow disclosure:		
Interest paid	\$ -	\$ 67,300
Income taxes paid	\$ 410,000	\$ 875,000

See accompanying notes to consolidated financial statements.

# ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Organization and Nature of Business

Arthur Murray International, Inc. (the Company) was organized under the laws of the State of Delaware in 1964. The Company grants licenses and franchises to operate dancing schools under the name of Arthur Murray and provides various support services. The Company has granted licenses and franchises in the United States and in approximately 20 foreign countries.

The consolidated financial statements include the accounts of the Company and its wholly owned foreign subsidiary, Arthur Murray (S.A.) (Proprietary) Limited, a company incorporated under the laws of the country of South Africa.

The foreign subsidiary is in the process of being liquidated. The liquidation of the foreign subsidiary will have no material impact on the consolidated financial position, future results of consolidated operations and consolidated cash flows of the Company. The liquidation is expected to be completed in the near future. The delay in the final liquidation is being caused by compliance requirements of the foreign country. For the years ended June 30, 2023 and 2022, the foreign subsidiary had no impact on the consolidated financial statements of the Company.

### Note 2 – Summary of Significant Accounting Policies

#### Basis of presentation and accounting

Arthur Murray International, Inc. and subsidiary prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

#### Management estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Certain amounts included in the consolidated financial statements are estimated based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the consolidated financial statements and actual results could differ from the estimates and assumptions. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition, the expected life of franchise agreements, the useful life of reacquired rights, and the evaluation of the recoverability of long-lived assets. Actual results could differ from those estimates.

#### Fair value of financial instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable, accrued expenses, and deferred revenue approximate their fair values because of the short-term nature of their maturities.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Impairment of long-lived assets

In accordance with ASC 360, the Company continually evaluates land, buildings, and equipment, including improvements, to determine whether events or circumstances have occurred that indicate the remaining estimated useful lives of its long-term assets may warrant revision or that the remaining balance of such assets may not be recoverable. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, a current expectation that more-likely-than-not a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life, or a current-period operating, or cash flow loss combined with historical losses or projected future losses. Recoverability of the asset is measured by comparison to its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amounts of the asset exceed their estimated fair value. Any impairment recognized is permanent and may not be restored.

The Company tests its long-lived asset balances for impairment as triggering events occurred in the year. The Company has determined that there was no impairment of its long-lived assets for the years ended June 30, 2023 and 2022.

Revenue recognition

Revenues are recorded in accordance with the FASB ASC 606, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with licensees. The Company's revenues are comprised of royalty fees, event revenues, marketing fees, and other revenues which include franchise fees. Topic 606 applies a five-step model that includes: (1) identifying the contract with a licensee, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations in the contract, and (5) recognizing the appropriate amount of revenue when (or as) the performance obligations are satisfied. The Company usually identifies the separate performance obligations for its revenue sources and allocates revenue to each separate performance obligation.

Royalty fees (licensee fee) are earned based on a percentage of franchisees' gross sales. The royalty fee is typically 8.0% of the franchisees' gross sales for such period and payment is remitted to the Company on a monthly basis and recognized in the period the franchisees' sales occur as licensees submit weekly revenue reports, which are reported on the cash basis of accounting. The Company will deduct actual uncollected licensee receivables it deems as uncollectible.

Dance-O-Rama's, are closed dance competitions for licensees, revenue is earned when a particular function has been completed and all related costs of the function have been paid or accrued.

Franchise fees consist of initial franchise fees due at contract inception. The Company's primary performance obligations under the franchise license are granting the use of the Arthur Murray trademarks, system, training, preopening assistance, and studio operating assistance in exchange for franchise fees. The rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use its intellectual property over the term of each franchise agreement.



**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Revenue recognition, continued

Initial franchise fees are payable by the franchisee upon signing a new franchise agreement and are recognized as revenue on a straight-line basis commencing at contract inception through the end of the initial franchise license term. Franchise agreements generally have terms of 10 years beginning on the date the dance studio is opened and the initial franchise fees are amortized over a period approximating the term of the agreement. These agreements also convey one extension term up to 10 years, depending on contract terms if certain conditions are met.

Deferred revenue

Amounts collected for franchise fees in advance of satisfying the revenue recognition criteria are recorded as deferred revenue on the consolidated balance sheets.

Cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at time of purchase to be cash equivalents. The Company places its cash and cash equivalents with high credit-quality financial institutions. From time to time, such balances may exceed the FDIC insurance limit.

Licensee receivables

Licensee receivables are recorded at net realizable value, consisting of the carrying amount less an allowance for credit losses, as needed. The Company evaluates its licensee receivables on an ongoing basis and may establish an allowance for credit losses based on a combination of historical experience, aging analysis and information related to specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and it is determined that further collection efforts will be unsuccessful. Recoveries of receivables previously written off are recorded as income when received.

Cash surrender value life insurance

The Company is the owner and beneficiary under cash surrender value life insurance policies on the lives of certain directors and executives. The cash surrender value for some of the policies are dependent upon the investment performance of certain mutual funds that are comprised of stocks, bonds and government securities. Accordingly, the cash surrender values of these policies are subject to market fluctuations and other investment risks. Any increase or decrease in cash surrender value, net of premiums paid, is included in other income (expenses), net in the consolidated statements of income for the years ended June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022, the cash surrender value of the life insurance policies appreciated by \$61,586 and \$58,165, respectively.

Licensee funding

The Company funds certain licensee operating deficits when, in the opinion of management, a specific studio bankruptcy or other financial difficulty would not be in the best interest of the Company. This policy has been established in order to promote goodwill and to avoid potential unwarranted litigation in connection with uncompleted student contracts and/or other matters. These expenditures are charged to operations when incurred. Such costs were not significant for the years ended June 30, 2023 and 2022.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Buildings and improvements	33–40 years
Furniture	5–10 years

Repairs and routine maintenance are charged to operations as incurred, and expenditures for significant betterments and renewals are capitalized.

Capitalized software development costs

The Company purchases and develops software for internal and franchisee use. Software development costs, upgrade and enhancement costs incurred during the application development stage that result in additional or new functionality and utilization are capitalized. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Capitalized software development costs are generally amortized over a term of three to five years once the software and/or application developed for externally marketed software is available for general release to customers. The Company includes these software purchases, consulting costs and external and internal software development charges as software development costs in the accompanying consolidated balance sheets. These purchases are segregated and not amortized until the software solution or significant components are ready for general release to customers. Recurring licensing or maintenance fees are expensed as incurred.

Intangible assets

Domain names are recorded at cost and were amortized on the straight-line method over periods ranging from 3 to 10 years. Any impairment is recognized when the expected future operating cash flows derived from such intangible assets is less than their carrying value. All intangible assets have been fully amortized as of June 30, 2023 and 2022.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Accounting for Income Taxes* (ASC 740), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's consolidated balance sheets as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable and those deferred because of the differences between the financial statement and the tax basis of assets and liabilities. Those differences are principally the allowance for credit losses, accelerated depreciation over straight-line depreciation and deferred non-qualified compensation agreements versus the accrual basis of accounting. Each corporation files its own income tax return.

ASC 740 prescribes a two-step approach for the recognition of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the consolidated financial statements. The Company includes income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of its provision for income taxes. Management believes there are no uncertain tax positions to be recognized under ASC 740 as of June 30, 2023 and 2022.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Leases

Effective July 1, 2022, the Company adopted FASB Accounting Standards Update (ASU) 2016-02, *Leases*, which as amended, was codified as ASC Topic 842, *Leases* (ASC 842). Pursuant to ASC 842, the Company classifies a lease as an operating or finance lease using the classification criteria set forth in ASC 842. Further, the Company recognizes a right-of-use (ROU) asset and a corresponding lease liability on its consolidated balance sheet as of the lease commencement date based on the present value of the lease payments over the lease term. The discount rate used to calculate the present value of the Company's leases is based on a risk-free rate based on the information available at the commencement date since the leases do not provide a readily determinable implicit rate.

The term of a lease is inclusive of any option to renew, extend, or terminate the lease when it is reasonably certain that the Company will exercise such option. For operating leases, lease expense is recognized on a straight-line basis over the lease term. For finance leases, ROU assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the leased asset. See Note 2 for additional information regarding the Company's accounting policy for ASC 842 and Note 10 for further disclosure of the Company's leases.

Advertising

The Company records advertising and promotion costs in advertising and marketing in the consolidated statements of income in the period when the advertising costs are incurred. Advertising expenses include print, digital and social media advertising costs. The Company expenses the costs related to its advertising in the period the related promotional event occurs.

Basic and diluted per share amounts

Basic and diluted net income per share is computed using the weighted average number of common shares outstanding during the period. The Company does not have any features to its common stock which would cause dilution to the basic per share amounts; therefore, no diluted per share amounts are presented. Net income is used for computing earnings per share.

Reclassifications

In order to facilitate comparison of financial information, certain amounts reported in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation.

Foreign currency translation

The Company's foreign subsidiary (which is inactive) is considered to be an extension of the domestic operation and any translation gains and losses related to that subsidiary are included in operations. As the U.S. dollar is utilized as the functional currency, gains and losses resulting from foreign currency translations (transactions denominated in a currency other than the subsidiary's functional currency) are also included in operations. There were no operations in the foreign subsidiary during the past few years.

Adjustments for currency exchange rates on collection of royalties from studios in foreign countries are charged to operations as incurred. All accrual revenues from outside the United States are translated into U.S. dollars at period-end transaction date exchange rates.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Recently adopted accounting standards

In February 2016, the FASB issued ASU 2016-02, *Leases*, which was subsequently amended and codified as ASC 842 (New Lease Standard). The New Lease Standard requires recognition of lease assets and lease liabilities on the balance sheet of lessees.

The Company adopted the New Lease Standard as of July 1, 2022 using the modified retrospective transition approach with the election to apply the guidance as of the adoption date instead of at the beginning of the earliest comparative period presented. The adoption of the New Lease Standard resulted in an increase in the Company's assets and liabilities due to the recognition of the ROU assets and corresponding lease liabilities for leases that are currently classified as operating leases.

Upon adoption, the Company elected a package of transitional practical expedients, which allowed the Company to not reassess its prior conclusions about lease identification, lease classification and initial direct costs. In addition, the Company elected the short-term lease practical expedient, which allows the Company to not record an ROU asset and lease liability for any lease with a term of twelve months or less. The Company also elected to forego the single component practical expedient for its operating leases, which separates lease components from non-lease components when determining the value of ROU asset and lease liability. Therefore, these non-lease components are classified as variable lease expense.

The adoption of the New Lease Standard resulted in the Company recording ROU assets – operating leases and corresponding operating lease liabilities of \$111,000 and \$111,000, respectively, in the Company's consolidated balance sheet on July 1, 2022. The adoption of the New Lease Standard did not have a material impact on the Company's consolidated statements of income and cash flows. See Note 12, for additional information regarding the Company's accounting policy for leases and disclosures required by the New Lease Standard.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing a variety of exceptions within the framework of ASC 740. The amendments in ASU 2019-12 also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. ASU 2019-12 was effective for years beginning after December 15, 2021. The Company adopted the amendments of ASU 2019-12 as of July 1, 2022. Certain amendments in ASU 2019-12 were adopted on a modified retrospective basis, whereas other amendments are required to be applied prospectively. The adoption of ASU 2019-12 for the year ended June 30, 2023 did not have a material impact on the Company's consolidated financial statements or results of operations.

**Note 3 – Licensee Receivables, Net of Allowance for Credit Losses**

The Company accrues a royalty fee (generally 8.0%) based on the gross receipts of its licensees. In those instances where the licensee has become delinquent in remitting such fees, the Company will allow them to pay the current amounts plus an additional percentage (generally 2% to 3% of gross receipts) against their prior balances. That portion which is reflected as a licensee receivable is management's estimate of the amount that will be collected during the subsequent fiscal year. Management believes there are no non-current licensee receivables at June 30, 2023 and 2022. Management believes that the allowance for credit losses is sufficient to absorb any uncollected amounts, as well as to provide a valuation discount for receivables collected over an extended period.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Licensee Receivables, Net of Allowance for Credit Losses, Continued**

Licensee receivables, net are comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Licensee receivables	\$ 2,730,700	\$ 2,188,200
Other receivables	<u>209,600</u>	<u>235,300</u>
Subtotal	2,940,300	2,423,500
Allowance for credit losses	<u>(1,378,000)</u>	<u>(1,254,400)</u>
Licensee receivables, net	<u>\$ 1,562,300</u>	<u>\$ 1,169,100</u>

The activity in the Company's allowances against accounts and other receivables consists of the following for the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 1,254,400	\$ 873,900
Charges to expense for changes in allowance	132,583	385,800
Write-offs	<u>(8,983)</u>	<u>(5,300)</u>
End of year	<u>\$ 1,378,000</u>	<u>\$ 1,254,400</u>

**Note 4 – Property and Equipment**

Property and equipment at June 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 136,500	\$ 136,500
Buildings and improvements	1,967,800	1,967,800
Vehicles	-	-
Furniture	<u>530,100</u>	<u>473,700</u>
Subtotal	2,634,400	2,578,000
Less: accumulated depreciation	<u>1,350,500</u>	<u>1,295,900</u>
Property and equipment, net	<u>\$ 1,283,900</u>	<u>\$ 1,282,100</u>

Depreciation expense for the years ended June 30, 2023 and 2022 totaled \$79,200 and \$116,200, respectively.

**Note 5 – Other Current Assets**

Other current assets are comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Due from officers and employees	\$ 156,200	\$ 144,800
Other prepaid expenses	37,000	84,200
Employee Retention Credit (see Note 16)	-	244,400
Prepaid advertising and promotional costs	<u>9,900</u>	<u>16,300</u>
Total other current assets	<u>\$ 203,100</u>	<u>\$ 489,700</u>

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 6 – Software Development Costs**

The table below reflects the carrying values of capitalized software development costs as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Software development costs	\$ 607,200	\$ 359,000
Less: accumulated amortization	<u>-</u>	<u>-</u>
Software development costs	<u>\$ 607,200</u>	<u>\$ 359,000</u>

As of June 30, 2023 and 2022, capitalized software development costs were related to technology projects not yet complete and ready for their intended use and thus were not subject to amortization.

The estimated future amortization of capitalized software development costs in each of the years subsequent to June 30, 2023 follows:

<u>Year Ending June 30,</u>	
2024	\$ 202,400
2025	202,400
2026	<u>202,400</u>
Total	<u>\$ 607,200</u>

**Note 7 – Accrued Expenses**

Accrued expenses consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accrued bonuses, commissions and payroll taxes	\$ 262,200	\$ 321,800
Accrued real estate taxes	73,800	73,800
Accrued retirement plan contribution	160,000	160,000
Accrued expenses, other	50,400	30,000
Accrued professional fees	<u>74,000</u>	<u>116,000</u>
Total	<u>\$ 620,400</u>	<u>\$ 701,600</u>

**Note 8 – Deferred Revenue**

The deferred revenue balances represent consideration received from customers for which the Company has not yet met its performance obligations or for which revenue recognition criteria has not been satisfied. As of June 30, 2023 and 2022, the Company's deferred revenue balance amounted to \$134,900 and \$106,700, respectively. For the years ended June 30, 2023 and 2022, the Company recognized revenue of approximately \$106,000 and \$153,000 of that which was deferred at the end of the prior reporting period.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 9 – Income Taxes**

Differences between financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the deferred income tax assets and liabilities as of June 30, 2023 and 2022 are as follows:

	2023	2022
Deferred tax assets (liabilities):		
Allowance for credit losses	\$ 349,300	\$ 187,900
Deferred compensation agreements	191,700	209,400
Tax differences in depreciation of property and equipment	(243,100)	(182,600)
Right-of-use assets – operating lease	(20,100)	-
Lease liability – operating lease	<u>20,100</u>	<u>-</u>
Net deferred tax assets	<u>\$ 297,900</u>	<u>\$ 214,700</u>

The difference between the federal income tax rate computed by the statutory federal income tax rate and the Company's actual income tax rate, as reflected in the consolidated financial statements, is due to state income taxes, net of federal tax benefit and certain permanent differences including CARES Act Employee Retention Credits, and appreciation in value of cash surrender life insurance policies.

Income tax provision (benefit) is comprised as follows for the years ended June 30, 2023 and 2022:

	2023			
	Federal	State	Foreign	Total
Current	\$ 479,300	\$ 186,200	\$ 119,700	\$ 785,200
Deferred	<u>(65,100)</u>	<u>(18,100)</u>	<u>-</u>	<u>(83,200)</u>
Total	<u>\$ 414,200</u>	<u>\$ 168,100</u>	<u>\$ 119,700</u>	<u>\$ 702,000</u>
	2022			
	Federal	State	Foreign	Total
Current	\$ 629,200	\$ 123,400	\$ 99,900	\$ 852,500
Deferred	<u>33,400</u>	<u>9,300</u>	<u>-</u>	<u>42,700</u>
Total	<u>\$ 662,600</u>	<u>\$ 132,700</u>	<u>\$ 99,900</u>	<u>\$ 895,200</u>

When applicable, the Company recognizes accrued interest and penalties on the underpayment of federal and state income taxes. For the years ended June 30, 2023 and 2022, accrued interest and penalties amounted to approximately \$5,200 and \$15,000, respectively, which have been charged to operations as general and administrative expense.

**Note 10 – Employee Benefit Plan**

The Company sponsors a 401(k) plan under which all employees may annually contribute up to the maximum dollar limitations established by the IRS. The Company has reserved the right to make matching and discretionary contributions to the plan. The Company made contributions to the plan of approximately \$203,000 and \$243,000, respectively, for the years ended June 30, 2023 and 2022.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 11 – Deferred Compensation Agreements**

The Company has two (2) deferred non-qualified compensation agreements. The agreements are with one former officer and one current officer of the Company who were or are also shareholders and directors of the Company. The deferred compensation agreements are recorded on an annual basis as a liability, with a discount rate of 5.8%.

One agreement is with a deceased officer which provides for an annual payment of \$75,000 to the estate for a period of fifteen (15) years. As of both June 30, 2023 and 2022, the current portion of the deferred non-qualified compensation agreements is \$93,750. The undiscounted balance to be paid is \$18,750 through 2024. The remaining present value commitment of the deceased officer's agreement liability of \$18,100 is to be funded from future operations and is included under deferred non-qualified compensation agreements.

The second deferred compensation agreement is with an officer (shareholder/director) of the Company. Under the terms of the agreement, as amended, subsequent to retirement or death, the officer (estate or trust) would receive continuing salary compensation not to exceed one (1) year from the date of the event at the then annual compensation.

Total commitment under this agreement, amounts to \$1,125,000 plus the amount equal to the former employee's monthly salary of twelve (12) months, and both will be funded from future operations. Under the terms of the agreement the present value of the unfunded liability amounts to \$681,100 at June 30, 2023 and \$751,000 at June 30, 2022 and is to be funded from future operations and is included under deferred non-qualified compensation agreements.

The Company owns and pays the cost of two (2) life insurance policies on the life of the current officer/shareholder/director covered under the deferred non-qualified compensation agreement. Those policies have a total face value death benefit of \$1,000,000. Upon the death of that officer/shareholder/director while those policies continue in effect, \$500,000 will be available to provide funds to the Company with respect to the agreement with the officer who passed away in 2007 and \$500,000 will be available to provide funds to the Company with respect to the surviving officer. To the extent that those insurance policies benefits are not adequate to fund the non-qualified deferred compensation agreements, the Company will still be obligated for the balance due.

Other than the amount equal to the employee's monthly salary for twelve (12) months, the net present value of the deferred non-qualified compensation agreement amounts to \$756,100 at June 30, 2023, and the total non-discounted value of the agreements amounts to approximately \$1,125,000.

For the years ended June 30, 2023 and 2022, total net adjustments pertaining to the discounted present value of the deferred compensation agreements amounted to \$69,900 and \$114,500, respectively.

**Note 12 – Leases**

The Company's lease arrangements primarily consists of office equipment. The discount rate used to calculate the present value of the Company's lease liabilities is based on the Company's incremental borrowing rate and considers credit risk, the lease term, and other available information as of the commencement date since the leases generally do not provide a readily determinable implicit rate. Variable lease payments that do not depend on an index or rate or resulting from changes in an index rate subsequent to the lease commencement date, are recorded as lease expense in the period in which the obligation for the payment is incurred. The Company's ROU assets are increased by any prepaid lease payments and initial direct costs and reduced by any lease incentives. The Company's leases do not contain any material residual value guarantees or restrictive covenants.



**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 12 – Leases, Continued**

The Company's lease ROU assets represent its right to use an underlying asset during the lease term and its lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets are separately stated as noncurrent assets and its operating lease liabilities are included as lease liabilities, net of current portion and current portion of lease liabilities in the accompanying consolidated balance sheet as of June 30, 2023.

The following table presents the Company's operating lease ROU assets and lease liabilities at June 30, 2023:

Right-of-use assets	<u>\$ 79,300</u>
Current lease liabilities	\$ 27,700
Long-term lease liabilities	<u>51,600</u>
Total lease liabilities	<u>\$ 79,300</u>

The Company's operating lease expense is recorded within general, and administrative expenses in the accompanying consolidated statement of income.

The following table represents the components of lease expense for the year ended June 30, 2023:

Operating lease expense	\$ 28,500
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The following table presents a maturity analysis of the Company's operating lease liabilities as of June 30, 2023 for the next five years:

Year Ending June 30,	Minimum Lease Payments
2024	\$ 29,600
2025	23,300
2026	14,500
2027	14,500
2028	<u>1,200</u>
Total minimum lease payments	83,100
Less: imputed interest	<u>(3,800)</u>
Present value of minimum lease payments	<u>\$ 79,300</u>

The following table presents the weighted average remaining lease term and discount rate of the Company's operating leases at June 30, 2023:

Weighted average remaining lease term (years)	3.43
Weighted average discount rate	2.96%

The following table presents supplemental disclosure of cash flow information associated with the Company's leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	\$ 28,400

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 12 – Leases, Continued**

Non-cash activities:	
New right-of-use assets obtained in exchange for	
lease liabilities:	\$ 111,000

Prior to the adoption of the New Lease Standard, total rent expense and related charges under all operating leases totaled \$6,000 for the year ended June 30, 2022, and is included in general and administrative expenses.

**Note 13 – Concentrations**

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. During the year, the Company's account balances with financial institutions may exceed federally insured limits of the Federal Deposit Insurance Corporation and other agencies. Management regularly monitors their balances and attempts to keep this potential risk to a minimum by maintaining their accounts with financial institutions that they believe are of good quality.

The Company may have a concentration of credit risk with respect to licensee receivables, as substantially all customers are affiliated with the dance entertainment industry. The Company has a large number of licensees on which it performs ongoing credit evaluations. The Company generally does not require collateral from its licensees. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectability of all accounts receivable. Therefore, no additional credit losses beyond amounts provided for collection losses are believed inherent in the Company's accounts receivable.

Geographic concentration

While the Company has world-wide operations, there is a concentration of revenues in the United States. Concentration of revenues in the United States was approximately 92% in 2023 and 2022. Foreign revenues approximated 8% of total revenues in 2023 and 2022. The following table reflects the geographic regions where the concentration of revenues are generated:

	2023	2022
Revenues:		
United States	\$ 14,145,300	\$ 12,729,900
Foreign	1,268,500	978,700
Total	\$ 15,413,800	\$ 13,708,600

The Company enters into franchise agreements with unrelated third parties to operate dance studios using the Arthur Murray brand within defined geographical areas. The Company believes that franchising is an effective and efficient means to expand the Arthur Murray brand. The franchisee is required to operate its centers in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

**Note 14 – Contingencies and Commitments**

From time to time, the Company is subject to legal proceedings which arise in the ordinary course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, cash flows, or results of operations.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 15 – Related Party Transactions**

The Company has entered into an employment agreement with one officer, who is a shareholder and Chairman of the Board of Directors, which expires on December 31, 2025. The agreement provides for minimum annual compensation aggregating approximately \$622,500, adjusted annually for cost-of-living increases, plus bonuses as recommended by the Board. The agreement includes additional mandatory bonuses of 6% in 2023 and 2022 based on modified cash basis income, as defined in the agreement, in excess of \$250,000. The mandatory bonuses under the agreement amounted to \$200,000 in 2023 and \$215,000 in 2022. For the years ended June 30, 2023 and 2022, discretionary executive bonuses approved by the Board amounted to \$3,301,100 and \$1,694,300, respectively. For the years ended June 30, 2023 and 2022, the executive bonuses included the total of \$3,089,900 and \$1,357,000, respectively, paid to the Chairman of the Board of Directors. In addition, for the years ended June 30, 2023 and 2022, staff bonuses included the payments of \$660,100 and \$289,900, respectively, paid to the Director of Franchisee Relationship, who is the Chairman's spouse.

Fees and allowances paid to Board Directors and Executives during the years ended June 30, 2023 and 2022, amounted to \$345,600 and \$212,400, respectively.

**Note 16 – Employee Retention Credit**

The CARES Act provides an employee retention credit (CARES Employee Retention credit), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit for calendar quarters in 2021, through September 30, 2021, is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter. The Company qualified for the tax credit under the CARES Act and subsequent legislation and continued to receive additional tax credits under the additional relief provisions for qualified wages through September 30, 2021.

During the year ended June 30, 2022, the Company recorded \$244,400 related to the CARES Employee Retention credit in other income in the accompanying statement of income. As of June 30, 2022, the Company has a \$244,400 receivable balance from the United States government related to the ERCs, which is recorded in Employee Retention Credits receivable and included in other current assets in the accompanying consolidated balance sheet. There was no receivable balance from the United States government related to ERCs as of June 30, 2023.

**Note 17 – Subsequent Events**

Management evaluated activity of the Company subsequent to June 30, 2023 through October 14, 2023, the date on which the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

**Note 18 – Differences Between U.S. GAAP and Those Accounting Principles Generally Accepted in Australia and Canada**

The Australian Accounting Standards Board (AASB) and the Canadian Accounting Standards Board (AcSB) have adopted most of the International Financial Reporting Standards (IFRS), which more closely compares to accounting principles generally accepted (U.S. GAAP) in the United States of America. The adoption of the IFRS by the AASB and AcSB make the differences in accounting principles between the countries minimal.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 18 – Differences Between U.S. GAAP and Those Accounting Principles Generally Accepted in Australia and Canada, Continued**

In most instances, the difference in accounting principles between Australia, Canada and the United States may be one of wording rather than principle. The primary difference is that U.S. GAAP is rules-based and IFRS is principles-based.

The differences between U.S. GAAP and those of Canada, Australia and IFRS are minimal. Some of those differences include inventory method of FIFO versus LIFO and write-down reversals; fair value revaluations; reversal of impairment losses; some aspects of lease accounting; disclosure of cash flow per share; comprehensive income (loss); extraordinary items; intangible assets; pre-operating costs; certain development costs; dependence on major customers, and stock-based compensation. Except for cash flow per share and fair value of real property, the differences in GAAP would have no material impact on the consolidated financial position of the Company as of June 30, 2023 and 2022 under U.S. GAAP as compared with Australia, Canada or IFRS. Therefore, there are no supplemental schedules prepared reflecting the effects of the different GAAP's.

Management is presenting a modified pro-forma equity adjustment of real property under IFRS so as to reflect a more current value based on a former valuation and assessments of properties by local governmental agencies. The values used do not represent current fair market value and may be subject to material changes.

**Arthur Murray International, Inc. and Subsidiary**  
**Modified Pro-Forma Equity Adjustment for IFRS**  
**As of June 30, 2023 and 2022**  
**(Unaudited)**

	2023	2022
Real property, at assessed value		
Land and office building	\$ 5,045,000	\$ 5,045,000
Warehouse and condominium	<u>557,800</u>	<u>557,800</u>
	5,602,800	5,602,800
Less: real property cost, net	<u>(1,161,700)</u>	<u>(1,161,700)</u>
	4,441,100	4,441,100
Less: deferred federal and state income tax	<u>1,125,800</u>	<u>1,125,800</u>
Net pro-forma property increment under IFRS	3,315,300	3,315,300
Shareholders' equity, at cost, ending	<u>8,826,900</u>	<u>7,274,500</u>
Pro-forma equity under IFRS, ending	<u>\$ 12,142,200</u>	<u>\$ 10,589,800</u>

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**REPORT ON AUDIT OF CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

# ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY

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## Independent Auditor's Report

To the Shareholders and Board of Directors  
Arthur Murray International, Inc.  
Coral Gables, Florida

### Opinion

We have audited the accompanying consolidated financial statements of Arthur Murray International, Inc. and subsidiary (a Delaware corporation), which comprise the consolidated balance sheet as of June 30, 2022 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year 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 consolidated financial position of Arthur Murray International, Inc. and subsidiary as of June 30, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit 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 Arthur Murray International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The consolidated financial statements of Arthur Murray International, Inc. and subsidiary as of June 30, 2021 were audited by other auditors whose report dated October 29, 2021 expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 Arthur Murray International, Inc.'s 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 Arthur Murray International, Inc. and subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arthur Murray International, Inc. and subsidiary's ability to continue as a going concern for a reasonable period of time.

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

*Templeton & Company, LLP*

Fort Lauderdale, Florida  
October 31, 2022



**ARTHUR MURRAY INTERNATIONAL, INC.**

**CONSOLIDATED BALANCE SHEETS**

**June 30, 2022 and 2021**

**ASSETS**

	2022	2021
Current assets:		
Cash and cash equivalents	\$ 4,109,600	\$ 4,190,100
Licensee receivables, net of allowance for doubtful accounts	1,169,100	1,015,300
Refundable federal and state income taxes	174,000	73,200
Other current assets	489,700	191,100
Total current assets	5,942,400	5,469,700
Loans receivable, licensees net of current portion	55,600	112,000
Property and equipment, net	1,641,100	1,526,400
Cash value of officer's life insurance	1,353,500	1,295,400
Deferred tax asset, net	214,700	257,400
Other assets	9,400	9,400
Total assets	\$ 9,216,700	\$ 8,670,300

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current liabilities:		
Accounts payable	\$ 164,600	\$ 93,600
Accrued expenses	701,600	610,200
Preferred debt-equity securities, called	-	350,000
Deferred revenue	106,700	143,800
Deferred non-qualified compensation agreements, current portion	75,000	75,000
Dividends payable	143,300	177,800
Total current liabilities	1,191,200	1,450,400
Deferred non-qualified compensation agreements, net of current portion	751,000	865,500
Preferred debt-equity securities	-	1,500,000
Total liabilities	1,942,200	3,815,900
Shareholders' equity:		
Common stock	34,600	34,600
Retained earnings	7,239,900	4,819,800
Total shareholders' equity	7,274,500	4,854,400
Total liabilities and shareholders' equity	\$ 9,216,700	\$ 8,670,300

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Revenue:</b>		
Licensee fees	\$ 9,497,700	\$ 6,141,800
Dance-O-Rama's	4,192,300	738,600
Other income	18,600	17,900
	13,708,600	6,898,300
<b>Operating expenses:</b>		
Dance-O-Rama's	2,564,400	201,500
Compensation and benefits	4,401,400	2,725,500
Advertising and marketing	496,100	457,900
General and administrative	1,662,900	1,273,800
Licensee support services	694,600	141,400
Interest	67,300	120,000
Depreciation	116,200	87,100
Total operating expenses	10,002,900	5,007,200
Income from operations	3,705,700	1,891,100
Other income (expense):		
Foreign exchange losses	(13,200)	-
Employee Retention Credit (see Note 11)	244,400	-
Gain on debt forgiveness - Paycheck Protection Program (see Note 12)	-	502,900
Income before provision for income taxes	3,936,900	2,394,000
Provision for income taxes	895,200	470,300
Net income	\$ 3,041,700	\$ 1,923,700
<b>Basic and diluted earnings per common share</b>	<b>\$ 88.08</b>	<b>\$ 55.71</b>
<b>Weighted average common shares outstanding</b>		
<b>used in computing basic and diluted earnings per share</b>	<b>\$ 34,532</b>	<b>\$ 34,532</b>

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**For the Years Ended June 30, 2022 and 2021**

	Common Stock		Retained Earnings	Total
	Shares	Amount		
Balance, July 1, 2020	34,523	\$ 34,600	\$ 3,586,700	\$ 3,621,300
Net income	-	-	1,923,700	1,923,700
Dividends declared, \$20 per share	-	-	(690,600)	(690,600)
Balance, June 30, 2021	34,523	34,600	4,819,800	4,854,400
Net income	-	-	3,041,700	3,041,700
Dividends declared, \$18 per share	-	-	(621,600)	(621,600)
Balance, June 30, 2022	<u>34,523</u>	<u>\$ 34,600</u>	<u>\$ 7,239,900</u>	<u>\$ 7,274,500</u>

See accompanying notes to consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities:		
Net income	\$ 3,041,700	\$ 1,923,700
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	116,200	87,100
Gain on debt forgiveness, Paycheck Protection Program	-	(502,900)
Allowance for doubtful accounts	380,500	326,800
Deferred compensation agreements	(114,500)	(66,900)
Deferred income taxes	42,700	(18,800)
Changes in operating assets and liabilities:		
Increase in licensee receivables	(534,300)	(342,100)
Increase in refundable income taxes	(100,800)	(73,200)
(Increase) decrease in other current assets	(298,600)	111,300
Increase (decrease) in accounts payable	71,000	(31,500)
Decrease in accrued expenses	91,400	(259,900)
Decrease in income taxes payable	-	(118,900)
Increase in deferred revenue	(37,100)	-
Net cash provided by operating activities	2,658,200	1,034,700
Cash flows from investing activities:		
Software development costs paid	(230,900)	(40,000)
Collections (advances) on licensee loans receivable	56,400	(115,500)
Increase in other assets	(58,100)	(54,200)
Net cash used in investing activities	(232,600)	(209,700)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program Loan	-	250,000
Payments under preferred debt-equity securities	(1,850,000)	(150,000)
Dividends paid on common stock	(656,100)	(863,300)
Net cash used in financing activities	(2,506,100)	(763,300)
Net increase (decrease) in cash and cash equivalents	(80,500)	61,700
Cash and cash equivalents, beginning of year	4,190,100	4,128,400
Cash and cash equivalents, end of year	\$ 4,109,600	\$ 4,190,100
Supplemental cash flow disclosure:		
Interest paid	\$ 67,300	\$ 130,000
Income taxes paid	\$ 875,000	\$ 681,200

See accompanying notes to consolidated financial statements.

# ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1 – Organization and Nature of Business

Arthur Murray International, Inc. (the Company) was organized under the laws of the State of Delaware in 1964. The Company grants licenses and franchises to operate dancing schools under the name of Arthur Murray and provides various support services. The Company has granted licenses and franchises in the United States and in approximately 20 foreign countries.

The consolidated financial statements include the accounts of the Company and its wholly owned foreign subsidiary, Arthur Murray (S.A.) (Proprietary) Limited, a company incorporated under the laws of the country of South Africa.

The foreign subsidiary is in the process of being liquidated. The liquidation of the foreign subsidiary will have no material impact on the consolidated financial position, future results of consolidated operations and consolidated cash flows of the Company. The liquidation is expected to be completed in the near future. The delay in the final liquidation is being caused by compliance requirements of the foreign country. For the years ended June 30, 2022 and 2021, the foreign subsidiary had no impact on the consolidated financial statements of the Company.

### Note 2 – Summary of Significant Accounting Policies

#### Basis of presentation and accounting

Arthur Murray International, Inc. and subsidiary prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

#### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

#### Management estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Certain amounts included in the consolidated financial statements are estimated based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the consolidated financial statements and actual results could differ from the estimates and assumptions. Significant areas where estimates and judgments are relied upon by management in the preparation of the financial statements include revenue recognition, the expected life of franchise agreements, the useful life of reacquired rights, and the evaluation of the recoverability of long-lived assets. Actual results could differ from those estimates.

#### Fair value of financial instruments

The carrying amounts of cash and cash equivalents, receivables, accounts payable, accrued expenses, and deferred revenue approximate their fair values because of the short-term nature of their maturities.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Impairment of long-lived assets

In accordance with ASC 360, the Company continually evaluates land, buildings, and equipment, including improvements, to determine whether events or circumstances have occurred that indicate the remaining estimated useful lives of its long-term assets may warrant revision or that the remaining balance of such assets may not be recoverable. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, a current expectation that more-likely-than-not a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life, or a current-period operating, or cash flow loss combined with historical losses or projected future losses. Recoverability of the asset is measured by comparison to its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amounts of the asset exceed its fair value. Any impairment recognized is permanent and may not be restored.

The Company tests its long-lived asset balances for impairment as triggering events that may have occurred in the current or past years. The Company has determined that there was no impairment of its long-lived assets for the years ended June 30, 2022 and 2021.

Revenue recognition

Revenues are recorded in accordance with the FASB ASC 606, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with licensees. The Company's revenues are comprised of royalty fees, event revenues, marketing fees, and other revenues which include franchise fees. Topic 606 applies a five-step model that includes: (1) identifying the contract with a licensee, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations in the contract, and (5) recognizing the appropriate amount of revenue when (or as) the performance obligations are satisfied. The Company usually identifies the separate performance obligations for its revenue sources and allocates revenue to each separate performance obligation.

Royalty fees (licensee fee) are earned based on a percentage of franchisees' gross sales. The royalty fee is typically 8.0% of the franchisees' gross sales for such period and payment is remitted to the Company on a monthly basis and recognized in the period the franchisees' sales occur as licensees submit weekly revenue reports, which are reported on the cash basis of accounting. The Company will deduct actual uncollected licensee receivables it deems as uncollectible.

Dance-O-Rama's, are closed dance competitions for licensees, revenue is earned when a particular function has been completed and all related costs of the function have been paid or accrued.

Franchise fees consist of initial franchise fees due at contract inception. The Company's primary performance obligations under the franchise license are granting the use of the Arthur Murray trademarks, system, training, preopening assistance, and studio operating assistance in exchange for franchise fees. The rights to use the Company's intellectual property, and all other services the Company provides under the franchise agreement are highly interrelated, not distinct within the contract, and therefore accounted for under ASC 606 as a single performance obligation, which is satisfied by granting certain rights to use its intellectual property over the term of each franchise agreement.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Revenue recognition, continued

Initial franchise fees are payable by the franchisee upon signing a new franchise agreement and are recognized as revenue on a straight-line basis commencing at contract inception through the end of the initial franchise license term. Franchise agreements generally have terms of 10 years beginning on the date the dance studio is opened and the initial franchise fees are amortized over a period approximating the term of the agreement. These agreements also convey one extension term up to 10 years, depending on contract terms if certain conditions are met. Amounts collected in advance for franchise fees are recorded as deferred revenue on the consolidated balance sheets.

Cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at time of purchase to be cash equivalents. The Company places its cash and cash equivalents with high credit-quality financial institutions. From time to time, such balances may exceed the FDIC insurance limit.

Licensee receivables

Licensee receivables are recorded at net realizable value, consisting of the carrying amount less an allowance for doubtful accounts, as needed. The Company evaluates its licensee receivables on an ongoing basis and may establish an allowance for doubtful accounts based on a combination of historical experience, aging analysis and information related to specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and it is determined that further collection efforts will be unsuccessful. Recoveries of receivables previously written off are recorded as income when received.

Measurement of credit losses on financial instruments

For the year ended June 30, 2021, the Company adopted FASB Accounting Standards Update (ASU) 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which required the Company to use a new impairment model, based on Current Expected Credit Losses (CECL) rather than incurred losses. The Company adopted ASU 2016-13 on a modified basis, which increased the allowance for doubtful collections as of July 1, 2020. Estimated credit losses under CECL has considered relevant information about past events, current conditions, and reasonable and supportable forecasts, which may result in additional losses.

Cash surrender value life insurance

The Company is the owner and beneficiary under cash surrender value life insurance policies on the lives of certain directors and executives. The cash surrender value for some of the policies are dependent upon the investment performance of certain mutual funds that are comprised of stocks, bonds and government securities. Accordingly, the cash surrender values of these policies are subject to market fluctuations and other investment risks. Any increase or decrease in cash surrender value, net of premiums paid, is included in other income (expenses), net in the consolidated statements of income for the years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, the cash surrender value of the life insurance policies appreciated by \$58,165 and \$34,142, respectively.

Licensee funding

The Company funds certain licensee operating deficits when, in the opinion of management, a specific studio bankruptcy or other financial difficulty would not be in the best interest of the Company. This policy has been established in order to promote goodwill and to avoid potential unwarranted litigation in connection with uncompleted student contracts and/or other matters. These expenditures are charged to operations when incurred. Such costs were not significant for the years ended June 30, 2022 and 2021.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Buildings and improvements	33–40 years
Furniture	5–10 years

Repairs and routine maintenance are charged to operations as incurred, and expenditures for significant betterments and renewals are capitalized.

Capitalized software development costs

The Company purchases software solutions from third party software vendors. Typically, these software solutions may require significant configuration and/or may require customization to integrate into the Company's infrastructure. The Company includes these software purchases and direct consultant configuration fees within property and equipment, net on the consolidated balance sheets. These purchases are segregated and not amortized until the software solution or significant components are ready for their intended use. Capitalized software costs are amortized on a straight-line basis over the asset's estimated useful life. Expenses related to software solutions that do not qualify for capitalization are expensed as incurred. Recurring licensing or maintenance fees are expensed as incurred.

Intangible assets

Domain names are recorded at cost and were amortized on the straight-line method over periods ranging from 3 to 10 years. Any impairment is recognized when the expected future operating cash flows derived from such intangible asset is less than their carrying value. All intangible assets have been fully amortized as of June 30, 2022 and 2021.

Income taxes

The Company accounts for income taxes in accordance with ASC 740, *Accounting for Income Taxes* (ASC 740), which requires the recognition of tax benefits or expenses on temporary differences between the financial reporting and tax bases of its assets and liabilities by applying the enacted tax rates in effect for the year in which the differences are expected to reverse. Such net tax effects on temporary differences are reflected on the Company's consolidated balance sheets as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable and those deferred because of the differences between the financial statement and the tax basis of assets and liabilities. Those differences are principally the allowance for doubtful collections, accelerated depreciation over straight-line depreciation and deferred non-qualified compensation agreements versus the accrual basis of accounting. Each corporation files its own income tax return.

ASC 740 prescribes a two-step approach for the recognition of tax benefits associated with the positions taken or expected to be taken in a tax return that affect amounts reported in the consolidated financial statements. The Company includes income tax-related interest and penalties relating to uncertain tax positions, if applicable, as a component of its provision for income taxes. Management believes there are no uncertain tax positions to be recognized under ASC 740.



**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Summary of Significant Accounting Policies, Continued**

Advertising

The Company records advertising and promotion costs in advertising and marketing in the consolidated statements of income in the period when the advertising costs are incurred. Advertising expenses include print, digital and social media advertising costs. The Company expenses the costs related to its advertising in the period the related promotional event occurs.

Basic and diluted per share amounts

Basic and diluted net income per share is computed using the weighted average number of common shares outstanding during the period. The Company does not have any features to its common stock which would cause dilution to the basic per share amounts; therefore, no diluted per share amounts are presented. Net income is used for computing earnings per share.

Reclassifications

In order to facilitate comparison of financial information, certain amounts reported in the 2021 consolidated financial statements have been reclassified to conform to the 2022 presentation.

Foreign currency translation

The Company's foreign subsidiary (which is inactive) is considered to be an extension of the domestic operation and any translation gains and losses related to that subsidiary are included in operations. As the U.S. dollar is utilized as the functional currency, gains and losses resulting from foreign currency translations (transactions denominated in a currency other than the subsidiary's functional currency) are also included in operations. There were no operations in the foreign subsidiary during the past few years.

Adjustments for currency exchange rates on collection of royalties from studios in foreign countries are charged to operations as incurred. All accrual revenues from outside the United States are translated into U.S. dollars at period-end transaction date exchange rates.

New accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires all lessees to recognize on the balance sheet the right to use assets and lease liabilities for the rights and obligations created by the lease arrangements with terms greater than 12 months. The amendments in ASU 2016-02 are effective for years beginning after December 15, 2021, and interim periods with fiscal years beginning on or after December 15, 2022. Early adoption is permitted. Management is currently evaluating the impact of the adoption of ASU 2016-02, if any, on its consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10, *Disclosures Related to Government Assistance*. ASU 2021-10 requires business entities to disclose, in notes to their financial statements, information about certain types of government assistance they receive, accounting for the government assistance, and the effect of the assistance on the entity's financial statements. ASU 2021-10 is effective for years beginning after December 15, 2021. Early adoption is permitted. The Company adopted the provisions of ASU 2021-10 for the year ended June 30, 2022 which did not have a material impact on its consolidated financial statements.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Licensee Receivables, Net of Allowance for Losses**

The Company accrues a royalty fee (generally 8.0%) based on the gross receipts of its licensees. In those instances where the licensee has become delinquent in remitting such fees, the Company will allow them to pay the current amounts plus an additional percentage (generally 2% to 3% of gross receipts) against their prior balances. That portion which is reflected as a licensee receivable is management's estimate of the amount that will be collected during the subsequent fiscal year. Management believes there are no long-term licensee receivables at June 30, 2022 and 2021. It is management's opinion that the allowance for doubtful collections is sufficient to absorb any uncollected amounts, as well as to provide a valuation discount for receivables collected over an extended period.

Licensee receivables, net are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Licensee receivables	\$ 2,188,200	\$ 1,789,500
Other receivables	<u>235,300</u>	<u>99,700</u>
Subtotal	2,423,500	1,889,200
Allowance for doubtful accounts	<u>(1,254,400)</u>	<u>(873,900)</u>
Licensee receivables, net	<u>\$ 1,169,100</u>	<u>\$ 1,015,300</u>

**Note 4 – Property and Equipment**

Property and equipment at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 136,500	\$ 136,500
Buildings and improvements	1,967,800	1,967,800
Software development costs	230,900	-
Furniture	<u>633,700</u>	<u>633,700</u>
Subtotal	2,968,900	2,738,000
Less: accumulated depreciation	<u>1,327,800</u>	<u>1,211,600</u>
Property and equipment, net	<u>\$ 1,641,100</u>	<u>\$ 1,526,400</u>

Depreciation for the years ended June 30, 2022 and 2021 totaled \$116,200 and \$87,100, respectively.

**Note 5 – Other Current Assets**

Other current assets are comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due from officers and employees	\$ 144,800	\$ 150,300
Other prepaid expenses	84,200	23,900
Employee Retention Credit (see Note 11)	244,400	-
Prepaid advertising and promotional costs	<u>16,300</u>	<u>16,900</u>
Total other current assets	<u>\$ 489,700</u>	<u>\$ 191,100</u>

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 6 – Accrued Expenses**

Accrued expenses consisted of the following at June 30, 2022 and 2021:

	2022	2021
Accrued bonuses, commissions and payroll taxes	\$ 321,800	\$ 236,800
Accrued real estate taxes	73,800	73,400
Accrued retirement plan contribution	160,000	160,000
Accrued expenses, other	30,000	120,000
Accrued professional fees	116,000	60,000
Total	\$ 701,600	\$ 610,200

**Note 7 – Income Taxes**

Differences between financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of the deferred income tax assets and liabilities as of June 30, 2022 and 2021 are as follows:

	2022	2021
Deferred tax assets (liabilities):		
Allowance for doubtful accounts	\$ 187,900	\$ 221,500
Deferred compensation agreements	209,400	238,400
Tax differences in depreciation of property and equipment	(182,600)	(202,500)
Net deferred tax assets	\$ 214,700	\$ 257,400

The difference between the federal income tax rate computed by the statutory federal income tax rate and the Company's actual income tax rate, as reflected in the consolidated financial statements, is due to state income taxes, net of federal tax benefit and certain permanent differences including CARES Act Employee Retention Credits, PPP loan forgiveness and appreciation in value of cash surrender life insurance policies.

Income tax provision (benefit) is comprised as follows for the years ended June 30, 2022 and 2021:

	2022			
	Federal	State	Foreign	Total
Current	\$ 629,200	\$ 123,400	\$ 99,900	\$ 852,500
Deferred	33,400	9,300	-	42,700
Total	\$ 662,600	\$ 132,700	\$ 99,900	\$ 895,200
	2021			
	Federal	State	Foreign	Total
Current	\$ 400,800	\$ 104,500	\$ -	\$ 505,300
Deferred	(23,000)	(12,000)	-	(35,000)
Total	\$ 377,800	\$ 92,500	\$ -	\$ 470,300

When applicable, the Company recognizes accrued interest and penalties on the underpayment of federal and state income taxes. For the years ended June 30, 2022 and 2021, accrued interest and penalties amounted to approximately \$15,000 and \$3,800, respectively, which have been charged to operations as general and administrative expense. These amounts are included in current income taxes payable.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 8 – Employee Benefit Plan**

The Company sponsors a 401(k) plan under which all employees may annually contribute up to the maximum dollar limitations established by the IRS. The Company has reserved the right to make matching and discretionary contributions to the plan. The Company made contributions to the plan of approximately \$243,000 and \$171,800 for the years ended June 30, 2022 and 2021, respectively.

**Note 9 – Deferred Compensation Agreements**

The Company has two (2) deferred non-qualified compensation agreements. The agreements are with one former officer and one current officer of the Company who were or are also shareholders and directors of the Company. The deferred compensation agreements are recorded on an annual basis as a liability, with a discount rate of 5.8%.

One agreement is with a deceased officer which provides for an annual payment of \$75,000 to the estate for a period of fifteen (15) years. As of both June 30, 2022 and 2021, the current portion of the deferred non-qualified compensation agreements is \$75,000. The undiscounted balance to be paid is \$93,750 through 2023. The remaining present value commitment of the deceased officer's agreement liability of \$87,995 is to be funded from future operations and is included under deferred non-qualified compensation agreements.

The second deferred compensation agreement is with an officer (shareholder/director) of the Company. Under the terms of the agreement, as amended, subsequent to retirement or death, the officer (estate or trust) would receive continuing salary compensation not to exceed one (1) year from the date of the event at the then annual compensation.

Total commitment under this agreement, amounts to \$1,125,000 plus the amount equal to the former employee's monthly salary of twelve (12) months, and both will be funded from future operations.

Under the terms of the agreement the present value of the unfunded liability amounts to \$751,000 at June 30, 2022 and \$865,500 at June 30, 2021 and is to be funded from future operations and is included under deferred non-qualified compensation agreements.

The Company owns and pays the cost of two (2) life insurance policies on the life of the current officer/shareholder/director covered under the deferred non-qualified compensation agreement. Those policies have a total face value death benefit of \$1,000,000. Upon the death of that officer/shareholder/director while those policies continue in effect, \$500,000 will be available to provide funds to the Company with respect to the agreement with the officer who passed away in 2007 and \$500,000 will be available to provide funds to the Company with respect to the surviving officer. To the extent that those insurance policies benefits are not adequate to fund the non-qualified deferred compensation agreements, the Company will still be obligated for the balance due.

Other than the amount equal to the employee's monthly salary for twelve (12) months, the net present value of the deferred non-qualified compensation agreement amounts to \$826,000 at June 30, 2022, and the total non-discounted value of the agreements amounts to approximately \$1,125,000.

For the years ended June 30, 2022 and 2021, total net adjustments pertaining to the discounted present value of the deferred compensation agreements amounted to \$114,500 and \$66,900, respectively.

**Note 10 – Preferred Debt-Equity Securities and Redemptions**

As of June 30, 2021, the Company has preferred debt-equity securities with a \$1 par/face value; 5,000 shares/units authorized, issued and outstanding and 4,000 shares/units with a redemption value of \$500 each, interest at 6% per annum, payable quarterly, issued and outstanding. The Company has authorized 5,000 units of preferred debt-equity securities. Upon liquidation, each holder of the preferred debt-equity securities is entitled to be paid an amount equal to the original issue price along with all accrued but unpaid interest.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 10 – Preferred Debt-Equity Securities and Redemptions, Continued**

Such redemption payments are required to be paid prior to dividend payments are made to the Company's common shareholders. The Company may not pay or declare any dividend or make any distribution upon any common stock, without first having paid any fixed payments to the preferred debt-equity securities. The holders of preferred debt-equity securities had no voting rights.

Preferred debt-equity securities' mandatory redemption date was December 31, 2025, to be repurchased for an amount equal to the original issue price.

FASB ASC 480, *Distinguishing Liabilities from Equity Securities*, requires certain types of financial instruments with characteristics of both liabilities and equity to be classified as liabilities. Mandatory redeemable features of the instrument do not impose unconditional obligations requiring any transfer of preferred-debt equity assets or issue of equity shares. Accordingly, the Company has classified and presented its securities as a separate component of liabilities and could be deemed as temporary equity in order to maintain its compliance with various state uniform franchise offering circulars.

On June 29, 2021, 300 preferred debt-equity units were called at the original price of \$500 per unit for a total payment of \$150,000.

During the year ended June 30, 2022, the Company redeemed all remaining 3,700 preferred debt-equity units at the original issue price of \$500 for a total amount of \$1,850,000.

**Note 11 – Employee Retention Credit**

The CARES Act provides an employee retention credit (CARES Employee Retention credit), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit for calendar quarters in 2021, through September 30, 2021, is equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to \$10,000 of qualified wages per quarter. The Company qualified for the tax credit under the CARES Act and subsequent legislation and continued to receive additional tax credits under the additional relief provisions for qualified wages through September 30, 2021.

During the year ended June 30, 2022, the Company recorded \$244,444 related to the CARES Employee Retention credit in other income in the accompanying statement of income. As of June 30, 2022, the Company has a \$244,444 receivable balance from the United States government related to the ERCs, which is recorded in Employee Retention Credits receivable and included in other current assets in the accompanying consolidated balance sheet.

**Note 12 – Paycheck Protection Program Forgiveness**

During the years ended June 30, 2021 and 2020, the Company received proceeds amounting to approximately \$502,900 in forgivable loans under the Paycheck Protection Program (PPP) as part of the CARES Act which was administered by the Small Business Administration (SBA). \$250,000 was received during the year ended June 30, 2021 and \$252,900 was received during the year ended June 30, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 12 – Paycheck Protection Program Forgiveness, Continued**

The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The Company used the proceeds for purposes consistent with the CARES Act legislation and SBA guidelines.

During the year ended June 30, 2021, the Company applied for and was notified that \$502,900 of forgiveness in eligible expenditures for payroll and other expenses in the CARES Act were forgiven. Loan forgiveness is reflected as other income in the accompanying consolidated statement of income for the year ended June 30, 2021.

**Note 13 – Concentrations**

Concentrations of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. During the year, the Company's account balances with financial institutions may exceed federally insured limits of the Federal Deposit Insurance Corporation and other agencies. Management regularly monitors their balances and attempts to keep this potential risk to a minimum by maintaining their accounts with financial institutions that they believe are of good quality.

The Company may have a concentration of credit risk with respect to licensee receivables, as substantially all customers are affiliated with the dance entertainment industry. The Company has a large number of licensees on which it performs ongoing credit evaluations. The Company generally does not require collateral from its licensees. The Company maintains an allowance for uncollectible accounts receivable based upon expected collectability of all accounts receivable. Therefore, no additional credit losses beyond amounts provided for collection losses are believed inherent in the Company's accounts receivable.

Geographic concentration

While the Company has world-wide operations, there is a concentration of revenues in the United States. Concentration of revenues in the United States was approximately 92% in 2022 and approximately 86% in 2021. Foreign revenues were about 8% in 2022 and about 14% in 2021. The following table reflects the geographic regions where the concentration of revenues are generated:

	2022	2021
Revenues:		
United States	\$ 12,729,900	\$ 6,040,400
Foreign	978,700	857,900
Total	\$ 13,708,600	\$ 6,898,300

The Company enters into franchise agreements with unrelated third parties to operate dance studios using the Arthur Murray brand within defined geographical areas. The Company believes that franchising is an effective and efficient means to expand the Arthur Murray brand. The franchisee is required to operate its centers in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company.

**Note 14 – Contingencies and Commitments**

Legal matters

From time to time, the Company is subject to legal proceedings which arise in the ordinary course of its business. Management believes that the final resolution of these matters will not have a material adverse effect on the Company's consolidated financial position, cash flows, or results of operations.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 14 – Contingencies and Commitments, Continued**

Leasing arrangements

The Company leases various equipment under cancelable and non-cancelable operating leases expiring through September 2024. Future minimum lease payments under these various equipment leases were \$34,000 per annum for each year ending June 30, 2023 to June 30, 2025.

**Note 15 – Related Party Transactions**

The Company has entered into employment agreements with one officer, who is a shareholder and Chairman of the Board of Directors, which expires on December 31, 2025. The agreement provides for minimum annual compensation aggregating approximately \$622,500, adjusted annually for cost-of-living increases, plus bonuses as recommended by the Board. The agreement includes additional mandatory bonuses of 6% in 2022 and 2021 based on modified cash basis income, as defined in the agreement, in excess of \$250,000. The mandatory bonuses under the agreement amounted to \$215,000 in 2022 and \$115,000 in 2021. For the years ended June 30, 2022 and 2021, discretionary bonuses approved by the Board amounted to \$1,694,270 and \$378,400, respectively. All amounts have been charged to operations.

Fees and allowances paid to related parties during the years ended June 30, 2022 and 2021, amounted to \$212,400 and \$192,600, respectively. These amounts have been charged to operations.

**Note 16 – Subsequent Events**

Management evaluated activity of the Company subsequent to June 30, 2022 through October 31, 2022, the date on which the consolidated financial statements were available to be issued, for events that require recognition in the consolidated financial statements or disclosure in the notes thereto.

**Note 17 – Differences Between U.S. GAAP and Those Accounting Principles Generally Accepted in Australia and Canada**

The Australian Accounting Standards Board (AASB) and the Canadian Accounting Standards Board (AcSB) have adopted most of the International Financial Reporting Standards (IFRS), which more closely compares to accounting principles generally accepted (U.S. GAAP) in the United States of America. The adoption of the IFRS by the AASB and AcSB make the differences in accounting principles between the countries minimal. In most instances, the difference in accounting principles between Australia, Canada and the United States may be one of wording rather than principle. The primary difference is that U.S. GAAP is rules-based and IFRS is principles-based.

The differences between U.S. GAAP and those of Canada, Australia and IFRS are minimal. Some of those differences include inventory method of FIFO versus LIFO and write-down reversals; fair value revaluations; reversal of impairment losses; some aspects of lease accounting; disclosure of cash flow per share; comprehensive income (loss); extraordinary items; intangible assets; pre-operating costs; certain development costs; dependence on major customers, and stock-based compensation. Except for cash flow per share and fair value of real property, the differences in GAAP would have no material impact on the consolidated financial position of the Company as of June 30, 2022 and 2021 under U.S. GAAP as compared with Australia, Canada or IFRS. Therefore, there are no supplemental schedules prepared reflecting the effects of the different GAAP's.

**ARTHUR MURRAY INTERNATIONAL, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED**

**Note 17 – Differences Between U.S. GAAP and Those Accounting Principles Generally Accepted in Australia and Canada, Continued**

Management is presenting a modified pro-forma equity adjustment of real property under IFRS so as to reflect a more current value based on a former valuation and assessments of properties by local governmental agencies. The values used do not represent current fair market value and may be subject to material changes.

Arthur Murray International, Inc. and Subsidiary  
 Modified Pro-Forma Equity Adjustment for IFRS  
 As of June 30, 2022 and 2021  
 (Unaudited)

	2022	2021
Real property, at assessed value		
Land and office building	\$ 5,045,000	\$ 5,045,000
Warehouse and condominium	<u>557,800</u>	<u>557,800</u>
	5,602,800	5,602,800
Less: real property cost, net	<u>(1,161,700)</u>	<u>(1,213,600)</u>
	4,441,100	4,389,200
Less: deferred federal and state income tax	<u>1,125,800</u>	<u>1,112,700</u>
Net pro-forma property increment under IFRS	3,315,300	3,276,500
Shareholders' equity, at cost, ending	<u>7,274,500</u>	<u>4,854,400</u>
Pro-forma equity under IFRS, ending	<u>\$ 10,589,800</u>	<u>\$ 8,130,900</u>



**UNAUDITED FINANCIAL STATEMENTS**

# ARTHUR MURRAY INTERNATIONAL, INC.

## Balance Sheet

Accrual Basis

As of September 30, 2023

	Sep 30, 23
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
999 · CASH & EQUIVALENTS	5,458,228
Total Checking/Savings	5,458,228
Accounts Receivable	
1400 · ACCOUNTS RECEIVABLE (NET)	1,474,116
Total Accounts Receivable	1,474,116
Other Current Assets	
1299 · EXCHANGES	75,013
1449 · OTHER RECEIVABLES	277,891
1498 · UNDEPOSITED FUNDS	186,726
1499 · PREPAID EXPENSES	82,734
Total Other Current Assets	622,364
Total Current Assets	7,554,707
<b>Fixed Assets</b>	
2080 · CAPITALIZED SOFTWARE DEV.	618,299
2025 · CONDO	449,571
2000 · LAND	102,763
2010 · BUILDING	510,365
2020 · WAREHOUSE	63,473
2030 · BUILDING IMPROVEMENTS	978,185
2040 · FURNITURE, FIXTURES & EQUIPMENT	280,533
2070 · VEHICLE(S)	105,549
2090 · COMPUTER EQUIPMENT & SOFTWARE	143,983
2096 · ACCUMULATED DEPRECIATION	(1,359,539)
Total Fixed Assets	1,893,181
<b>Other Assets</b>	
3020 · INVESTMENTS IN SUBSIDIARIES	55,577
3400 · RIGHT OF USE ASSET - OPERATING	79,257
3500 · DEPOSITS	9,350
3511 · CASH SURRENDER - LIFE INSURANCE	1,415,135
3600 · DOMAIN NAMES	50,891
3601 · ACCUMULATED AMORTIZATION	(50,891)
Total Other Assets	1,559,318
<b>TOTAL ASSETS</b>	<b>11,007,207</b>

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

**ARTHUR MURRAY INTERNATIONAL, INC.****Balance Sheet**

Accrual Basis

As of September 30, 2023

	<u>Sep 30, 23</u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
4000 · ACCOUNTS PAYABLE	143,784
Total Accounts Payable	143,784
Other Current Liabilities	
4010 · RELEASED TERRITORY EXCHANGE	191,385
4029 · TAXES PAYABLE	1
4039 · ACCRUED LIABILITIES	680,755
4090 · DIVIDENDS PAYABLE	2,766
4201 · DEFERRED TAX ASSET-CURRENT	(349,323)
Total Other Current Liabilities	525,583
Total Current Liabilities	669,367
<b>Long Term Liabilities</b>	
4210 · DEFERRED COMPENSATION	456,131
4400 · EQUIPMENT LEASE LIABILITY	79,257
4500 · DEFERRED TAX ASSET - LT	(191,679)
4510 · DEFERRED TAX LIABILITY - LT	243,115
Total Long Term Liabilities	586,824
Total Liabilities	1,256,191
<b>Equity</b>	
5000 · COMMON STOCK	34,532
5040 · RETAINED EARNINGS	8,792,568
Net Income	923,915
Total Equity	9,751,015
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>11,007,207</u></b>

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**ARTHUR MURRAY INTERNATIONAL, INC.****Profit & Loss**

July through September 2023

Accrual Basis

	<u>Jul - Sep 23</u>
Ordinary Income/Expense	
Income	
6000 · ROYALTY FEES	2,458,346.94
6009 · DANCE-O-RAMA'S	843,323.50
6060 · OTHER INCOME	2,004.57
Total Income	<u>3,303,675.01</u>
Cost of Goods Sold	
6500 · ONLINE COLLECTION FEES	47,294.46
6599 · DANCE-O-RAMA COSTS	164,043.34
6629 · FOREIGN TAX EXPENSE	29,301.68
6700 · OTHER COSTS	0.00
Total COGS	<u>240,639.48</u>
Gross Profit	3,063,035.53
Expense	
6999 · ALLOWANCES	32,500.00
7009 · BONUSES & OTHER COMPENSATION	831,750.00
7039 · PAYROLL TAX EXPENSE	21,980.10
7044 · EMPLOYEE BENEFITS	47,539.62
7054 · PAYROLL EXPENSE	430,606.71
7199 · PROFESSIONAL FEES	111,135.45
7300 · MEETINGS & EVENTS	38,462.18
7419 · TRAVEL & ENTERTAINMENT	75,776.53
7486 · TRAINING EXPENSE	25,935.61
7599 · MARKETING & PROMOTIONS	101,997.16
7750 · BANK CHARGES	3,112.88
7760 · AUTOMOBILE EXPENSE	2,337.67
7763 · CHARITABLE CONTRIBUTIONS	760.00
7775 · SOFTWARE EXPENSE	51,718.97
7780 · DUES & SUBSCRIPTIONS	6,811.97
7785 · DEPRECIATION EXPENSE	9,000.00
7788 · EQUIPMENT RENTAL	11,556.38
7794 · INSURANCE EXPENSE	33,867.74
7822 · OFFICE EXPENSE	4,146.83
7834 · POSTAGE & DELIVERY	3,391.73
7839 · TELEPHONE & MOBILE SERVICES	8,855.78
7854 · REPAIRS & MAINTENANCE	38,413.21
7864 · OTHER TAXES	22,737.59
7879 · UTILITIES	9,196.09
7885 · WAREHOUSE EXPENSE	871.93
7960 · PROVISION FOR BAD DEBTS	45,000.00
Total Expense	<u>1,969,462.13</u>
Net Ordinary Income	1,093,573.40

THESE FINANCIAL STATEMENTS WERE PREPARED WITHOUT AN AUDIT. INVESTORS IN OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS OPINION WITH REGARD TO THEIR CONTENTS OR FORM.

**ARTHUR MURRAY INTERNATIONAL, INC.**

**Profit & Loss**

Accrual Basis

July through September 2023

	<u>Jul - Sep 23</u>
Other Income/Expense	
Other Income	
8020 · INTEREST INCOME	0.00
Total Other Income	0.00
Other Expense	
9050 · OTHER EXPENSES	8,683.06
9100 · FOREIGN EXCHANGE LOSS	3,735.25
9580 · FEDERAL INCOME TAX EXPENSE	110,000.00
9590 · STATE INCOME TAX EXPENSE	47,240.00
Total Other Expense	169,658.31
Net Other Income	(169,658.31)
Net Income	<u><u>923,915.09</u></u>

**EXHIBIT C**  
**FRANCHISE AGREEMENT**

**FRANCHISE AGREEMENT**

**ARTHUR MURRAY INTERNATIONAL, INC.**

**THIS AGREEMENT** made in Coral Gables, Florida, as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between ARTHUR MURRAY INTERNATIONAL, INC., a Delaware corporation with principal offices located at 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134, hereinafter referred to as "Franchisor," and

Name(s) \_\_\_\_\_

\_\_\_\_\_

Studio Address \_\_\_\_\_

City and State \_\_\_\_\_

Home Address \_\_\_\_\_

City and State \_\_\_\_\_

hereinafter referred to as "Franchisee."

**W I T N E S S E T H:**

**WHEREAS** Franchisor and its predecessors have been engaged for many years in conducting and franchising dance schools of the highest reputation and excellence in the United States and internationally which operate under the "Arthur Murray" name or approved variations thereof (hereafter "Arthur Murray Studio(s)");

**WHEREAS** Franchisor has developed proprietary know-how, trade secrets and unique and successful methods of teaching and dancing and conducting Arthur Murray Studios (the "Arthur Murray Method and System") and owns certain trade names and trade and service marks, including "Arthur Murray," which are utilized in the operation of Arthur Murray Studios (all trade names and trade and service marks hereafter authorized for Arthur Murray Studios are referred to as the "Names and Marks");

**WHEREAS** Franchisee wishes to conduct an Arthur Murray Studio utilizing the Names and Marks at the address identified above or within the Market Area described in Paragraph 2 hereof (the "Studio"); and

**WHEREAS** Franchisee recognizes the importance to Franchisor, its other franchisees and the public of maintaining the distinctive standards, qualities, methods and attributes of services and products identified by the Names and Marks and is willing to maintain such standards, qualities and attributes.

**NOW, THEREFORE**, in consideration of these premises and the mutual promises of the parties hereto and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

**1. REPRESENTATIONS AND ACKNOWLEDGMENTS OF FRANCHISOR AND FRANCHISEE**

Franchisee represents and warrants to Franchisor that:

(1) By entering into this Agreement, Franchisee will not be in violation of any contract, restrictive covenant, judgment, judicial decree or court order;

(2) Franchisee has never been convicted of any felony or crime, is in good physical and mental health and possesses sufficient education, business experience, training and financial resources to operate the Studio successfully;

(3) All monies used and to be used in acquiring, establishing and operating the Studio shall be Franchisee's sole and absolute property. Franchisee represents and warrants that it will not borrow or accept money from any person who is or was a student or patron of Franchisee, any other Arthur Murray Studio or other dance

studio, or from any relative of any such student or patron unless Franchisor, in its sole discretion, consents thereto; and

(4) Franchisee shall be the sole owner of the Studio except as otherwise permitted hereunder and there are and will be no agreements in writing or otherwise concerning the ownership or non-institutional financing of the acquisition of the Studio unless Franchisor, in its sole discretion, consents thereto.

## 2. **FRANCHISE AND LICENSE**

(a) Franchisor hereby grants to Franchisee a non-exclusive Franchise and license to use the Arthur Murray Method and System and the Names and Marks in connection with the operation of the Studio, subject to the restrictions, limitations and conditions as set forth in this Agreement.

(b) Franchisee shall, as a condition to the grant of the Franchise, complete development of and have the Studio open and operating within ninety (90) days from the date of this Agreement. In the event Franchisee fails to develop and open the Studio within such ninety (90) day period, this Agreement and all rights of Franchisee hereunder shall be null and void and of no further force or affect.

(c) The following territory shall be Franchisee's market area (the "Market Area"):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_.

(d) Franchisor agrees that it will neither operate nor grant a franchise for the operation of an Arthur Murray Studio to any other person within the Market Area during the term hereof unless Franchisee shall lose his or her territorial protection as provided herein. Franchisor, in addition to other remedies, shall have the right, upon written notice to Franchisee, to terminate Franchisee's territorial protection, if Franchisee:

(1) Does not have open and operating at least \_\_\_\_\_ Arthur Murray Studio(s) within \_\_\_\_\_ months from the date hereof and thereafter continuously operates such number of Arthur Murray Studio(s); or

(2) Breaches any of its obligations under this Agreement, and fails to cure such breach within thirty (30) days following written notice from Franchisor of such breach.

(e) Franchisee shall conduct his or her business exclusively within the Market Area and shall not engage in any activities outside the Market Area, including, without limitation, dance competitions or similar events, without Franchisor's prior written approval. If Franchisee is not granted a Market Area, then for purposes of this Subsection (f), Franchisor may specify an area around the Studio, and Franchisee shall conduct his or her business exclusively within that area and shall not engage in any activities outside that area including, without limitation dance competitions or similar events without Franchisor's prior written approval.

(f) If Franchisee opens one or more additional Arthur Murray Studio(s) within the Market Area, Franchisee will be required to execute for each such Studio Franchisor's then-current form of Franchise Agreement and all other agreements, legal instruments, and documents then customarily used by Franchisor in the grant of franchises.

(g) The terms "school," "studio," "dance school," "dance club," "dance studio," or any variation thereof, as used herein, shall be synonymous and shall include any place of business owned and operated by Franchisee pursuant to the terms hereof, including, but not limited to, dance clubs, social clubs, dance ballrooms and dance competitions.

(h) Franchisee shall devote his or her full time, attentions and best efforts to the conduct of the Studio, which will provide dance instruction, services and facilities pursuant to the Arthur Murray Method and System and utilize the Names and Marks exclusively in accordance with the terms and conditions herein. The Studio shall at all times be under the direct, on-premises control and full time supervision of Franchisee or, if Franchisee operates more than one Studio, a manager acceptable to Franchisor who has demonstrated the ability to operate a Studio. Failure to provide a manager acceptable to the Franchisor in its sole discretion shall be a breach of this Agreement and cause for immediate termination.

(i) The address and physical description of the Studio shall be furnished to Franchisor prior to the execution of a lease and/or opening for Franchisor's prior written approval of same. Franchisee may elect to move the Studio to another



address within the Market Area, provided Franchisee shall submit to Franchisor for Franchisor's prior written approval the new proposed Studio address and physical description of the facilities prior to executing a lease for the premises. Franchisor shall have the right to inspect all proposed Studio locations, facilities, premises and floor plans and shall issue its approval or disapproval, as determined by Franchisor in its reasonable and independent judgment, utilizing its standards for site location and selection, within a reasonable period of time. Franchisor's approval of a Studio location shall not constitute, nor be deemed, a judgment as to the likelihood of success of the Studio at such location or a judgment as to the relative desirability of such location in comparison to other locations within the Market Area. At the request of Franchisor, Franchisee shall collaterally assign Franchisee's lease to Franchisor to secure Franchisee's performance under this Agreement in the form prescribed by Franchisor.

(j) Franchisor reserves all rights not expressly granted to Franchisee hereunder, including, without limitation, the right to conduct or sponsor dance competitions within the Market Area on terms and conditions determined by Franchisor, to promote and sell videos, tapes or other materials bearing or containing the Names and Marks or Arthur Murray Method and System within the Market Area, or conduct other promotional and marketing activities within the Market Area beneficial to Arthur Murray studios or the goodwill of the Names and Marks or the Arthur Murray Method and System.

### 3. **RIGHTS AND PRIVILEGES**

Franchisor hereby grants to Franchisee the following rights and privileges:

(a) Use of the Names and Marks, which privilege is conditioned upon full compliance by Franchisee with all terms of this Agreement and limited to the period of such compliance and the term of this Agreement;

(b) Use of Franchisor's latest available data and information concerning the syllabuses of dance steps and methods of teaching dancing in accordance with the Arthur Murray Method and System; and

(c) Reasonable individual business advice provided by the officers of, and other personnel employed by, Franchisor by mail and telephone and suggested operational procedures from Franchisor on a continuing basis.

### 4. **TERMS OF FRANCHISE**

(a) The initial term of this Franchise shall commence on the date of this Agreement and end on December 31, 20\_\_.

(b) The Franchise will be automatically renewed for successive five (5) year terms unless either Franchisor or Franchisee gives the other party written notice of an election not to renew the Franchise at least three (3) months prior to the end of the immediately preceding term.

(c) Each renewal of the Franchise may be effected by the execution by the parties of Franchisor's then current form of standard Franchise Agreement, or at Franchisor's option, a Rider to the existing Franchise Agreement, as well as other legal instruments and documents then customarily used by Franchisor in the grant of franchises for Arthur Murray Studios. Such renewal agreements may contain different terms and conditions, including but not limited to, higher or lower royalty fees and advertising fees compared to those provided for in this Agreement. Franchisee agrees to execute and return within fifteen (15) days of receipt from Franchisor all documents delivered by Franchisor to Franchisee under this Paragraph 4(c).

(d) Franchisor may condition any renewal of the Franchise on Franchisee's agreement to decorate and remodel the facilities of the Studio to comply with Franchisor's then current standards.

### 5. **FRANCHISE FEE**

As applicable, Franchisee agrees to pay to Franchisor upon signing this Agreement an initial franchise fee in the amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_). The initial franchise fee shall be fully earned by Franchisor upon receipt. Except as otherwise provided herein, all payments made under this Paragraph 5 are non-refundable.

### 6. **ROYALTY FEE**

(a) Except as otherwise designated herein, Franchisee agrees to pay to Franchisor a royalty fee equal to **eight percent (8%)** of the weekly gross receipts of the Studio.

(b) The royalty fee due for each week shall be submitted by Franchisee so as to be received by Franchisor no later than **Friday of the following week**.

(c) Commencing with the second full calendar year of operation of the Studio, Franchisee shall pay minimum royalty fees based on assumed annual gross receipts of One Hundred Seventy-Five Thousand Dollars (\$175,000.00) for each calendar year during which the Studio is in operation. Franchisee shall pay any additional royalty fee due as a result of this Subparagraph (c) on or before January 31 of each year for the preceding calendar year.

(d) The term "gross receipts" shall mean all monies received by Franchisee or Franchisee's agents during a calendar week for instruction, lessons, services, parties, competitions, trips, club memberships and all related services and/or activities arising out of or related to the Studio or its operations. In the event Franchisee receives property or services other than money for the sale of dance lessons or any of the other activities set forth above, the dollar value at Franchisee's then current retail rate for the number of said dance instruction lessons and/or the fair market retail value of other services and activities provided by Franchisee in such barter arrangement shall be included in "gross receipts" for the calendar week for purposes of establishing proper royalty fees due. Franchisee may deduct from gross receipts for purposes of calculating royalty fees due hereunder, the actual charges paid to third party finance companies which are fully owned by parties unaffiliated with Franchisee not to exceed ten percent (10%) of the amount financed. No deduction may be taken on time payments paid directly to the Studio whether or not a finance charge is included.

(e) Franchisor reserves the right to apply payments to any amounts owed by Franchisee to Franchisor, and Franchisee does hereby irrevocably authorize and empower Franchisor or any officer of Franchisor as its Attorney-in-Fact to strike out any language or restrictions to the contrary on the check or remittance presented by Franchisee to Franchisor.

(f) Royalty fees shall be paid online by ACH Credit, credit card or by other means specified by Franchisor by written notice, from time to time.

(g) Franchisor may assess Franchisee a reasonable administrative charge for processing any check or other payment of Franchisee not honored by Franchisee's bank. In the event more than three (3) of Franchisee's checks or remittances to Franchisor shall not be honored by Franchisee's bank during any calendar year within the term hereof, Franchisor, at its option, may require Franchisee for the six (6) months following notification thereof to remit all payments required under this Agreement by cashier's check, bank draft or certified check, Electronic Funds Transfer ("EFT"), and Franchisee shall provide written authorization and such documentation as is necessary to implement and facilitate EFT.

(h) In instances of missing or late weekly reports, Franchisor, at its option, may estimate the gross receipts for said week and base the weekly royalty fee of Franchisee thereon, and said estimate shall be conclusive absent the ultimate submission of said reports by Franchisee.

(i) All royalty fees or other amounts owed to Franchisor by Franchisee which remain unpaid ten (10) days after the due date shall bear interest at the lesser of (i) one and one half percent (1½%) per month or (ii) the highest applicable rate permitted by law in the state where the Studio is located. Franchisee acknowledges that this Paragraph shall not constitute Franchisor's agreement to accept such payments after they are due or a commitment by Franchisor to extend credit to Franchisee. Further, Franchisee agrees that failure to pay all amounts when due shall constitute grounds for default and termination of this Agreement notwithstanding the provisions of this or any other Paragraph of this Agreement.

(j) For valuable consideration, as security for the payment of all amounts from time to time owed by Franchisee to Franchisor under this and any other agreement between the parties and the performance of all the obligations to be performed by Franchisee, Franchisee hereby grants to Franchisor a security interest in the assets of the Studio, including furniture, furnishings and decorations of the Studio, accounts receivable, student agreements, and all the proceeds of the Studio (the "Collateral"). Franchisee covenants that the security interest granted is prior to all other security interests in the Collateral except bona fide purchase money security interests and the security interest granted by Franchisee in connection with Franchisee's original financing for the Studio (if any). Franchisee agrees not to remove the Collateral or any portion thereof from the Studio without the written consent of Franchisor. Upon the occurrence of any event entitling Franchisor to terminate this or any other agreement between the parties, Franchisor shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the state in which the Studio is located including, without limitation, the right to take possession of the Collateral. Franchisee irrevocably authorizes Franchisor to file any financing statements that indicate the Collateral. Franchisee shall execute and deliver to Franchisor such documents and do such things as may be required to perfect the security interest of Franchisor in the Collateral.

7. **ROYALTY FEE REPORTS AND OTHER REPORTS BY FRANCHISEE**

(a) Franchisee shall submit to Franchisor on a weekly basis:

(1) Full and accurate original reports in the format stipulated from time to time by Franchisor showing the gross receipts and all the gross proceeds which were received by Franchisee during the preceding calendar week, including the correct names, addresses and telephone numbers of all new students enrolled during said preceding week with complete details of their enrollment, the amounts paid to Franchisee by said students during such week, the correct names of all other students making payments on additional enrollments or previously reported enrollments and the amounts paid by said students during such week;

(2) Staff Performance Surveys for the preceding week in form prescribed by Franchisor;

(3) Summary of Studio Business reports for the preceding week in form prescribed by Franchisor; and

(4) Such other forms or reports, information or documents as Franchisor may request from time to time.

The weekly reports of gross receipts, studio business and staff performance required under Paragraph 7(a)(1)-(3) shall be submitted electronically in the format and using the software required by Franchisor, or such other means as may be specified in writing by Franchisor, from time to time. Submission of a report by Franchisee shall be deemed verification by Franchisee that the information contained in the report is true, correct and complete.

(b) Franchisee shall mail to Franchisor (or submit to Franchisor by electronic means specified by Franchisor from time to time) by the second Friday after the completion of each Showcase, Dance-O-Rama, Trip or other special event in which Franchisee has participated, a Miscellaneous Service-Summary Report as a re-cap, in the format stipulated from time to time by Franchisor, showing all fees previously paid.

(c) Franchisee shall furnish to Franchisor, on or before January 31 and July 31 of each year, a student inventory setting forth the following:

(1) The names, addresses and telephone numbers of all enrolled students of the Studio, active as well as inactive for the previous two years, as of the preceding December 31 and June 30, respectively;

(2) The number of unused lessons of instruction and the value and type of unused services remaining on each student's enrollment agreement(s);

(3) The total amount owed to Franchisee on each student's enrollment agreement(s); and

(4) The date of the last lesson taught to each student.

(d) During the term of this Agreement, Franchisee shall furnish to Franchisor within ten (10) days upon request:

(1) Copies of all student enrollment agreements, student lesson cards, receipts and other documents pertaining to any past or present student(s) of Franchisee;

(2) Copies of all bank records, check registers or other documents pertaining to the operation of the Studio; and

(3) Such other forms or reports, information or documents, including without limitation verified copies of Internal Revenue Service withholding forms and depository receipts therefor.

(e) Franchisor shall assess a monthly administrative service fee of \$100.00, and franchisee shall promptly pay such fee for each report required to be furnished by franchisee pursuant to this Paragraph 7 that is not furnished when due.

At the request of Franchisor, Franchisee must submit to Franchisor copies of all federal and state income tax returns for the Studio verified by Franchisee as identical to those filed with the government, and any other reports, records or accounts of Franchisee or its approved corporation, limited liability company or other approved entity, as applicable, as well

as annual uncertified financial statements for the Studio prepared by Franchisee's independent or certified public accountant.

## **8. TEACHING TIME OBLIGATIONS, TRANSFER OR VISITING STUDENTS**

(a) Franchisee agrees to honor the confirmed unused portion of paid courses for personal dance lessons, and group lessons as available, of students enrolled in any Arthur Murray Studio by giving dance instructions to such students. Franchisee shall be entitled to receive from the Arthur Murray Studio which enrolled said students the current reimbursement per lesson for personal lessons, at the rates reasonably established by Franchisor from time to time. Franchisor shall notify Franchisee in writing from time to time of the current reimbursement rates per lesson for personal lesson teaching time.

(b) Franchisee agrees to pay for each lesson of personal dance instruction given by another Arthur Murray Studio at the current reimbursement teaching time rates established by Franchisor within fifteen (15) days after the receipt of billing therefor.

(c) Franchisee shall participate in a Teaching Time Exchange Account, or other programs which Franchisor may from time to time decide to establish and maintain, under such conditions as Franchisor may adopt which are reasonable and may be required in order to expedite the payments under Paragraphs 8(a) and 8(b) above. In order to defray a portion of the cost incurred by Franchisor in providing such services, Franchisor may charge Franchisee a reasonable sum therefor, measured by the number of lessons involved.

(d) Invoices for teaching time for transient students shall be sent by Franchisee monthly so as to be received by the student's home studio or Franchisor's Teaching Time Exchange Account not later than one week after the last business day of the month in which the instruction was given.

## **9. ADVERTISING, PUBLIC RELATIONS, PUBLICITY AND PROMOTIONS**

(a) Franchisee agrees to submit to Franchisor for Franchisor's prior written approval all advertising and promotional materials to be used by Franchisee (other than materials provided or previously approved or prepared by Franchisor unless altered by Franchisee) including, without limitation, all directory listings, brochures and classified advertisements and listings. Any such advertising or promotional materials that Franchisor does not approve or disapprove within fifteen (15) days shall be deemed disapproved. Franchisee agrees not to use any advertising or promotional materials not previously approved by Franchisor or which do not include all copyright or trademark notices in the manner prescribed in writing by Franchisor.

(b) Franchisee specifically acknowledges and agrees that any Website (as defined below) shall be deemed "advertising" under this Agreement, and will be subject to Franchisor's prior written approval as herein provided. As used in this Agreement, the term "Website" means an interactive electronic document, contained in a network of computers linked by communications software that Franchisee operates or authorizes others to operate and that refers to the Studio, the Names and Marks, Franchisor, and/or the Arthur Murray Method and System. The term Website includes, but is not limited to, Internet and World Wide Web home pages. In addition to any other applicable requirements, Franchisee shall comply with Franchisor's standards and specifications for Websites as described by Franchisor in its operating and technical manuals or otherwise in writing. If required by Franchisor, Franchisee shall establish its Website as part of Franchisor's Website and/or establish electronic links to Franchisor's Website.

(c) Franchisee agrees that Franchisee will be obligated to spend a minimum of twelve percent (12%) of annual gross receipts during each calendar year or part thereof during the term of this Agreement in such proportions and in approved media as Franchisor shall determine on advertising and public relations. Such percentage shall be designated from time to time by Franchisor. Franchisor may designate an advertising agency that Franchisee shall use for all local advertising conducted by Franchisee. Expenditures or contributions made by Franchisee pursuant to Paragraphs 9(d), (e) and (f) hereof and any pre-approved public relations received expenditures shall be credited toward Franchisee's obligations under this Paragraph 9(c).

(d) Franchisee agrees to pay his allocated percentage of the cost of national, regional and local advertising and/or public relations of the Arthur Murray method or the name Arthur Murray conducted, approved or permitted by Franchisor. The term "national advertising" shall include public relations, advertising and promotions placed in media having national distribution or circulation. The term "regional advertising" shall include public relations, advertising or promotions placed in regional publications or regional broadcasting. The term "local advertising" shall include advertising or promotions in local publications or local broadcasting. The term "allocated percentage costs" shall mean that proportionate share of the total cost of national, regional or local advertising, public relations or promotions which Franchisor or a majority of the

Arthur Murray Studios participating in such advertising allocate to Franchisee or any other equitable basis of apportionment reasonably calculated by Franchisor or a majority of the Arthur Murray Studios participating in such advertising or promoting. Any such allocation of costs selected or approved by Franchisor for such purposes shall be final and binding on the parties hereto. This Paragraph 9(d) shall apply in the event payments under Paragraph 9(e) are not being collected from franchisees.

(e) Franchisor shall have the right in its sole discretion to establish a separate advertising fund to be administered by Franchisor (the "National Advertising Fund") for national advertising, public relations and promotional programs to be conducted by Franchisor in such form and media as Franchisor determines to be most effective. Franchisee agrees to pay to the National Advertising Fund a percentage of the weekly gross receipts of the Studio as shall be specified by Franchisor from time to time, which shall not at any time during the term of this Agreement exceed an amount equal to two percent (2%) of the gross receipts of the Studio. All weekly contributions to the National Advertising Fund shall be payable in the same manner as the royalty fees due under Paragraph 6 hereof. Franchisor shall have the right to determine the composition of all geographic territories and market areas for the development and implementation of such advertising, public relations and promotional programs and to pay from the Advertising Fund all costs of the formulation, development and production of any such programs (including without limitation the proportionate compensation of employees or agents of Franchisor who devote time and render services in the conduct, formulation, development and production of such advertising, public relations and promotions programs or the administration of the funds used therefor). Franchisor shall have the further right to spend such funds on national or regional advertising or public relations programs as described under Paragraph 9(d) hereof.

(f) Franchisor may from time to time sponsor international, national, regional or local marketing contests or promotions. Franchisee is obligated and agrees to participate in all such sponsored studio promotions or contests pursuant to reasonable rules and regulations promulgated by Franchisor. In connection therewith, Franchisee agrees to pay any standard entry or participation fee when required on or before the due date specified in any assessment therefor, which entry fees to these events shall be used for prizes, trophies and other beneficial rewards to the participating franchisees as determined in the sole discretion of Franchisor.

(g) Franchisee agrees that Franchisor shall have the right to use Franchisee's name and photograph in any advertising or promotion conducted or permitted by Franchisor, including but not limited to advertisements conducted with other advertisers, training aids, devices, products and souvenirs.

## 10. **STANDARDS OF OPERATION BY FRANCHISEE**

(a) The parties agree that it is of the utmost importance, to the success of all Arthur Murray Studios, to Franchisees and students enrolled at all Arthur Murray Studios that the methods and execution of dance instruction, all dance steps, standards, programs, testing, charting, recording and all related activities comprising the Arthur Murray Method and System be uniform at all Arthur Murray Studios. Franchisee hereby warrants that each element comprising the Arthur Murray Method and System employed in the Studio shall at all times be in strict conformity with each and every element of the Arthur Murray Method and System as promulgated by Franchisor to its Franchisees from time to time, and Franchisee's performance thereof shall conform to the highest standard of the art. All student examinations for full standard medal categories as promulgated by Franchisor shall at all times be examined and judged by an examiner currently certified by Franchisor, provided, however, Franchisee may certify bronze medal examinations. Franchisees shall offer and provide only the Arthur Murray Method and System and those materials expressly adopted or approved by the Franchisor in all dance instruction, competitions, evaluations and testing, and in all systems and procedures relating to Studio services and facilities, in order to preserve the dignity and acceptance of the Names and Marks in a manner which is conducive to the success of all Arthur Murray Studios.

(b) At the option of Franchisor, Franchisee (or the manager of the Studio designated by Franchisee and approved by Franchisor in accordance with Paragraph 2(i) of this Agreement) agrees to enroll in and complete a training program furnished by Franchisor prior to the opening of the Studio. Such training program shall be furnished at such times and places as Franchisor designates. Franchisee shall complete any training program required by Franchisor to the satisfaction of Franchisor. Franchisee shall be responsible for the travel and living expenses incurred in connection with the training program.

(c) Franchisor and Franchisee agree that it is essential to the success and the reputation of Franchisor and Arthur Murray Studios for Franchisee to maintain the highest possible standards of dance instruction and services and the highest standard of behavior by Franchisee, all Studio personnel and agents employed by Franchisee. Franchisee shall

institute, maintain and abide by the highest possible rules of behavior in all Studio operations; whether on Studio premises or elsewhere in the conduct of the Studio's business, as determined by Franchisor in its independent judgment.

(d) Franchisor will loan to Franchisee during the term of the Franchise one (1) copy of all operating and technical manuals and training aids which may include, but not be limited to, syllabuses, video tapes and films, and will provide to Franchisee mandatory and suggested specifications, standards and operating procedures as prescribed from time to time by Franchisor together with other information relative to Franchisee's obligations hereunder in the operation of an Arthur Murray Studio. The operating and technical manuals and training aids shall remain confidential and the sole and exclusive property of Franchisor. The operating and technical manuals and training aids may be added to and otherwise modified by Franchisor from time to time, and such additions and modifications may be communicated to Franchisee through Franchisor's general or policy releases, or otherwise, as determined by Franchisor. At its option, Franchisor may make such operating and technical manuals and training aids, and any modifications or additions thereto, available to Franchisee by electronic means. The content and provisions of these operating and technical manuals and aids as reasonably modified from time to time will constitute a part of this Agreement and are incorporated herein by reference.

Upon the delivery of the operating and technical manuals and other training aids, including syllabuses, video tapes and films, Franchisee agrees to deliver to Franchisor a cash deposit, in an amount stipulated by Franchisor, or, at the option of Franchisor, a demand note for such amount. Upon expiration or termination of this Agreement and the return by Franchisee to Franchisor of all original operating and technical manuals and other training aids, including syllabuses, video tapes and films as provided in Paragraph 19 hereof, Franchisor shall return such cash deposit or demand note to Franchisee. In the event that Franchisee fails to return any or all original operating and technical manuals or other training aids delivered to Franchisee by Franchisor, Franchisor shall be entitled to retain the cash deposit, demand payment by Franchisee of the amount specified in the demand note or bill Franchisee for all amounts owed in addition to all other remedies available to Franchisor under this Agreement and applicable law without surrendering any rights to the ownership to any trademarks, tradenames, or copyrights or waiving any restrictions on the use of the materials. Franchisor also reserves the right to charge the Franchisee for the cost of video tapes and films and similar materials supplied to Franchisee under this Paragraph 10(d).

(e) Franchisee shall keep true, correct and complete student records and books of account, employing such bookkeeping and reporting systems as shall be suitable for the business contemplated hereby and appropriate to determine the gross receipts and royalty fee as stated herein. Franchisee shall use such reporting, forms and student records as may be prescribed by Franchisor. Franchisee shall at all times maintain accurate, complete and current student records which shall include the correct name, address and telephone number of each and every student enrolled in the Studio together with the amounts paid and owed to Franchisee for lessons, services and use of facilities and the number and type of lessons and services subscribed for, given and unused. Franchisee shall maintain all student cards and a duplicate, executed copy of all enrollment agreements for active, inactive and past students. The records and books of account, including copies of royalty fee reports, bank statements, duplicate daily deposit slips, duplicate prenumbered bound receipts and all student records and enrollment agreements of Franchisee shall be open to the examination and inspection of Franchisor in the Studio during all reasonable business hours of the day or upon written request by Franchisor. In the event of a student complaint to Franchisor, said records and other appropriate information shall be mailed to Franchisor immediately upon request.

(f) Franchisor shall have the right at any time during business hours, and without prior notice to Franchisee, to inspect and audit, or cause to be inspected or audited, the books and records of the Studio. In connection with any such inspection or audit, Franchisee agrees to provide Franchisor or its representatives with the identification of all personal and corporate bank accounts established by Franchisee. Franchisee agrees that Franchisor shall have access to and may inspect all such accounts and records for purposes of any such inspection or audit and hereby consents thereto. In the event any such inspection or audit shall disclose an understatement of the gross receipts of the Studio, Franchisee shall pay to Franchisor, within fifteen (15) days after receipt of the inspection or audit report, the royalty fee due on the amount of such understatement, plus interest (as provided in Paragraph 6(h) hereof) from the date originally due until the date of payment. In the event such inspection or audit is made necessary by the failure of Franchisee to furnish reports, supporting records, financial statements or other documents or information, as herein required, or to furnish such reports, records, financial statements, documents or information on a timely basis, or if there is a deliberate or unreasonable understatement of gross receipts for the period which is the subject of the inspection or audit, Franchisee shall reimburse Franchisor for the cost of such audit or inspection, including, without limitation, the charges of any independent accountants and the travel expenses, room and board and compensation of employees of Franchisor. Franchisor shall also have the right to assess Franchisee an administrative charge in such amounts as shall be determined by Franchisor from time to time in the event of any such failure to report properly, a discrepancy or understatement of gross receipts. The foregoing remedies shall be in addition to all other remedies and rights of Franchisor hereunder or under applicable law.

(g) Franchisee shall operate the Studio during the customary hours of operation for a dance studio business designated by Franchisor from time to time. Franchisee further agrees to have a full time receptionist to answer all telephone inquiries during the days and hours the Studio is open for business.

(h) Franchisee agrees to use Studio premises exclusively as an Arthur Murray Studio franchised in accordance herewith for dance lessons and directly related services and for no other purpose without the prior written permission of Franchisor.

(i) Franchisee will not organize, engage or participate in any dance competitions or similar events not sponsored or authorized by Franchisor without Franchisor's prior written consent. If Franchisee attends, sponsors or participates in any unauthorized dance competition or similar events, Franchisor shall have the right, in addition to all other remedies hereunder, to assess Franchisee an amount equal to twenty-five percent (25%) of the revenues or other consideration received by Franchisee in connection with such dance competition or event or the sum of ten thousand dollars (\$10,000.00), whichever is higher.

(j) Franchisee agrees that the dance floors, which shall be of oak or maple wood or other pre-approved surface, and the furniture, furnishings and decorations of the Studio shall be in good taste and be of high quality and character. Franchisee shall install, operate and maintain in good order a music system of high quality and performance. Franchisee shall keep the Studio in a state of cleanliness and order for the safety and convenience of all employees, students and other persons.

(k) Subject to Paragraph 2(i), Franchisee shall devote full time and best efforts, skills and diligence in the conduct of the operations of the Studio and shall control and supervise Franchisee's employees and agents for the Studio so they will conform to the standards of operations and other obligations of Franchisee as herein stated. If Franchisee is more than one individual, the provisions of this Agreement shall apply in all cases to the individuals designated as Franchisee, including, without limitation, the obligation of Franchisee to devote full time, attentions and best efforts to the conduct of the Studio as provided in Section 2(i) hereof.

(l) Franchisee promises to institute, maintain and participate in on-going staff training programs so that Franchisee, instructors, specialists, counselors, supervisors and other personnel and agents employed by Franchisee shall at all times have a complete knowledge of all pertinent operating and technical manuals and aids and Franchisor's policy releases as issued from time to time. Franchisee shall at all times require that each dance instructor be completely qualified to teach those students assigned such dance instructor and each instructor may from time to time be examined as to dance proficiency by an authorized certified examiner designated by Franchisor.

(m) Franchisee agrees that Franchisee or the Studio shall not:

(1) Employ any person involved in dance instruction or the supervision of dance instruction, unless such person has successfully completed a teacher's training class at an Arthur Murray Studio for at least one hundred (100) hours of training or has demonstrated to Franchisee sufficient dance knowledge and teaching ability to meet the necessary instructor's standards and otherwise satisfies the tests for proficiency established by Franchisor from time to time;

(2) Permit or condone any of the Studio's employees to borrow or receive any money or anything of consequential value from any student or former student of the Studio or their respective relatives;

(3) Commit, permit or condone any illegal or immoral conduct by Franchisee's employees or agents on the Studio premises or elsewhere which would permit or cause the reputation of Franchisor, Franchisee, any other Franchisee or any Arthur Murray Studio to be impugned;

(4) Serve, dispense or sell alcoholic beverages on the Studio premises to a minor in violation of any local, state or federal law, or sell, use, deal in, or dispense illegal substances, drugs or narcotics to any person whether an adult or minor; or

(5) Fraternalize, or permit or condone any of the Studio's employees to fraternize, with any student on or off the Studio premises. All relationships among Franchisee, Franchisee's employees and students of the Studio shall at all times be professional and related only to the business of the Studio.

(n) Franchisee shall promptly pay when due any and all obligations of every kind and nature which may be due and payable to Franchisor, other persons and to the government or any subdivision or agency thereof.

(o) To protect the good name and goodwill of Arthur Murray Studios, and the Arthur Murray Method and System, Franchisee shall not promote or participate in any dance competition involving any judge, examiner or adjudicator not certified by Franchisor unless Franchisor, in its sole discretion, consents thereto.

(p) Franchisee agrees to attend and participate in all technical, training, promotional or other meetings reasonably sponsored or conducted by Franchisor, whether on a local, regional, national or international level. Franchisor must receive at least thirty (30) days' prior written notice of all meetings relating to the Arthur Murray Method and System which are sponsored by Franchisee and to be attended by other Arthur Murray Franchisees. The notice shall list the time, place and agenda of any such meeting, and the meeting must be conducted according to Franchisor's reasonable rules and regulations. Franchisor may, at its option and at Franchisee's cost, send representatives to the meeting. Franchisee may not schedule or conduct any competitions, showcases, meetings, projects or promotions which conflict with, or are to occur within thirty (30) days of, any regional, area or national event sponsored by Franchisor of which Franchisee has reasonable prior notice and which Franchisee is required to attend. However, Franchisee may conduct Medalist Balls and Showcases at the Studio for its own benefit within seven (7) days of such an event. The parties agree that attendance and participation in required meetings and events is integral to the success of the Studio, other Studios and Franchisor. Therefore, if Franchisee fails to attend or participate in any meeting or event required under this Paragraph 10(p), Franchisor shall be entitled to liquidated damages on account of such breach of \$1,000 per meeting or event.

(q) Franchisee, when and if called upon to do so by Franchisor, agrees to pay a percentage share of the reasonable fees, costs, and expenses incurred by or at the direction or approval of Franchisor for legislative matters relating to Franchisee's operations, including, without limitation, the fees, costs and expenses of any lobbyists, consultants or other advisors or witnesses engaged for such purposes. The term "percentage share of the cost" shall mean that percentage share of the total cost of such activities which Franchisor will allocate to Franchisee based upon ratios of applicable respective populations statistics, circulation of media, gross receipts of Arthur Murray Studios or any other equitable basis of apportionment reasonably calculated by Franchisor. Any such allocation of costs selected or approved by Franchisor for such purpose shall be final and binding on the parties.

(r) Franchisee agrees to obtain at Franchisee's expense and use the computer hardware and operating software Franchisor prescribes from time to time (the "Computer System"). Franchisee understands and agrees that Franchisor may modify specifications for and components of the Computer System and that any such modifications may require additional expenditures to comply with Franchisor's requirements. Franchisee also understands and agrees that Franchisor may require that Franchisee enter into computer software or technology license agreement(s) with Franchisor as a condition of obtaining any such software or technology for use in Studio operations.

(s) Franchisee shall comply with all policies prescribed by the Company from time to time regarding traveling consultants or employees of other Arthur Murray Studios performing services for or on behalf of the Studio or other Arthur Murray Studios.

(t) Franchisee agrees that it will not use or post (or allow any of its employees to use or post) any written communication on social media to impugn or demean the reputation or goodwill associated with the Names and Marks or the Arthur Murray Method and System. "Social media" includes personal blogs, common social networks like Facebook and Myspace, professional networks like LinkedIn, live-blogging tools like Twitter, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools. Franchisee further agrees that Franchisor shall have the right to regulate Franchisee's and Franchisee's employee's use of social media to advertise, promote or otherwise communicate information about the Studio or its operations.

## 11. **STUDENT ENROLLMENTS BY FRANCHISEE**

In order to protect the reputation and goodwill of Franchisor, all Arthur Murray Studios and the interest of Franchisee's students as purchasers of consumer services:

(a) Every student enrollment agreement and contract used by Franchisee shall at all times be in strict compliance with all federal, state, local and provincial laws and decrees, municipal ordinances, rules and regulations.



(b) Every student enrollment agreement for lessons or services offered or executed by Franchisee shall be in writing of at least 8-point type, provide for a definite expiration of lessons and services and state that personal lessons are transferable to other Arthur Murray Studios.

(c) Subject to the requirements of applicable federal, state, local and provincial laws and decrees, Franchisee shall include the following provisions in each student enrollment agreement or contract entered into with a student relating to the sale of dance lessons, services or the payment therefor:

(1) The following provision shall be in ten (10) point bold-face capital letters.

"AS STUDENT, I UNDERSTAND AND AGREE THAT THIS AGREEMENT IS MADE BY ME SOLELY WITH THE BELOW NAMED OWNER OF THE STUDIO, AS SELLER, AND DOES NOT DIRECTLY OR INDIRECTLY CONSTITUTE AN AGREEMENT WITH OR AN OBLIGATION OF ARTHUR MURRAY INTERNATIONAL, INC. SHOULD THIS AGREEMENT, COMBINED WITH THE COST OF STUDENT'S OTHER UNUSED PERSONAL LESSONS AND/OR SERVICES, EXCEED TWO HUNDRED (200) PERSONAL UNUSED LESSONS OR UNITS OR TWENTY THOUSAND DOLLARS (\$20,000.00) IN LESSONS OR UNITS OR SERVICES COMBINED, WHICHEVER COMES FIRST, OR THE MAXIMUM PERMITTED BY LAW, WHICHEVER IS LESS, THIS AGREEMENT IS VOID."

(2) The following paragraph shall be in ten (10) point bold-face capital letters.

"THIS AGREEMENT IS SUBJECT TO CANCELLATION AT ANY TIME DURING THE TERM OF THE AGREEMENT UPON NOTIFICATION BY THE STUDENT. IF THIS AGREEMENT IS CANCELLED WITHIN THREE BUSINESS DAYS, THE STUDIO WILL REFUND ALL PAYMENTS MADE UNDER THE AGREEMENT. AFTER THREE BUSINESS DAYS, THE STUDIO WILL ONLY CHARGE YOU FOR THE DANCE INSTRUCTION AND DANCE INSTRUCTION SERVICES ACTUALLY FURNISHED UNDER THE AGREEMENT, PLUS A REASONABLE AND FAIR SERVICE FEE. IF OTHER THAN AN ORIGINAL ENROLLMENT, THIS AGREEMENT, IF FOR DANCE INSTRUCTION, IS SUBJECT TO CANCELLATION BY THE STUDENT WITHOUT CHARGE WITHIN SEVEN (7) DAYS AFTER THE COMPLETION OF THE PREVIOUS COURSE OF DANCE INSTRUCTION."

(d) Every student enrollment agreement for lessons or services shall name the owner of the Studio selling said lessons or services, designated as "Owner," immediately above the signature of the Studio representative and shall describe Franchisee's Studio as an "Arthur Murray Franchised Dance Studio" or an approved variation thereof. In any and all instances the Studio shall be identified as "Franchised."

(e) Franchisor shall, from time to time, inform Franchisee in writing and Franchisee shall comply with:

(1) The maximum total lessons and dollar amount for which any one student may be enrolled and have unused (including lessons, parties, trips, club memberships and other related studio services) by the Studio at any given time;

(2) Changes in wording or additional wording to be included in student enrollment agreements; and

(3) Other reasonable limitations and restrictions with respect to the enrollment of regular and/or transient students.

(f) Franchisee understands and agrees that it is to Franchisee's benefit and the benefit of all Arthur Murray franchisees that students be limited in the value of lessons and/or services which may be unused at any given time. As potential damage to the reputation of the Names and Marks in violation of Paragraph 11(e)(1), Franchisee shall pay to Franchisor, as liquidated damages for each deliberate and/or major violation, the sum of Seven Thousand Five Hundred Dollars (\$7,500.00). Franchisee agrees to pay such amounts within fifteen (15) days after receipt of an invoice therefor.

(g) A sample copy of all student enrollment agreements and contracts for lessons or services used by Franchisee shall be approved in writing by Franchisor for compliance with the requirements of Paragraphs 11(b) through 11(e) before Franchisee shall offer same to any student or other person.

(h) Franchisee will promptly refund the pro rata value of paid for but unused lessons or services, less a reasonable and fair service charge, if requested by a student, such refund to be in accordance with all applicable laws and

decrees; provided, however, that if Franchisor reasonably determines that a refund request should be honored by Franchisee, even if not legally required, Franchisee, upon the request of Franchisor, shall make such a refund. Upon the receipt by Franchisor of sufficient evidence, including any refund report in a form stipulated by Franchisor, that a refund has been made by Franchisee to Franchisee's student or the student's estate during the term of the Franchise, Franchisor will credit Franchisee for the amount of the royalty fee previously paid which is applicable to the sum so refunded by Franchisee.

## 12. EMPLOYEE EMPLOYMENT CONTRACTS

(a) All trainees, instructors, supervisors, managers and sales personnel of Franchisee shall at all times be under a written employment agreement with Franchisee in which Franchisee or Franchisee's authorized corporation, limited liability company or other entity, if applicable, shall be named as the employer (the "Employment Agreement").

(b) The Employment Agreement may be in a format prepared by Franchisor known as the "Professional Instructor Agreement." Franchisor makes no representation that the Professional Instructor Agreement complies with applicable federal, state, local or provincial laws, and Franchisee shall consult with attorneys knowledgeable concerning applicable employment laws in connection with the use of such Professional Instructor Agreement.

(c) Alternatively, Franchisee may use a format of Employment Agreement with the applicant for employment ("Applicant") other than the Professional Instructor Agreement, provided, however, that such agreement must contain the following provisions which may be changed by Franchisor from time to time by written notice to Franchisee:

(1) "Applicant is prohibited from soliciting or accepting money or anything of consequential value, whether as a loan, gift, investment, or otherwise, from any present or former student of Studio or any relative of any such student."

(2) "Applicant is prohibited from engaging in any relationship with any student of the Studio except for a professional relationship relating to dance instruction, including, but not limited to any individual or group social fraternization."

(3) "Applicant agrees that information furnished by AMII or Studio concerning Arthur Murray's methods as to dances, steps, teaching, instructional techniques, marketing techniques and operational procedures, as well as names, addresses, phone numbers, information concerning the preference and abilities of students, customer lists and less pricing information, are provided by Studio to employee to facilitate the performance by Applicant of his or her job responsibilities, and constitute proprietary information, confidential information and/or trade secrets (the "Protected Information"). Applicant agrees to use the Protected Information solely for the purpose of providing services hereunder and shall not disclose Protected Information to any other person, firm or entity except (x) in the ordinary course of the business of Studio or (y) to other employees of Studio who require such information for the operation of the Studio, and (b) shall not use any of the Protected Information in connection with any business or venture, other than in connection with the rendering of Applicant's services as provided herein."

(4) "Studio and AMII may use Applicant's name, photograph, films and recordings in connection with Arthur Murray advertising and publicity by Studio and/or AMII for any lawful purpose, including, but not limited to the sale of dance lessons, dance services, products or otherwise."

(5) "Applicant acknowledges that (a) AMII owns copyrights in all training aids, dance charts, manuals, syllabuses, books and other written materials, films, photographs, logos, and line drawings; audio and/or audio visual materials; and trophies used in the operation of the Studio, (the "Copyrighted Materials"), (b) the Studio is authorized by AMII to use the Copyrighted Materials in conjunction with its operations, and (c) Applicant shall not have the right, during the term of employment or thereafter, to copy, film, tape, or reproduce or reassemble in any manner, either in part or whole, any of the Copyrighted Materials or to use the Copyrighted Materials to create any work. Upon termination of Applicant's employment, Applicant shall surrender to Studio all Copyrighted Materials and any materials derived thereof. All Copyrighted Materials and copies or reproductions thereof shall remain at all times the exclusive property of AMII."

(6) "Applicant acknowledges that AMII owns certain trademarks and service marks (including, but not limited to, "Arthur Murray" and "Arthur Murray Dance Studio") (the "Proprietary Marks"), which Proprietary Marks are the exclusive property of AMII. Applicant shall not utilize any of the Proprietary Marks except in accordance with Franchisee's instructions in connection with the operation of the Studio, and shall upon termination

of Applicant's employment immediately discontinue all utilization of the Proprietary Marks and any confusingly similar names and marks."

(7) In at least 10-point bold-face capital letters:

**"THIS AGREEMENT IS MADE BY AND SOLELY BETWEEN THE HEREIN NAMED OWNER OF THE STUDIO [FRANCHISEE] AND THE APPLICANT [EMPLOYEE], AND APPLICANT UNDERSTANDS AND AGREES THAT APPLICANT SHALL HAVE NO RIGHTS AND SHALL NOT ASSERT ANY CLAIMS OF ANY NATURE WHATSOEVER AGAINST AMII OR ITS OFFICERS, DIRECTORS OR EMPLOYEES UNDER OR BY VIRTUE OF THIS AGREEMENT OR THE EMPLOYMENT RELATIONSHIP CREATED UNDER THIS AGREEMENT. APPLICANT FURTHER AGREES THAT AMII SHALL HAVE THE RIGHT TO ENFORCE THOSE PROVISIONS OF THIS AGREEMENT THAT PROTECT ITS PROPRIETARY MARKS, COPY RIGHTED MATERIALS AND PROTECTED INFORMATION."**

### 13. COMPLIANCE WITH THE LAW

(a) Franchisee agrees to promptly secure and maintain in force all required licenses, permits, bonds and certificates and to operate the Studio in full compliance with all applicable federal, state, provincial and local consumer protection laws, as well as all other applicable statutes, rules, regulations, ordinances, decrees or obligations imposed by any government or any subdivision or agency thereof. When so requested by Franchisor, Franchisee shall certify in writing to Franchisor such compliance by Franchisee and the Studio.

(b) Franchisee shall give Franchisor notice in writing within three (3) days after receipt of any summons, complaint or statement of claim filed in any court of law, any complaint from an attorney or consumer protection agency on behalf of a student against Franchisee or any demand on Franchisee for arbitration in connection with the operation of the operation of the Studio and shall remit a copy of same and any related documents to Franchisor within said period of time by certified mail, return receipt requested, postage prepaid. Franchisee shall promptly inform Franchisor in writing of any developments concerning the foregoing matters and Franchisee's disposition of same.

### 14. FRANCHISOR'S NAMES AND MARKS

(a) Franchisee acknowledges that Franchisor is the sole owner of the Names and Marks licensed to Franchisee by this Agreement. Franchisee agrees to use each such Name and Mark in full compliance with rules prescribed from time to time by Franchisor and all such usage shall inure to the exclusive benefit of Franchisor. Franchisee shall not use any of the Names and Marks as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols, in connection with the sale or offer of sale of any unauthorized services or products or in any manner not explicitly authorized in writing by Franchisor. Franchisee shall immediately notify Franchisor of any infringement of or challenge to Franchisee's use of the Names and Marks or of any claim by any other person to any rights in the Names and Marks, and Franchisor shall have the sole right and discretion to take such action as it deems appropriate.

(b) Franchisee agrees that it will not use any of the Names and Marks or any variation thereof as part of a domain name or electronic address of a website without the prior written consent of Franchisor.

(c) Franchisee shall print the symbol ® after the words "Arthur Murray" and all other registered Names and Marks and the symbol © "Arthur Murray International, Inc. 20\_\_\_\_" (insert appropriate year(s)) when the Names and Marks or copyrighted materials are used.

(d) Franchisee further agrees to register or file statements of its use of the Names and Marks in any governmental office where it is mandatory or permissive that such a statement be filed, to renew said registrations or filings as required by law and to furnish to Franchisor within thirty (30) days after the execution of this Agreement and after each renewal, as applicable, satisfactory proof to Franchisor that such statements have been duly filed.

(e) Franchisor agrees to indemnify Franchisee against and to reimburse Franchisee for all damages for which it is held liable in any proceeding contesting its authorized use of the Names and Marks and for all costs reasonably incurred by

Franchisee in the defense of any such claim brought against Franchisee. If it becomes advisable at any time in the sole discretion of Franchisor for Franchisee to modify or discontinue use of any Name or Mark, or to use one or more additional or substitute trade names, trade or service marks, Franchisee agrees to promptly do so, and the sole obligation of Franchisor in any event will be to reimburse Franchisee for their reasonable tangible costs of complying with this obligation, provided Franchisee has notified Franchisor prior to incurring such costs. All provisions of this Agreement applicable to the Names and Marks shall also apply to any and other commercial symbols hereafter licensed to Franchisee by Franchisor.

#### 15. **CONFIDENTIALITY OF THE ARTHUR MURRAY METHOD AND SYSTEM**

(a) Neither Franchisee, its employees or agents shall at any time, directly or indirectly, furnish or divulge any information as to methods of operation, interviewing, teaching, advertising, publicity, promotion ideas, marketing methods, the names and addresses of inquiring prospects, past and present students enrolled in the Studio or any other information or knowledge concerning the Arthur Murray Method and System or the operation of an Arthur Murray Studio to anyone except Franchisor and its agents. Franchisee may, however, discuss such matters and teaching methods with its employees, who shall be under written contract of employment as provided herein, and Franchisees of other Arthur Murray Studios and their employees.

(b) Franchisee acknowledges that all information relating to the operation of an Arthur Murray Studio disclosed to Franchisee by Franchisor pursuant to this Agreement is strictly confidential and is proprietary property and a trade secret of Franchisor. Franchisee agrees that Franchisee and Franchisee's employees will maintain and protect the confidentiality of all such information during and at all times after the term of this Agreement.

#### 16. **INSURANCE**

During the term of this Agreement, Franchisee shall, at its own cost and expense, procure and keep in full force and effect for the Studio during the term hereof a commercial general liability insurance policy with limits of not less than \$2,000,000 combined single limit for bodily injury and property damage (or such greater limits as may be required by the landlord of the Studio premises), including motor vehicle liability coverage on automobiles used to any degree in conjunction with Studio operations, full risk property insurance in an amount equal to full replacement value of all business personal property and leasehold improvements, and such other insurance coverages, limits, deductibles and retentions as may be reasonably prescribed from time to time by Franchisor. Said policies of insurance shall be placed with carriers who meet the minimum classification specified from time to time by Franchisor and shall be in a form satisfactory to Franchisor. Franchisee shall promptly deliver copies of said insurance policies to Franchisor, or a copy of the certificates of insurance for each of the required insurance coverages, together with certificates or renewal or extensions of all of said required insurance policies. All required public liability insurance policies as stated above shall name Franchisor as an additional party insured. All insurance policies or certificates shall provide that such insurance coverage shall not be cancelled without at least thirty (30) days' prior written notice to Franchisor.

#### 17. **ASSIGNMENT OR ENCUMBRANCE OF FRANCHISE**

(a) This Agreement is fully assignable by Franchisor and will inure to the benefit of any assigns or other legal successor to the interest of Franchisor.

(b) This Agreement, the Franchise, the license pursuant hereto and the ownership of the Studio are personal to Franchisee and neither this Agreement, the license nor any part of the ownership of Franchisee or the Studio may be voluntarily or involuntarily, directly or indirectly, fully or partially assigned, leased, loaned, sub-franchised or sub-licensed or otherwise transferred or encumbered by Franchisee, any corporation, limited liability company or other entity authorized by Franchisor to operate the Studio or the owners thereof, without the prior written consent of Franchisor, which consent shall not be unreasonably withheld provided that the proposed assignee(s) are, in the sole opinion of Franchisor, individuals of good moral character, and who have sufficient business experience, aptitude and financial resources to own and operate the studio and the Franchise and otherwise meet Franchisor's then applicable standards for Franchisees, and further provided that the following conditions are met prior to, or concurrently with, the effective date of the assignment:

(1) Franchisee shall have fully paid such royalty fees and any other amounts owed to Franchisor and its affiliates which are then due and unpaid; and

(2) The assignee shall have executed the form of Franchise Agreement and such ancillary agreements as are then customarily used by Franchisor in the grant of franchises for Arthur Murray Studios.

(3) Franchisee shall pay to the Company an administrative transfer fee in the amount of five thousand dollars (\$5,000.00)

(c) Any assignment, transfer or encumbrance without prior written consent of Franchisor shall constitute a breach hereof, shall be void and of no effect and shall transfer no rights to the assignee or obligee whatsoever. Said consent will not be unreasonably withheld when transfer is made to an immediate family member of Franchisee and a manager is appointed who is qualified, in the reasonable opinion of Franchisor, to operate the Studio in accordance with the terms of this Agreement. Any sub-franchise or sub-license of this Agreement must comply with all applicable federal, state, local and provincial laws regulating the transfer of franchise rights.

(d) If Franchisee is in full compliance with this Agreement, Franchisee may, without being relieved from any personal liability hereunder, assign and transfer this Agreement, the franchise and license to a corporation, limited liability company or other approved entity, provided:

(1) During the term of this Agreement, Franchisee is the majority owner of such corporation, limited liability company or other approved entity, and maintains voting control thereof, and all other ownership interests are owned only by members of Franchisee's immediate family or employees of such corporation, limited liability company or other approved entity;

(2) Franchisee is the chief executive officer of such corporation, limited liability company or other approval entity, during the term hereof (unless Franchisor, in its sole discretion, approves another individual as chief executive officer);

(3) All money obligations of Franchisee to Franchisor are fully paid;

(4) The corporation, limited liability company or other approved entity agrees in writing satisfactory to Franchisor to assume all Franchisee's obligations hereunder and to guarantee the full and prompt payment and performance by the corporation, limited liability company or other approved entity of all its obligations to Franchisor; and

(5) All owners, directors and executive officers of such corporation, limited liability company or other approved entity shall execute a guaranty agreement agreeing to be personally bound by the terms of the Franchise Agreement in the form prescribed by Franchisor. This guarantee shall be a continuing obligation until the same is revoked or cancelled by Franchisor.

(e) Franchisor reserves the right to receive and approve the provisions of any binding stock purchase, stock redemption or buy-sell agreement or other transfer upon the demise or permanent disability of Franchisee, which approval will not be unreasonably withheld by Franchisor provided that the transferees under any such agreement or otherwise meet the then applicable standards of Franchisor for franchisees, and agree to execute and be bound by all of the provisions of the then current form of standard Franchise Agreement and all other documents then customarily used by Franchisor in the grant of franchises.

(f) A copy of all agreements concerning any proposed assignment, sub-franchise, sub-license, encumbrance or other proposed transfer of any of Franchisee's rights hereunder shall be furnished by Franchisee to Franchisor not less than fifteen (15) days prior to the effective date of the proposed transaction in order to be considered by Franchisor for its consent.

(g) At least fifteen (15) days (or longer where required by law) prior to the effective date of the proposed transaction, Franchisee shall also deliver a copy of a current student inventory of the Studio to Franchisor and the prospective transferee showing the total liability for lessons and services, together with a detailed list of all other financial obligations of Franchisee with respect to the Studio, all of which shall be verified by Franchisee to be substantially true, correct and complete.

(h) If Franchisee proposes to sell the Studio assets or assign or transfer its rights to operate the Studio, an ownership interest in the Studio or ownership interest in a corporation, limited liability company or other approved entity authorized by Franchisor to own or operate the Studio, Franchisee shall obtain a bona fide, executed, written offer from a responsible and fully-disclosed purchaser and shall submit an exact copy of such offer to Franchisor. Franchisor shall have the right, exercisable by written notice to Franchisee for a period of fifteen (15) days after the date of delivery of such offer, to purchase the Studio, ownership interest in the Studio or ownership interest in such corporation, limited liability company or other entity authorized to operate the Studio for the price and on the terms and conditions contained in the offer, provided

that Franchisor may substitute cash for any form of payment proposed in such offer. If Franchisor does not exercise its right of first refusal, Franchisee may proceed with the sale, subject to the prior written approval of Franchisor, as provided in this paragraph; provided, however, if the sale or transfer is not consummated within sixty (60) days after delivery of such offer to Franchisor, Franchisor shall again have the right of first refusal as herein provided. This Paragraph 17(h) shall not apply in the case of a transfer to an immediate family member of Franchisee or a transfer of a minority interest in the Franchise to an employee of Franchisee where Franchisee maintains not less than fifty-one percent (51%) of the equity and voting control in the Franchise.

## 18. TERMINATION OR CANCELLATION OF THIS AGREEMENT

In addition to all other remedies of Franchisor hereunder, Franchisor may terminate or cancel this Agreement immediately and without other cause or prior notice, effective upon mailing of notice of termination or cancellation to Franchisee, if Franchisee or the Studio:

- (a) Has made any material misrepresentation or misstatement on its application for the Franchise or in this Agreement, or with respect to the ownership or proposed operation of the Studio;
- (b) Is convicted of or pleads no contest to any felony or any other crime which, in Franchisor's judgment, may impair the goodwill associated with the Names and Marks;
- (c) Abandons or fails to continuously and actively operate the Studio for fifteen (15) days without the prior written consent of Franchisor;
- (d) Makes an assignment for the benefit of creditors or an admission of an inability to pay its obligations as they become due; files a voluntary petition in bankruptcy or any pleading seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution or similar relief under any law; fails to contest the material allegations of any such pleading filed against Franchisee or the Studio; is adjudicated a bankrupt or insolvent; or if a receiver or trustee is appointed to take possession of the assets of Franchisee or the Studio or any moratorium in payments by Franchisee or the Studio is ordered by any court;
- (e) Makes or attempts to make an unauthorized assignment, transfer or encumbrance in violation of Section 17;
- (f) Uses any of the Names and Marks in any unauthorized means or manner;
- (g) Fails to abide by the maximum total dollar value in lessons and/or services and number of lessons and/or services which any one student may have remaining at one time in accordance with Paragraph 11(e)(1) of this Agreement, makes any material misrepresentation to Franchisor with respect to same, or attempts to hide any violation thereof or secretes any gross receipts of the Studio in order to deprive Franchisor of the royalty fee due thereon;
- (h) Operates the Studio in such a manner that would jeopardize or impair the goodwill, the Names and Marks or the reputation of Franchisor or other Franchisees of Franchisor;
- (i) Fails, refuses or neglects to pay to Franchisor any monies due to Franchisor promptly when due, or fails, refuses or neglects to furnish Franchisor with any report, statement or other record herein required to be furnished promptly when due, and does not pay such sum, substantially correct such failure in a manner as prescribed by Franchisor, within fifteen (15) days after written notice thereof is delivered by Franchisor to Franchisee;
- (j) Fails to timely notify Franchisor of any summons, complaint or statement of claim against Franchisee as required under Paragraph 13(b) of this Agreement;
- (k) Is convicted of selling or dispensing alcoholic beverages to a minor in violation of any state or federal law, or sells, deals in or dispenses any illegal substance, drugs or narcotics to any person, whether an adult or a minor, or if any employee of the studio is so convicted or engages in any such conduct;
- (l) Fraternalizes, or permits or condones any of the Studio's employees to fraternize, with any student on or off the Studio premises in violation of Paragraph 10(m)(5) of this Agreement;
- (m) Fails, if operating more than one studio, to provide the Studio with an on-premises manager acceptable to Franchisor, pursuant to Paragraph 2(h) hereof;

(n) Fails to deliver to Franchisor proof of insurance coverage pursuant to Paragraph 16 hereof or fails to certify in writing, when so requested by Franchisor, compliance with the requirement to secure and maintain in force all required licenses, permits, registrations, bonds and certificates pursuant to Paragraph 13(a) hereof;

(o) intentionally underreports gross receipts of the Studio; or

(p) Breaches or fails to adhere to any other term, condition, promise or provision of this Agreement or any policy release of Franchisor or any specification, standard or operation procedure prescribed by Franchisor relating to the operation of the Studio and does not substantially correct such failure in a manner prescribed by Franchisor within fifteen (15) days after written notice thereof is mailed by Franchisor to Franchisee.

## 19. UPON TERMINATION, CANCELLATION OR EXPIRATION OF THIS AGREEMENT

Upon termination, cancellation or expiration of this Agreement for any reason, or in the event this Agreement is null and void because of Franchisee's failure to develop and open the Studio within ninety (90) days from the date hereof:

(a) Franchisee agrees to pay to Franchisor within fifteen (15) days thereafter such royalty fees and all other monetary obligations to Franchisor as have become due and are then unpaid, and if this Agreement is terminated by Franchisor with cause or by Franchisee without cause, Franchisee agrees to pay to Franchisor an amount equal to the average weekly royalty fee payable by Franchisee during the preceding twenty-four month period (or, if the Studio has been operated by Franchisee for less than twenty-four months, the average weekly royalty fee payable by Franchisee from the date Franchisee commenced operating the Studio) multiplied by the number of weeks remaining on the term of this Agreement, had the Agreement not been terminated.

(b) Franchisee shall remain personally responsible to Franchisor, and Franchisee and Franchisee's corporation, limited liability company or other approved entity and its owners, directors and executive officers, if applicable, shall remain responsible for the Studio's obligations including, but not limited to, obligations to all students of Franchisee for all unused and paid-for dance lessons and services, as well as all obligations to Franchisor as stated herein, and for all other obligations to other persons incurred by Franchisee in the operation of the Studio, whether or not any of said obligations are assumed by subsequent franchisees, provided that:

(1) Where Franchisee or its approved assignee shall sell, assign or transfer the Franchise Agreement, the Studio (or its assets) or part or all of the ownership of Franchisee's corporation, limited liability company or other approved entity, as the case may be, to another person with the consent of Franchisor, as provided herein, and the transferee executes an Arthur Murray Franchise Agreement: (i) Franchisee and, if applicable, its owners, directors and executive officers shall remain jointly and severally responsible with the buyer or transferee who shall assume and become personally responsible for all then unused and paid-for lessons and services due to students of the subject Studio, student refunds and/or damage claims; (ii) Franchisee and buyer or transferee shall be jointly and severally responsible for royalty fees and all other obligations then due Franchisor, as well as all other then existing obligations and liabilities of Franchisee by virtue of the ownership and operation of the Studio until same have been fully paid and discharged;

(2) In the event Franchisor shall take possession of the Studio, Franchisee shall remain liable and responsible for all of the foregoing together with all unused and paid-for lessons and services due to students of the Studio, student refunds and/or damage claims, royalty fees and all other obligations then due Franchisor at the date of such repossession; and

(3) Where Franchisee or its approved assignee shall sub-franchise or sub-license the franchise, the Studio or any rights therein, Franchisee, its sub-franchisee, sub-licensee, or its assignee and its shareholders, directors and executive officers as approved in writing by Franchisor shall remain and continue to be jointly and severally liable and responsible for all unused and paid-for lessons and services of students, student refund and/or damage claims, royalty fees and all other liabilities which might exist against the Studio until all of said lessons have been taught and all of said royalty fees and other liabilities which might exist against the Studio have been paid; and upon the further condition that both Franchisee and sub-franchisee or sub-licensee and their respective approved corporate assignees shall remain and continue to be jointly and severally liable and responsible for all unused and paid-for lessons and services of students and refunds of students' lessons enrolled for after the date of the sub-franchise or sub-license agreement royalty fees and all other liabilities thereafter arising as a result of the operation of the Studio.

(c) Franchisee shall return to Franchisor all originals and copies of operating and technical manuals and other training aids, including syllabuses, video tapes and films, loaned or issued by Franchisor and any and all other written materials loaned or issued to Franchisee relating to the operation of an Arthur Murray Studio.

(d) Franchisee shall immediately cease to use any confidential information of Franchisor disclosed or otherwise learned or acquired by Franchisee.

(e) Franchisee shall, within ten (10) days thereafter, (1) remove from the Studio premises all Arthur Murray interior and exterior signs and all of the Names and Marks, including all written materials therein in which the name "Arthur Murray" or any variation thereof appears, and Franchisee shall dispose of same; (2) cancel all assumed or fictitious names or equivalent registrations or filings relating to the use of any Name or Mark; (3) direct and authorize the local telephone company to assign and transfer the telephone number(s) and telephone directory listing(s) and all advertising theretofore used by Franchisee in connection with the Studio to any person, firm or corporation designated by Franchisor or at Franchisor's option permanently discontinue the use thereof. Franchisee does hereby irrevocably authorize and empower Franchisor or any officer of Franchisor to execute, as Franchisee's Attorney-in-Fact, coupled with an interest, all documents or orders as may be necessary for the accomplishment thereof.

(f) Franchisee shall execute and deliver to Franchisor or its nominee, and Franchisor or its nominee shall have the option to accept an assignment of, all of Franchisee's right, title and interest in and to any lease or sub-lease of the Studio premises occupied by Franchisee for the purpose of operating the Studio, together with an assignment of any assets and Student Enrollment Contracts of Franchisee excluding "goodwill" but including, but not limited to, all claims or equity which Franchisee may have in any retail installment contracts, and to apply, pay out or use same for the purpose of liquidating any and all liabilities of Franchisee or its corporation, as applicable, to Franchisor or students of the Studio, whether ascertained or contingent, incurred by Franchisee in the operation of the Studio operated pursuant to the terms hereof, in such order and manner as Franchisor in its sole discretion shall determine, unless Franchisee can reasonably demonstrate that any of said obligations are unenforceable or incorrect as to amount. Should Franchisee fail to execute the assignments mentioned herein, Franchisee does hereby irrevocably authorize and empower Franchisor or any officer of Franchisor to execute such assignment(s) as Franchisee's Attorney-in-Fact, coupled with an interest, at such time or times as Franchisor may deem such action advisable after termination, cancellation or expiration hereof. In the event Franchisor or its nominee elects to accept said assignments from Franchisee, Franchisor or its nominee shall credit or reimburse Franchisee for all security deposits, prepayments of rent, and the fair market value for furniture and fixtures owned by the Franchisee on the premises of the Studio.

(g) If a new written Franchise Agreement is entered into by the parties hereto, or if this present Agreement is reinstated in writing, any such new Franchise Agreement or reinstatement hereof shall be effective on the day following the effective date of such cancellation, termination, or expiration of the previous Franchise Agreement.

(h) If Franchisee fails to cease and desist from doing business under the Names and Marks, in addition to other remedies available to Franchisor, Franchisor shall be entitled to recover from Franchisee as liquidated damages twenty-five percent (25%) of Franchisee's gross receipts thereafter so long as Franchisee continues to do business using the name "Arthur Murray," or any initials or variations thereof or any name similar thereto, in any manner whatsoever or otherwise infringes upon the Names and Marks.

(i) Franchisee shall not make use of the name "Arthur Murray" or any variation thereof and Franchisee shall not advertise or hold itself out as having formerly been connected with "Arthur Murray" or with an Arthur Murray Studio or any variation thereof in connection with any other dance school, dance studio, dance hall, dance club, social club, association of dancers or other business providing, selling or giving dance lessons or providing or selling services or facilities similar to the services provided for sale by Arthur Murray Studios.

(j) Franchisee shall cooperate with any successor and shall not unreasonably interfere with any such successor's employment of staff personnel who possess know-how or knowledge obtained as an employee of the Studio or otherwise unreasonably interfere with the operations of its successor.

(k) The Franchisee shall not be entitled to receive any royalty fees from any existing franchise operators in the franchise territory, whether a sub-franchise, release of territorial rights, lease-back partnership, or any other arrangement or relationship. Franchisee hereby unconditionally waives any and all rights to such royalty fees.



(l) If Franchisee fails to comply with any of the obligations stated in Paragraph 19 hereof, Franchisor or Franchisor's designated agent shall have the right to enter upon the premises of the Studio in order to enforce same without committing any trespass or other illegal act, and Franchisor shall not be liable to Franchisee in any manner for so acting.

## 20. RESTRICTIVE COVENANTS

(a) Franchisee agrees that it will not, during the term of this Agreement, use the knowledge, know-how, proprietary information, or trade secrets comprising the Arthur Murray Method and System or have any interest or involvement as an owner, as an employee or in any other capacity in any dance school or other business competing with Franchisor or any other Arthur Murray Studio or providing or selling dance instruction and/or services similar to those provided or available at an Arthur Murray Studio.

(b) In the event of (i) termination of this Agreement by Franchisor for cause, (ii) termination of this Agreement by Franchisee without cause, or (iii) this Agreement not being renewed for any reason, Franchisee agrees that Franchisee and any entity in which Franchisee has an interest will not engage directly or indirectly as an owner, employee, consultant, lender, lessor or in any other capacity for a period of two (2) years after such termination or expiration of this Agreement or after Franchisee complies with the requirements of this Paragraph 20, whichever is later, in any dance school or other business providing or selling dance instruction and/or services similar to those provided or available at an Arthur Murray Studio within the Market Area as herein described or within twenty-five (25) miles of the boundary of the Market Area. If either the time prohibition or the geographical prohibition provided for herein is considered excessive by any court or arbitrator, said court or arbitrator may treat each mile and/or each month of the limitation as a severable distance or period of time and reduce the prohibition to what is reasonable under the circumstances.

(c) In the event of (i) termination of this Agreement by Franchisor for cause, (ii) termination of this Agreement by Franchisee without cause, or (iii) this Agreement not being renewed for any reason, Franchisee agrees that Franchisee and any entity in which Franchisee has an interest will refrain from contacting or soliciting for dance instruction or any other purpose or reasons any individuals who were students of the Studio at the time of termination or expiration or during the six (6) month period prior to termination or expiration.

## 21. ARBITRATION OF DISPUTES

(a) Franchisor shall have the right to enforce by judicial process its right to cancel or terminate this Agreement for the causes enumerated in Paragraph 18 hereof or to collect any monies due hereunder. The prevailing party in any such legal proceeding shall be entitled to reimbursement of its costs and expenses, including reasonable attorney's fees.

(b) Except insofar as Franchisor elects to enforce this Agreement by judicial process as provided herein, all disputes and claims arising out of or relating to this Agreement or the breach thereof (including, without limitation, any claim that this Agreement or any provision hereof, is illegal or otherwise unenforceable or voidable) shall be settled by arbitration in the city in which Franchisor's principal office is located, before a single arbitrator, in accordance with the Rules of the American Arbitration Association (relating to the arbitration of disputes arising under franchise agreements, if any; otherwise, the general rules of commercial arbitration). The prevailing party in the arbitration shall be awarded, in addition to any other relief granted, all of its costs and expenses of the arbitration proceeding, including reasonable attorneys' fees. Judgment upon the award of the arbitrator may be entered in any court having jurisdiction thereof.

(c) Nothing herein contained shall prevent Franchisor in a proper case from applying to and obtaining from any court having jurisdiction a writ of attachment, a temporary injunction and/or other emergency relief available to safeguard and protect the interests of Franchisor pending the decision or award pursuant to any arbitration proceeding conducted hereunder. Franchisee expressly agrees that, to the extent temporary or preliminary injunctive relief on behalf of Franchisor is warranted in any case, Franchisor will not be required to post a bond or any other security with the court as a condition of obtaining such relief.

## 22. NOTICES

Any notice to be given to either party hereunder shall be deemed sufficiently given if sent by registered or certified mail, return receipt requested, postage prepaid, or by overnight courier, with a bona fide and reputable courier service to the party to whom the notice is directed at the address of such party as hereinafter set forth or to such other address as any party may hereinafter designate in writing by similar means. Any notice given as aforesaid shall be deemed effective on the day on which same is deposited with proper postage affixed in the United States mail, or, the care of an overnight courier, when deposited with the courier service.

Franchisor: Arthur Murray International, Inc.  
Attn: President  
1077 Ponce De Leon Blvd.  
Coral Gables, Florida 33134

Franchisee: To Franchisee at either of the addresses stated on Page 1  
of this Agreement unless said address has been changed  
and Franchisor has been notified by Franchisee in  
accordance herewith and then to the changed address

**23. LEGAL STATUS OF FRANCHISEE-INDEPENDENT CONTRACTOR/INDEMNIFICATION HOLD HARMLESS AGREEMENT**

(a) The relationship between the parties is strictly that of independent contractors. This Agreement does not in any manner, shape or form create the relationship of principal and agent or master and servant between Franchisor and Franchisee, and under no circumstances shall Franchisee be considered to be an "agent," "representative" or "servant" of Franchisor. Franchisee shall not act or attempt to act, or represent himself, directly or by implication, as an "agent" or "servant" of Franchisor as defined by law or in any manner assume or create, or attempt to assume or create, any obligation on behalf of or in the name of Franchisor. Franchisor shall not be liable for any expenses, obligations, taxes or levies or disbursements paid or incurred in connection with the establishment, operation or maintenance of the Studio or otherwise. Franchisee shall indemnify and hold Franchisor, its officers, directors and employees, harmless from any and all claims, lawsuits, arbitration proceedings, demands and other causes of action that may arise or be asserted by other persons or by the government or any subdivision or agency thereof against Franchisor or its officers, directors or employees by reason of the establishment, operation, and maintenance of the Studio by Franchisee, including without limitation any and all attorneys' fees and expenses, costs of investigation and proof of facts, court costs, and other litigation expenses, costs of arbitration, and other expenses which may be incurred by Franchisor in defending against same. Franchisor reserves the right to engage its own counsel to represent its interest and Franchisee agrees to pay such legal fees and to indemnify and hold Franchisor harmless from said legal fees and all costs and expenses involved in such controversies. Franchisee's obligations herein shall be a continuing obligation of Franchisee during the initial term of the Franchise, any and all renewal terms thereof, and shall survive the expiration or cancellation of this Agreement for any reason.

(b) In order to assure that no student of Franchisee or any other person may get the erroneous impression or incorrectly assume that Franchisee or their employees, agents and servants are the agents or servants of Franchisor:

(1) Franchisee shall use, at all times, the words "A Franchised Studio" in the operation of its Studio whenever "Arthur Murray Dance Studio" or any variation thereof is used in Franchisee's advertising and public relations, as well as on student enrollment agreements, student service contracts, receipts, letterheads, and any other printed matter. Further, all agreements, contracts, receipts and other legal documents used by Franchisee in the operation of the Studio shall clearly name the owner of the Studio, designated as the "Owner";

(2) Before commencing operations pursuant to this Agreement, and at all times thereafter during the term hereof, Franchisee shall have the phrase "Arthur Murray Franchised Studio" or any approved variation thereof, followed by the name of the owner of the Studio designated as "Owner" of the Studio prominently painted or displayed on the front door or at the entrance to Franchisee's Studio;

(3) Before commencing operations pursuant to this Agreement, and at all times thereafter during the term hereof, Franchisee shall post in a conspicuous place in the reception room in its Studio the certificate of "Arthur Murray Dance Studio License" and the "Arthur Murray Code of Ethics" issued by Franchisor;

(4) It is understood and agreed that in granting this Franchise, Franchisor does not authorize or empower Franchisee to use the Names and Marks in any manner other than as provided herein, or to affix or sign the name "Arthur Murray" or any variation thereof, to any contracts, documents, bills, notes, checks, drafts, leases, bonds, mortgages, bills of sale or any other documents, instruments, or in written or printed material, or to hold himself out as a general or special agent, officer, director, partner, servant or employee of Franchisor. Franchisee agrees that all contracts and agreements entered into in the establishment and operation of its Studio shall be solely in its own name or in the name of its corporation, when applicable, and not in the name of "Arthur Murray" or any unauthorized variation thereof; and

(5) Franchisee shall from time to time orient, train, instruct and supervise its staff of employees to refrain at all times from implying or representing to students of Franchisee's Studio or to other persons that said students or persons are contracting or dealing with any entity or person other than Franchisee, or Franchisee's corporation, when applicable.

(c) Neither Franchisor nor Franchisee shall be obligated by any agreements, representations or warranties made by the other to third parties, nor shall Franchisor be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Studio of Franchisee, whether caused by the negligence or willful action of Franchisee, its employees or agents, their failure to act or otherwise.

## 24. **PRIOR FRANCHISE AGREEMENTS**

(a) If this Agreement is entered into between Franchisor and Franchisee in lieu of or in substitution for another Franchise Agreement heretofore or simultaneously assigned or transferred to Franchisee by a former franchisee for the Studio to be operated pursuant hereto, said assigned or transferred Franchise Agreement between Franchisor and Franchisee's assignor or transferor is hereby automatically cancelled and terminated, effective upon the execution hereof, but those provisions of the terminated Franchise Agreement, which expressly or by their nature survive the termination of the Franchise Agreement, shall remain in effect.

(b) If this Agreement is being entered for a Market Area in which an Arthur Murray Studio was heretofore owned and operated by Franchisee or by any previous franchisee, or was heretofore or is simultaneously with the execution hereof being purchased by Franchisee from a prior franchisee thereof, or acquired or established or otherwise obtained with the consent of Franchisor, Franchisee hereby assumes and agrees to promptly pay all debts and obligations of said Studio owed to Franchisor, if any, together with interest thereon from due dates at the rates as stipulated in the applicable franchise agreement(s), and Franchisee also agrees to teach out and indemnify Franchisor at Franchisee's cost and expense and to hold Franchisor harmless for paid for but untaught lessons and unused services of students of said former Studio, including those students of the subject Studio to be operated by Franchisee pursuant hereto.

(c) In the event that any franchisee in the Market Area has heretofore terminated the operations of its Studio within said Market Area and has left unpaid obligations to other persons, Franchisee shall forthwith negotiate and make suitable payment arrangements and pay any obligations which are necessary and essential to the operation of the Studio.

## 25. **GENERAL PROVISIONS**

(a) The failure of either party hereto to insist in any one or more instances upon strict performance by the other party of any one or more of the terms and conditions of this Agreement or to exercise any rights thereunder shall not be construed as waiver thereof, but the same shall continue and remain in full force and effect.

(b) Except as expressly provided herein, the waiver by either party hereto or the failure of either party to claim a breach of any provision of this Agreement shall not be, or be held to be, a waiver of any subsequent breach or as affecting in any way the effectiveness of such provision.

(c) The use of the word Franchisee and all pronouns and variation thereof as used herein shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or persons may require.

(d) If any part, clause, provision, paragraph or sub-paragraph of this Agreement, including the operating and technical manuals, aids or any specification or operating procedure, standard or policy of Franchisor shall to any extent be declared or adjudged to be invalid, illegal or unenforceable, same shall be enforced to the fullest extent permitted by law and shall not affect the validity of any other part, clause, provision, paragraph or subparagraph thereof.

(e) Notwithstanding anything in this Agreement to the contrary, Franchisor shall have the right to reasonably amend, modify or change this Agreement in case of legislation, government regulation, orders or decrees or changes in any circumstances beyond the reasonable control of Franchisor that might materially affect the relationship between Franchisor and Franchisee, and Franchisee agrees that as so amended, modified or changed, the Agreement shall be binding upon Franchisee.

(f) The collection and payment of all monies due by Franchisee to Franchisor and all restrictive agreements and covenants on the part of all parties to be performed or observed, including all indemnification obligations, shall survive the assignment, surrender, termination, cancellation or expiration of this Agreement.

(g) This Agreement and any dispute between the parties shall be construed in accordance with and governed by the laws of the State of Florida without reference to its choice of law principles, provided, however, that if any of the provisions of Paragraph 20 hereof are not enforceable under the laws of the State of Florida, the provisions of Paragraph 20 shall be construed and enforced according to the laws of the state in which Franchisee is domiciled. Any lawsuit between the parties shall be brought in a court of competent jurisdiction in Dade County, Florida and Franchisee hereby submits to the jurisdiction of such court.

(h) This Agreement shall be binding upon and inure to the benefit of the respective heirs, beneficiaries, distributees, executors, administrators, successors and assigns of the parties hereto according to the terms hereof.

(i) The parties agree that this Agreement contains all of the terms, conditions, agreements, promises and covenants made by or between the parties hereto, provided nothing in this Agreement is intended to disclaim representations made in any Franchise Disclosure Document delivered to Franchisee. Except as otherwise herein provided with respect to Franchisor's operating and technical manuals and aids, general and policy releases, or in the instance when Franchisor has the unilateral right to modify this Agreement, any modifications or amendments hereof must be in writing and signed or initialed by the parties before becoming binding or effective.

(j) The captions and paragraph headings in this Agreement are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of or the intent of this Agreement, nor in any way affect this Agreement.

(k) The parties hereto agree that time shall be of the essence.

(l) The parties hereto promise to promptly and faithfully perform all acts and forbearances necessary or expedient to accomplish and maintain a lasting, financially rewarding and mutually beneficial relationship.

(m) 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any other document executed in connection with the franchise.

(n) If any of the provisions of this Agreement are inconsistent with applicable state or provincial law, then the state or provincial law shall apply.

(o) Franchisee agrees to pay Franchisor on demand any costs or expenses incurred by Franchisor, including its reasonable attorney's fees, to obtain Franchisee's compliance with the terms of this Agreement whether or not Franchisor commences any legal proceedings against Franchisee.

(p) Franchisee acknowledges that Franchisor has neither the right nor obligation to assume any of Franchisee's financial obligation, either to consumers, vendors or federal, state or local governments. Franchisee further acknowledges Franchisor's right to maintain a security interest in Franchisee's operation. All financial obligations are the sole and exclusive obligation of Franchisee.

**[SIGNATURE PAGE FOLLOWS]**

**IN WITNESS WHEREOF**, the parties hereto have signed this Agreement before the undersigned authority effective as of the date and year first above written.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

FRANCHISEE(S)

**ARTHUR MURRAY INTERNATIONAL, INC.**

By: \_\_\_\_\_  
Authorized Executive Officer

**ACKNOWLEDGMENTS(S) OF FRANCHISEE(S)**

STATE OF )  
 )SS:  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally appeared \_\_\_\_\_  
\_\_\_\_\_ to me known to be the individual(s) described in the foregoing instrument, and who made the  
representations contained therein under oath, and who executed said instrument as Franchisee before me.

\_\_\_\_\_  
Notary Public

STATE OF )  
 )SS:  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally appeared \_\_\_\_\_  
\_\_\_\_\_ to me known to be the individual(s) described in the foregoing instrument, and who made the  
representations contained therein under oath, and who executed said instrument as Franchisee before me.

\_\_\_\_\_  
Notary Public

**ACKNOWLEDGMENT OF FRANCHISOR**

STATE OF )  
 )SS:  
COUNTY OF )

On the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me personally appeared \_\_\_\_\_  
\_\_\_\_\_ to me known, who, being by me duly sworn, did depose and say that he is the \_\_\_\_\_  
\_\_\_\_\_ of ARTHUR MURRAY INTERNATIONAL, INC., the corporation described in and which executed the  
foregoing instrument as Franchisor; that he knows the seal of said corporation; that the seal affixed to said instrument is such  
corporate seal; that it was so affixed by order by the Board of Directors of said corporation; and that he signed his name  
thereto by like order.

\_\_\_\_\_  
Notary Public

**EXHIBIT D**  
**EXPANSION PROGRAMS**

**EXPANSION PROGRAM  
NO. 1**

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**NEW INCENTIVE PROGRAM FOR  
ARTHUR MURRAY INT'L., INC.  
FRANCHISES**

For additional studios opened in metropolitan communities<sup>1</sup> where 50% or more of the ownership<sup>2</sup> of such studios remains with the original franchisee, the royalty-service fee from the date of participation in this incentive program shall be:

1. Seven percent (7%) for the second studio opened within such metropolitan community.
2. Six percent (6%) for the third studio opened within such metropolitan community.
3. Five percent (5%) for any additional studios opened within such metropolitan community.

To qualify for the reduced royalty-service fee set forth above for any calendar year in which this incentive program remains in effect, a studio must have achieved \$150,000 or more in gross receipts for the previous calendar year. Existing studios with the same owner who meet the 50% ownership requirement will also qualify for participation in this incentive plan on the basis of the order in which the studios have been opened. Additional studios can be operated with a manager or with a partner provided the franchisee owns not less than 50% of the outstanding stock or general partnership interest in the franchise.

This program can be combined with Expansion Program No. 2 but cannot be combined with Program No. 3, "Market Lease Back" plan.

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<sup>1</sup> Metropolitan areas are determined by Arthur Murray International, Inc. in accordance with policies established from time to time by Arthur Murray International, Inc.

This program may be terminated or revised at any time by Arthur Murray International, Inc. upon written notice to Franchisee.

<sup>2</sup> May include spouse.



**EXPANSION PROGRAM  
NO. 2**

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**NEW INCENTIVE PROGRAM  
FOR  
ARTHUR MURRAY INT'L., INC.  
FRANCHISES**

For new market areas<sup>3</sup> in metropolitan communities where there are no Arthur Murray Franchised Studios:

Arthur Murray International, Inc. will issue franchises for such area, with the following reduced royalty-service fees:

INITIAL	1st year	at	5%
next	6 months	at	6%
following	6 months	at	7% and
thereafter		at	8%

The Standard Franchise Agreement will be issued and the new studio owned and operated in either one of the following methods:

1. By one or more new or present Franchisees.
2. By one or more present Franchisees and their key personnel.

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<sup>3</sup> New market areas are determined by Arthur Murray International, Inc. in accordance with policies established from time to time by Arthur Murray International, Inc.

This program may be terminated or revised at any time by Arthur Murray International, Inc. upon written notice to Franchisee.

**EXHIBIT E**

**LIST OF FRANCHISEES AS OF JUNE 30, 2023**

**Arthur Murray® International, Inc. Franchised Dance Studios  
JUNE 2023 FRANCHISEES and STUDIO ADDRESSES**

<b>NAME</b>	<b>ADDRESS</b>	<b>CITY/STATE/PROVINCE/ POSTAL CODE</b>	<b>STATE</b>	<b>PHONE/ FAX/E-MAIL/WEB SITE</b>
Jonathan and Kathleen Seals	4200 WEST GREEN ACRES ROAD, SUITE 302	ROGERS, AR 72758	AR	(479) 222-0662 <a href="mailto:info@arthurmurraynwa.com">info@arthurmurraynwa.com</a>
Mychael Wooten	16671 NORTH 84th AVENUE, SUITE 170	PEORIA, AZ 85382	AZ	(623) 974-3500 arrowheadarthurmurray@gmail.com
Laura Manzo, Nicholas Manzo	3730 SOUTH ESTRELLA PARKWAY, SUITE 201	GOODYEAR, AZ 85338	AZ	623-398-8221 <a href="mailto:goodyeararthurmurray@gmail.com">goodyeararthurmurray@gmail.com</a>
Laura Manzo, Nicholas Manzo	3347 EAST BASELINE ROAD	GILBERT, AZ 85234	AZ	480-287-5590 <a href="mailto:dance@arthurmurraymesa.com">dance@arthurmurraymesa.com</a>
Henry Meekin, Holly Udy-Meekin	4540 NORTH 7 <sup>th</sup> STREET, SUITE 1	PHOENIX, AZ 85014	AZ	602-264-4612 <a href="mailto:dance@arthurmurrayphoenix.com">dance@arthurmurrayphoenix.com</a>
Janelle Call	7835 E. REDFIELD ROAD, SUITE 206	SCOTTSDALE, AZ 84260	AZ	480-946-4241 scotsartmurray@aol.com
Serge Chmelnitzki	262 NORTH BEVERLY DRIVE	BEVERLY HILLS, CA 90210-5303	CA	310-274-8867 <a href="mailto:arthurmurraybeverlyhills@yahoo.com">arthurmurraybeverlyhills@yahoo.com</a>
Jamila Buada, Pedro Buada	4141 MANZANITA AVENUE, SUITE 200	CARMICHAEL, CA 95608	CA	916-971-3550 <a href="mailto:amcarmichael@yahoo.com">amcarmichael@yahoo.com</a>
Chante Platt, Domonique Platt, Georgetta Platt, Stephen Platt, Krista Humphrey	1640 ADAMS AVENUE	COSTA MESA, CA 92626-4954	CA	714-251-6502 <a href="mailto:arthurmurraycostamesa@yahoo.com">arthurmurraycostamesa@yahoo.com</a>
Denis Podolski	303 SOUTH DIAMOND BAR BLVD, SUITE H	DIAMOND BAR, CA 91765	CA	909-859-1596 arthurmurraydiamondbar@gmail.com
Alexis Morales, Jose Sena, Madisen Sena	2471 ELK GROVE BLVD., SUITE 100	ELK GROVE, CA 95758	CA	916-518-0900 arthurmurrayelkgrove@gmail.com
Jhona McCormick, Michael McCormick, Octavio Morales	125 EAST GRAND AVENUE	ESCONDIDO, CA 92025	CA	<a href="mailto:amescondido@att.net">amescondido@att.net</a> 760-747-0684

NAME	ADDRESS	CITY/STATE/PROVINCE/ POSTAL CODE	STATE	PHONE/ FAX/E-MAIL/WEB SITE
Roberto Gonzalez, Kate Gonzalez	220 BLUE RAVINE ROAD, #100	FOLSOM, CA 95630	CA	<a href="mailto:dance@arthurmurrayfolsom.com">dance@arthurmurrayfolsom.com</a> 916-895-5600
Marianne Myers, Richard Myers	40951 FREMONT BOULEVARD	FREMONT, CA 94538	CA	<a href="mailto:fremont@arthurmurrayteam.com">fremont@arthurmurrayteam.com</a> 510-573-3496
Erick Padilla, Kathryn Padilla	2260 HONOLULU AVENUE	MONTROSE, CA 91020	CA	<a href="mailto:arthurmurraymontrose@gmail.com">arthurmurraymontrose@gmail.com</a> 818-275-3929
Chris Lynam, Daisey Lynam	22445 FOOTHILL BLVD.	HAYWARD, CA 94541-4024	CA	<a href="mailto:hayward@arthurmurraylive.com">hayward@arthurmurraylive.com</a> 510-537-8706
Georgetta Platt, Stephen Platt	24302 SWARTZ DRIVE	LAKE FOREST, CA 92630-4744	CA	<a href="mailto:arthurmurraylakeforest@yahoo.com">arthurmurraylakeforest@yahoo.com</a> 949-855-3161
Chris Lynam, Daisey Lynam	1947 2ND STREET	LIVERMORE, CA 94550-4426	CA	<a href="mailto:livermore@arthurmurraylive.com">livermore@arthurmurraylive.com</a> 925-456-5556
Georgetta Platt, Stephen Platt	5236 EAST LOS ALTOS PLAZA	LONG BEACH, CA 90815-4251	CA	<a href="mailto:arthurmurraylongbeach@yahoo.com">arthurmurraylongbeach@yahoo.com</a> 562-986-4496
Cari Jo De Dios Garcia, Juan De Dios Garcia	788 BLOSSOM HILL ROAD	LOS GATOS, CA 95032	CA	<a href="mailto:losgatos@arthurmurraydancing.com">losgatos@arthurmurraydancing.com</a> 408-963-0369
Christopher Gomez, Linda Gomez	120 SOUTH EL CAMINO REAL, SUITE 7	MILLBRAE, CA 94030	CA	<a href="mailto:millbrae@arthurmurrayclub.com">millbrae@arthurmurrayclub.com</a> 650-259-7976
Alla Andriushchenko, Octavio Morales	8660 CENTRAL AVENUE, SUITE A	MONTCLAIR, CA 91763	CA	<a href="mailto:amdancemontclair@gmail.com">amdancemontclair@gmail.com</a> 909-920-3066
Christopher Gomez, Linda Gomez	2260 N. FREMONT STREET	MONTEREY, CA 93940	CA	<a href="mailto:monterey@arthurmurrayclub.com">monterey@arthurmurrayclub.com</a> 831-920-2838
Christopher Gomez, Linda Gomez	929 VALLEJO STREET	NAPA, CA 94559	CA	<a href="mailto:napa@arthurmurrayclub.com">napa@arthurmurrayclub.com</a> 707-819-3024
Tommy Belmontez, Georgetta Platt, Stephen Platt	1601 EAST LINCOLN AVENUE, SUITE 200	ORANGE, CA 92865-1929	CA	<a href="mailto:orange@arthurmurraystudios.com">orange@arthurmurraystudios.com</a> 714-283-9119
Renzo Zegarra	740 EAST GREEN STREET	PASADENA, CA 91101	CA	<a href="mailto:arthurmurraypasadena@yahoo.com">arthurmurraypasadena@yahoo.com</a> 626-229-6607
Christopher Gomez, Linda Gomez	326 PETALUMA BLVD NORTH	PETALUMA, CA 94952	CA	<a href="mailto:arthurmurraytime@gmail.com">arthurmurraytime@gmail.com</a> 650-259-7976
Unique Platt	16769 BERNARDO CENTER DRIVE, UNIT 26	RANCHO BERNARDO, CA 92128	CA	<a href="mailto:ranchobernardo@arthurmurraystudios.com">ranchobernardo@arthurmurraystudios.com</a> 858-613-3611
Andrew Rodriguez, Marcia Rodriguez	1969 ORANGE TREE LANE, SUITE A	REDLANDS, 92374-4530	CA	<a href="mailto:dance@amredlands.com">dance@amredlands.com</a> 909-793-8140
Chris Lynam, Daisey Lynam	344 WALNUT STREET	REDWOOD CITY, CA 94063-1533	CA	<a href="mailto:redwoodcity@arthurmurraylive.com">redwoodcity@arthurmurraylive.com</a> 650-216-7501
Tommy Belmontez, Georgetta Platt, Stephen Platt	3684 SUNNYSIDE DRIVE	RIVERSIDE, CA 92506-2413	CA	<a href="mailto:arthurmurrayriverside@yahoo.com">arthurmurrayriverside@yahoo.com</a> 951-224-9837

NAME	ADDRESS	CITY/STATE/PROVINCE/ POSTAL CODE	STATE	PHONE/ FAX/E-MAIL/WEB SITE
Roberto Gonzalez, Kate Gonzalez	4770 ROCKLIN ROAD	ROCKLIN, CA 94677	CA	<a href="mailto:dance@arthurmurrayrocklin.com">dance@arthurmurrayrocklin.com</a> 916-655-7733
Georgetta Platt, Stephen Platt	7510 HAZARD CENTER DRIVE, SUITE 619	SAN DIEGO, CA 92108	CA	<a href="mailto:arthurmurraysandiego@yahoo.com">arthurmurraysandiego@yahoo.com</a> 619-260-1456
Chris Lynam, Daisey Lynam	211 AUSTIN STREET	SAN FRANCISCO, CA 94109	CA	<a href="mailto:sanfrancisco@arthurmurraylive.com">sanfrancisco@arthurmurraylive.com</a> 844-403-2623
Cari Jo De Dios Garcia, Juan De Dios Garcia	1035 S. DeANZA BLVD., SUITE 3	SAN JOSE, CA 95129-2772	CA	<a href="mailto:sjarthurmurray@yahoo.com">sjarthurmurray@yahoo.com</a> 408-873-0369
Chris Lynam, Daisey Lynam	1654 SECOND STREET, SUITE B	SAN RAFAEL, CA 94901	CA	<a href="mailto:sanrafael@arthurmurraylive.com">sanrafael@arthurmurraylive.com</a> 415-578-4901
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**EXHIBIT F**

**LIST OF FRANCHISEES WHO LEFT SYSTEM DURING OUR  
LAST FISCAL YEAR OR HAVE NOT COMMUNICATED WITH US**

**FRANCHISE TERMINATED, CANCELED, NOT RENEWED AS OF JUNE 30, 2023**

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

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
Edward C. Stutts	Katy, TX	(713) 468-1868

\*\*\*\*\*

**Franchise Terminated, Cancelled, Not Renewed, Closed – Fiscal Year 2023**

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
Jerrie L. Donahue	Barnhart, MO	(312) 644-7554

**Franchise Transferred, Sold – Fiscal Year 2023**

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
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Cara Recine	Santa Rosa, CA	(707) 477-8472
Bethany and Alesio Mollo	Boynton Beach, FL	(561) 808-3872
Ivan Markelov	Deltona, FL	(386) 287-1889
Sean Offer	Orlando, FL	(813) 810-7326
Christina Ardelean	Parkland, FL	(561) 888-9432
Sherry Harris	Silver Spring, MD	(301) 590-0387
Kelly Lyke	Hastings, MN	(651) 277-3200
Danila and Muria Kartashov	Basking Ridge, NJ	(908) 272-7955
Thomas and Franciska Papkala	Clifton, NJ	(917) 379-0889
Juan Castillo	Franklin, TN	(720) 234-2274
Natalya Bychkova	Franklin, TN	(732) 407-3377
Steve Theiss	Bristow, VA	(703) 750-7806
Ashley Kipps	Glen Allen, VA	(804) 200-5146
Mark Theiss	Leesburg, VA	(703) 750-7806

**Franchise Transferred, Sold – after July 1, 2023**

<b>Name</b>	<b>Address</b>	<b>Telephone</b>
Sarah Slevinski	Pittsburgh, PA	(412) 537-2997
Cara Recine	Santa Rosa, CA	(707) 477-8472



**EXHIBIT G**  
**DEMAND NOTE**

**DEMAND NOTE**

\$25,000.00

\_\_\_\_\_, \_\_\_\_\_

Coral Gables, Florida

**FOR VALUE RECEIVED,** \_\_\_\_\_ (“Maker”)

promises to pay to the order of Arthur Murray International, Inc. (“AMI”) the principal sum of twenty-five thousand dollars (\$25,000.00). Such principal sum shall be payable on demand by AMI at any time after the expiration or termination of that certain Franchise Agreement dated \_\_\_\_\_ by and between Maker and AMI (the “Franchise Agreement”) in the event Maker fails to return to AMI all original operating and technical manuals and other training aids including syllabuses, video tapes and films as required by Section 10 of the Franchise Agreement within ten (10) days after any such expiration or termination. Payment shall be made to AMI in lawful currency of the United States of America at 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134 or such other place as AMI shall from time to time designate in writing to Maker.

If Maker shall fail to pay when due the principal amount of this Note, Maker agrees to pay all costs of collection, including reasonable attorneys’ fees, and any amount which is due hereunder shall bear interest at the lesser of ten percent (10%) per annum or the maximum rate permitted by law from such due date until paid.

Maker and every other person or entity now or at any time liable for the payment of the indebtedness evidenced hereby, for himself or itself and his or its personal representatives, trustees, heirs, legatees, beneficiaries, successors and assigns, hereby waives presentment for payment, demand, protest, notice of dishonor and protest, bringing of suit, diligence in collection and all other notices or demands in connection with the delivery, acceptance, performance or enforcement of this Note and the indebtedness evidenced hereby other than the demand for payment specifically required by the provisions of this Note. Any failure by AMI or the legal holder hereof to exercise any right or remedy available hereunder or otherwise shall not be

construed as a waiver of the right to exercise the same or any other right or remedy at any other time.

This Note is not subject to offset, counterclaim, recoupment or defense on account of any debt, liability, indebtedness or obligation of AMI or the legal holder hereof to Maker.

This Note has been made, executed and delivered in the State of Florida and shall be governed by and construed under the laws of the State of Florida. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

AMI or the legal holder hereof may submit any dispute arising out of or relating to this Note, including the collection thereof, to binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association with the hearing thereon to be held at the office of the American Arbitration Association closest to the principal office of AMI or such holder, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

Except to the extent that AMI or the legal holder hereof elects to arbitrate as set forth above, any suit to collect any amounts due under this Note or otherwise relating to this Note or any of the terms of this Note shall be brought in a federal or state court of competent jurisdiction in Dade County, Florida, and Maker hereby irrevocably submits to the jurisdiction of such court and waives any objection he or she may have to either the jurisdiction or venue of such court.

This Note shall be binding upon Maker and his or its successors and assigns and shall inure to the benefit of AMI and each legal holder hereof and their respective successors and assigns.

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HELD AS SECURITY FOR PROPRIETARY  
MATERIALS LOANED TO FRANCHISEE

**EXHIBIT H**

**DATABASE SOFTWARE LICENSE AGREEMENT**

**ARTHUR MURRAY INTERNATIONAL, INC.  
DATABASE SOFTWARE LICENSE AGREEMENT**

This Database Software License Agreement (the "Agreement") is made between Arthur Murray International, Inc. (hereinafter referred to as "AMII") and \_\_\_\_\_ (hereinafter referred to as "Franchisee").

WHEREAS, AMII and Franchisee have entered into a franchise agreement (hereinafter the "Franchise Agreement"), dated \_\_\_\_\_, pursuant to which AMII has granted to Franchisee a franchise for the operation of an Arthur Murray Dance Studio at \_\_\_\_\_ (hereinafter the "Studio"); and

WHEREAS, AMII is the owner of a certain proprietary Database Software (as hereinafter defined) which it has developed for use in the operation of Arthur Murray Dance Studios; and

WHEREAS, Franchisee desires to use the Database Software in connection with the operation of the Studio and AMII is willing to authorize Franchisees to use the Database Software for such purposes subject to the terms and conditions of this Agreement;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**A. GRANT OF LICENSE.**

1. AMII grants to Franchisee and Franchisee accepts from AMII, a personal, non-exclusive, non-transferable license, to install and use the Database Software and associated or related documentation or other similar or printed or machine-readable matter and any such modifications, upgrades or additions which may be provided by AMII to Franchisee (collectively referred to as the "Database Software") in conjunction with compatible hardware approved by AMII (hereinafter the "Designated System") solely in connection with the operation of the Studio, upon the terms set forth herein.

2. Franchisee acknowledges and agrees that the license granted by this Agreement extends solely to the use by Franchisee or its authorized employees, agents and representatives, of the Database Software on the Designated System.

3. The use of the Database Software for any purpose other than in connection with the operation of the Studio pursuant to the Franchise Agreement is strictly prohibited.

4. Except with the prior written consent of AMII, the Database Software may not be:

- (a) operated by persons other than Franchisee and employees of Franchisee;
- (b) operated on equipment other than the Designated System;

(c) used in conjunction with any other computer applications program other than Quick Books Pro 99®; or

(d) operated at any location other than the Studio.

AMII agrees to make available to franchisee for use in connection with the Database Software the Quick Books Pro 99® software program on disc or other approved format.

5. The Database Software may be used only to perform information processing relating to Franchisee's operation of the Studio.

6. FRANCHISEE AGREES THAT THE ORIGINAL MASTER PASSWORD USED IN CONNECTION WITH THE DATABASE SOFTWARE SHALL NOT BE CHANGED, MODIFIED OR ALTERED WITHOUT AMII'S PRIOR WRITTEN CONSENT.

**B. PAYMENT.**

For the rights granted hereunder; Franchisee agrees to pay to AMII upon execution of this Agreement, a one time Database Software licensing and administration fee of five hundred and ninety nine dollars (\$599.00) plus any taxes imposed thereon.

**C. CONFIDENTIALITY OF DATABASE SOFTWARE.**

1. Franchisee agrees that it and its employees and agents will not:

(a) sell, assign, lease, sublicense, market or commercially exploit, in any way, the Database Software, or any data, reports or other printed materials generated by the use of the Database Software or any component thereof;

(b) disclose or grant access to the Database Software, or any data generated by the use of the Database Software or any component thereof, to any third party other than one to whom AMII has consented in writing and who has agreed in writing with AMII to keep the Database Software or such data confidential;

(c) reverse engineer the Database Software or attempt to obtain the source code of the Database Software; or

(d) copy or reproduce the Database Software, or any data generated by the use of the Database Software or any component thereof, in any manner, provided that nothing herein shall prohibit Franchisee from using the data generated by the Database Software to the extent reasonably necessary to comply with local, state and federal laws and for usual and customary business purposes.

2. Franchisee agrees to:
  - (a) keep the Database Software and any data generated by the use of the Database Software confidential during and after the expiration or termination of this Agreement;
  - (b) establish and maintain such security precautions adequate to protect the Database Software and any data generated by its use prescribed by AMII from time to time to maintain the secrecy of the Database Software and any data generated by the use of the Database Software;
  - (c) establish and maintain additional security precautions as may be necessary; and
  - (d) prevent the unauthorized access to or use, disclosure or copying of the Database Software or any data generated by the use of the Database Software.

**D. RIGHTS AND RESTRICTIONS.**

1. Franchisee agrees that it will not attempt to patent, copyright or otherwise assert proprietary rights to the Database Software and any data generated by the use of the Database Software or any portion thereof. Franchisee acknowledges that AMII may claim and register its copyrights in all or any part of the Database Software and/or revisions thereof and any data generated by the use of the Database Software and agrees that registration of AMII's copyrights shall not be construed as causing the copyrighted material to become public information, or otherwise modify or affect Franchisee's obligations under this Section. Franchisee agrees that all copies of the Database Software and any data, reports or other printed or electronic media materials generated by the use of the Database Software, or any components thereof, in its possession will contain the copyright notices, confidential legends, and/or other notices of proprietary rights specified by AMII.

2. Franchisee may not modify the Database Software in any way. Franchisee agrees to disclose to AMII promptly all ideas and suggestions for modifications or enhancements of the Database Software conceived or developed by or for Franchisee, and AMII will have the right to use such ideas and suggestions and incorporate them in the Database Software. All modifications and enhancements made to the Database Software and all intellectual property rights related thereto will be deemed to be works made for hire and shall otherwise be the property of AMII, without regard to the source of the modification or enhancement. To the extent the Database Software is not deemed to be work for hire, Franchisee agrees to sign any documents that may be necessary to vest AMII with ownership of any such modifications or enhancements conceived or developed by Franchisee.

3. AMII will have the right of continuous access to the Database Software and all data processed on the Database Software with respect to the Studio, and Franchisee agrees to provide AMII with such continuous access to the Database Software and such data in the manner specified by AMII from time to time. AMII will have the right at all times to audit, retrieve, analyze and use all data in the files of Franchisee generated by the Database Software and to



require that Franchisee communicate all data processed on the Database Software directly to AMII's office. Franchisee agrees to sign any documents that may be necessary to vest AMII with ownership of any such modifications or enhancements conceived or developed by Franchisee.

4. Franchisee acknowledges and agrees that any violation by Franchisee of the provisions of this Section or Section C hereof would cause AMII irreparable injury for which AMII would have no adequate remedy at law and that, in addition to any other remedies which it may have, AMII is entitled to temporary restraining orders and preliminary injunctive relief against any such violation.

**E. TRANSFER.**

The license to use the Database Software may not be transferred except in conjunction with a transfer of the Franchise Agreement in accordance with its terms.

**F. TERMINATION.**

1. If Franchisee breaches any provision of this Agreement or the Franchise Agreement (and, if such breach is curable, fails to cure such breach within the time period allowed therefor), AMII may block Franchisee's access to databases and programs customarily accessible by Franchisee through the Designated System and the Database Software until the cure of such breach or, if not cured, the termination of such agreement.

2. AMII may terminate this Agreement upon written notice to Franchisee in the event the Franchise Agreement terminates or expires for any reason or in the event Franchisee breaches any provision of this Agreement and fails to cure such breach within seven (7) days after written notice thereof from AMII unless such breach is of a nature that cannot be cured, in which case this Agreement may be terminated by AMII upon written notice to Franchisee.

3. Upon termination or expiration of the Franchise Agreement or this Agreement for any reason, Franchisee agrees to immediately deliver to AMII the Database Software, documentation for the Database Software, all data generated by use of the Database Software and all other materials or information which relate to or reveal the Database Software and its operation. Franchisee shall deliver to AMII all software delivered to or made available to Franchisee pursuant to this Agreement on disc or any other format, including, without limitation, the Quick Books Pro 99®. Franchisee shall certify it has not retained any copies of the Database Software.

4. In the event Franchisee fails to comply with its obligations under this Section F, Lessee agrees to pay to AMII as liquidated damages the sum of ten thousand (\$10,000).

**G. NO WARRANTIES/LIMITATION OF LIABILITY.**

1. AMII does not represent or warrant to Franchisee, and expressly disclaims any warranty, that the Database Software is error-free or that the operation and use of the Database

Software by Franchisee will be uninterrupted or error-free. AMII will have no obligation or liability for any expense or loss incurred by Franchisee arising from use of the Database Software. AMII MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS OF THE DATABASE SOFTWARE FOR A PARTICULAR PURPOSE. AMII SHALL NOT BE LIABLE FOR INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING IN CONNECTION WITH THIS AGREEMENT.

2. Franchisee shall be solely responsible for the installation of the Database Software on or into the Designated System, for securing all training necessary to use the Database Software and for obtaining all servicing necessary to maintain and repair the Database Software.

**Arthur Murray International, Inc.**

Franchisee

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

\_\_\_\_\_

**ADDENDUM TO  
DATABASE SOFTWARE LICENSE AGREEMENT**

This Addendum to the Database Software License Agreement (“License Agreement”) is to confirm that the Computer Manual delivered to Franchisee is to be included within the definition of the term "Database Software" under the License Agreement and is subject to the terms of the License Agreement, including the provisions dealing with confidentiality and the obligations of Franchisee to return the Computer Manual to AMII upon termination of the License Agreement or termination or expiration of the Franchise Agreement.

**Arthur Murray International, Inc.**

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

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

By: \_\_\_\_\_  
Arthur Murray Franchisee

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

**EXHIBIT I**

**COLLATERAL ASSIGNMENT OF LEASE**

**ARTHUR MURRAY INTERNATIONAL, INC.**  
**COLLATERAL ASSIGNMENT OF LEASE**

**FOR VALUE RECEIVED**, the undersigned ("Assignor") assigns, transfers and sets over to Arthur Murray International, Inc., a Delaware corporation ("Assignee"), all of Assignor's right and title to and interest in that certain lease, a copy of which is attached as Exhibit A (the "Lease"), respecting premises commonly known as \_\_\_\_\_  
\_\_\_\_\_. This assignment is for collateral purposes only, and, except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred, and is not otherwise obligated to assign or transfer, any of its interest in the Lease or the premises it demises.

Upon Assignor's default under the Lease or under the Franchise Agreement for an Arthur Murray Dance Studio between Assignee and Assignor (the "Franchise Agreement"), or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event, Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than 30 days before the last day upon which the option must be exercised, unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing, and upon Assignor's failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**ASSIGNOR:**

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

**ASSIGNEE:**

**ARTHUR MURRAY INTERNATIONAL, INC.,**  
a Delaware corporation

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

**CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR**

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of, and upon Assignee's failure to cure, any default by Assignor under the Lease;

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within 30 days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that, if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that, upon that assignment, Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as an Arthur Murray Dance Studio.

DATED: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_, Lessor

## **EXHIBIT J**

### **STATE ADDENDA AND AGREEMENT RIDERS**

#### **NO WAIVER OR DISCLAIMER OF RELIANCE IN CERTAIN STATES**

The following provision applies only to franchisees and franchises that are subject to the state franchise registration/disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin:

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDITIONAL DISCLOSURES FOR THE MULTI-STATE FRANCHISE DISCLOSURE  
DOCUMENT OF  
ARTHUR MURRAY INTERNATIONAL, INC.**

The following are additional disclosures for the Franchise Disclosure Document of ARTHUR MURRAY INTERNATIONAL, INC. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

**CALIFORNIA**

**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.**

1. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO THE EXECUTION OF ANY AGREEMENT.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION & INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

3. OUR WEBSITE, [www.arthurmurray.com](http://www.arthurmurray.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

4. The following is added at the end of Item 3:

Neither we nor any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.



The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the city in which Franchisor's principal office is located, before a single arbitrator with the costs being borne as provided in the Franchise Agreement. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement requires application of the laws of the State of Florida with certain exceptions. This provision might not be enforceable under California law.

The Franchise Agreement requires you to sign 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 thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall alone be construed or interpreted as a waiver of any claim of fraud in the inducement, whether common law (unless allowed by existing common law) or statutory, or as alone disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person

acting at the direction of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

## **ILLINOIS**

1. The following statements are added to the end of Item 17:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

## **MARYLAND**

1. The following is added to the end of the "Summary" section of Item 17(m), entitled **Conditions for our approval of transfer:**

However, any release required as a condition of assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the "Summary" section of Item 17(h), entitled **"Cause" defined - defaults which cannot be cured:**

The Franchise Agreement provides for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The "Summary" sections of Item 17(v), entitled **Choice of forum**, and 17(w), entitled **Choice of law**, are amended to add the following:

, except that for any claims arising under the Maryland Franchise Registration and Disclosure Law, you may bring suit in Maryland.

4. The following language is added to the end of Item 17 of the Franchise Disclosure Document:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

## **MINNESOTA**

1. **Renewal, Termination, Transfer and Dispute Resolution.** The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J might prohibit us from requiring litigation to be conducted outside Minnesota. Those provisions also provide that nothing in the Disclosure Document or Franchise Agreement shall in any way abrogate or reduce any rights you have under the Minnesota Franchises Law, including (if applicable) the right to submit matters to the jurisdiction of the courts of Minnesota and the right to any procedure, forum or remedies that the laws of the jurisdiction provide.

Any release required as a condition of transfer/assignment will not apply to the extent prohibited by applicable law with respect to claims arising under Minn. Rule 2860.4400D.

No statement, questionnaire, or acknowledgement signed or agreed to by you 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 us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

## NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added to the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud;

embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

## **RHODE ISLAND**

1. The "Summary" section of Item 17(v), entitled **Choice of forum**, is deleted and replaced with the following:

If dispute is not arbitrable, litigation must be in Florida (subject to state law) and except to the extent otherwise required by applicable law for claims arising under the Rhode Island Franchise Investment Act.

2. The "Summary" section of Item 17(w), entitled **Choice of law**, is deleted and replaced with the following:

Except for Federal Arbitration Act and other federal law, Florida law applies (subject to state law) and except to the extent otherwise required by applicable law with respect to claims arising under the Rhode Island Franchise Investment Act.

## **VIRGINIA**

1. The following language is added to the end of Item 5:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

2. The following statements are added to Item 17.h:

Under 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.

## **WASHINGTON**

1. The following language is added to Summary column for line item 17(d) in Item 17:

However, you may terminate the Franchise Agreement under any grounds permitted by law.

2. The following language is added to the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order

thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

\* \* \* \* \*

ASSURANCE OF DISCONTINUANCE  
STATE OF WASHINGTON

To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance ("AOD") with the State of Washington, where we have agreed to remove from our form franchise agreement a provision which restricts a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violates Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.



**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**CALIFORNIA RIDER TO ARTHUR MURRAY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND**

**DATED** \_\_\_\_\_

1. The following language is added to the end of the Franchise Agreement:

California has a labor law known as California Assembly Bill 5 or “AB5” that governs when someone is classified as an employee or an independent contractor. Your franchise agreement states that you are an independent contractor, but AB5 may mean you are an employee instead. Being an employee may entitle you to minimum wage, sick and family leave, unemployment and workers' compensation, expense reimbursements, protection from retaliation and discrimination, and other benefits given to employees. You should research and consult with an attorney regarding California’s labor laws.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**ILLINOIS RIDER TO ARTHUR MURRAY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND**

\_\_\_\_\_  
**DATED** \_\_\_\_\_

In recognition of the Illinois Franchise Disclosure Act of 1987, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Paragraph (g) of Section 25 of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

Except for the Federal Arbitration Act that applies to arbitration, Illinois law governs the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon termination and non-renewal are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with Section 41 of the Illinois Franchise Disclosure Act, 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.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**MARYLAND RIDER TO ARTHUR MURRAY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND**

\_\_\_\_\_  
**DATED** \_\_\_\_\_

In recognition of the Maryland Franchise Registration and Disclosure Law and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Paragraphs (a) and (c) of Section 1 of the Franchise Agreement are amended by adding the following language:

Franchisor's representations in this Section 1 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.

2. Paragraph 17, entitled **ASSIGNMENT OR ENCUMBRANCE OF FRANCHISE**, sub-paragraph (b)(3) of the Franchise Agreement is deleted in its entirety and the following is substituted in its place:

Franchisee shall have executed a general release, in form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, officers, directors, employees and agents, except for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Paragraph (g) of Section 25 is amended by adding the following language:

Despite the provisions above, a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Except as expressly provided herein, the Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**MINNESOTA RIDER TO ARTHUR MURRAY INTERNATIONAL, INC.**  
**FRANCHISE AGREEMENT BETWEEN**  
**ARTHUR MURRAY INTERNATIONAL, INC.**  
**AND \_\_\_\_\_**  
**DATED \_\_\_\_\_**

In recognition of the Minnesota Franchise Act and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Paragraphs 11 and 19 of the Franchise Agreement are amended by adding the following language:

Pursuant to Section 80C.14, Chapter 2860.4400, paragraph (J) of the Rules and Regulations promulgated by the Securities Division of the Minnesota Department of Commerce pursuant to the Minnesota Franchise Act, this Franchise Agreement shall not provide for liquidated damages upon the occurrence of any event.

2. The following language is added to the end of Paragraph 17(b)(3) of the Franchise Agreement:

Any release required as a condition of assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

3. Section 18 of the Franchise Agreement is amended by adding the following language:

Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Statutes Section 80C.14, subd. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement.

4. Paragraph (g) of Section 25 is amended by adding the following language:

Nothing in the Disclosure Document or agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80 C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

5. This Rider will be of no force and effect unless the jurisdictional requirements of the Minnesota Franchise Act and any related regulations are met independently without reference to this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**NEW YORK RIDER TO  
FRANCHISE AGREEMENT  
BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND \_\_\_\_\_  
DATED \_\_\_\_\_, 20\_\_**

In recognition of the New York General Business Law, and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Paragraph (a) of Section 17 is amended by adding the following language at the end of the paragraph:

, who shall assume the responsibilities of the Franchisor upon assignment.

2. Paragraph (b)(3) of Section 17 is amended by adding the following language at the end of the paragraph:

, provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its 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 the proviso that the non-waiver provisions of GBL 687 and 687.5 be satisfied.

3. Paragraph (a) of Section 23 is amended by adding the following language at the end:

However, Franchisee shall not be required to indemnify for any liabilities which arise as a result of Franchisor's breach of this Agreement or other civil wrongs committed by Franchisor.

4. Paragraph (e) of Section 25 is amended by adding the following language at the end of the paragraph:

However, a unilateral modification shall not unreasonably increase the Franchisee's obligations as set forth in this Agreement or place an excessive financial burden on Franchisee.

5. Paragraph (g) of Section 25 is amended by adding the following language at the end of the paragraph:

, except that the foregoing choice of law should not be considered a waiver of any right conferred upon the Franchisee by Art. 33 of the New York State GBL.

6. This Rider shall be of no force and effect unless the jurisdictional requirements of the New York General Business Law and any related regulations are met independently without reference to this Rider.



IT WITNESS WHEREOF, the parties have executed this Rider to the Franchise Agreement on the date stated.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**RHODE ISLAND RIDER TO ARTHUR MURRAY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND**

\_\_\_\_\_  
**DATED** \_\_\_\_\_

In recognition of the Rhode Island Franchise Investment Act, and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Paragraph (g) of Section 25 of the Agreement is amended by adding the following language at the end of the paragraph:

, provided, however, that if any of the provisions of this Agreement are not enforceable under the Rhode Island Franchise Investment Act, the provisions of this Agreement shall be construed and enforced according to such Act.

2. This Rider shall be of no force and effect unless the jurisdictional requirements of the Rhode Island Franchise Investment Act and any related regulations are met independently without reference to this Rider.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated on the first page.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**VIRGINIA RIDER TO  
ARTHUR MURRAY INTERNATIONAL, INC.  
FRANCHISE AGREEMENT  
BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.  
AND \_\_\_\_\_  
DATED: \_\_\_\_\_, 20\_\_\_\_**

In recognition of the Virginia Retail Franchising Act, and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. Section 5 of the Franchise Agreement is amended by adding the following language:

The Virginia State Corporation Commission’s Division of Securities and Retail Franchising requires Franchisor to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT,  
FRANCHISE REPRESENTATIONS, AND RELATED AGREEMENTS  
BETWEEN  
ARTHUR MURRAY INTERNATIONAL, INC.**

**AND** \_\_\_\_\_  
**DATED:** \_\_\_\_\_, **20** \_\_\_\_\_

In recognition of the Washington Franchise Investment Protection Act, and its related rules and regulations, the Arthur Murray International, Inc. Franchise Agreement is modified as follows:

1. **Addition of Paragraphs.** The following paragraphs are hereby added to the end of the Franchise 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.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed

\$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**IN WITNESS WHEREOF**, the parties have executed this Rider to the Franchise Agreement on the date stated.

**FRANCHISEE**

**ARTHUR MURRAY  
INTERNATIONAL, INC.**

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

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

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

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

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

## State Effective Dates

The following states have franchise laws that 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	October 31, 2023, as amended [pending]
Hawaii	November 3, 2023, as amended [pending]
Illinois	October 27, 2023, as amended December 6, 2023
Indiana	October 27, 2023, as amended December 5, 2023
Maryland	November 3, 2023, as amended [pending]
Michigan	October 27, 2023, as amended December 5, 2023
Minnesota	November 15, 2023, as amended [pending]
New York	November 2, 2023, as amended [pending]
Rhode Island	October 30, 2023, as amended [pending]
Virginia	October 27, 2023, as amended December 6, 2023
Washington	October 30, 2023, as amended [pending]
Wisconsin	October 27, 2023, as amended December 6, 2023

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.

**ITEM 23**

**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 Arthur Murray International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give 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 Arthur Murray International, Inc. 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 the appropriate state agency identified on Exhibit A.

The franchisor is Arthur Murray International, Inc. located at 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134. Its telephone number is (305) 445-9645.

Issuance date: October 27, 2023, as amended December 5, 2023

The franchise seller(s) for this offering is(are):  Wayne Smith,  Rodney Rett, and  \_\_\_\_\_, 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134, (305) 445-9645.

We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a disclosure document from Arthur Murray International, Inc. dated as of October 27, 2023, as amended December 5, 2023, that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement
- D. Expansion Programs
- E. List of Franchisees
- F. List of Franchisees Who Left System
- G. Demand Note
- H. Database Software License Agreement
- I. Collateral Assignment of Lease
- J. State Addenda and Agreement Riders

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Date

---

Prospective Franchisee [Print Name]

(Date, Sign, and Return to Us)

---

Prospective Franchise Owner [Signature]



**ITEM 23**  
**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 Arthur Murray International, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

[New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give 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 Arthur Murray International, Inc. 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 the appropriate state agency identified on Exhibit A.

The franchisor is Arthur Murray International, Inc. located at 1077 Ponce de Leon Boulevard, Coral Gables, Florida 33134. Its telephone number is (305) 445-9645.

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We authorize the respective state agents identified on Exhibit A to receive service of process for us in the particular states. I received a disclosure document from Arthur Murray International, Inc. dated as of October 27, 2023, as amended December 5, 2023, that included the following Exhibits:

- A. List of State Agencies/Agents for Service of Process
- B. Financial Statements
- C. Franchise Agreement
- D. Expansion Programs
- E. List of Franchisees
- F. List of Franchisees Who Left System
- G. Demand Note
- H. Database Software License Agreement
- I. Collateral Assignment of Lease
- J. State Addenda and Agreement Riders

\_\_\_\_\_  
Date

\_\_\_\_\_  
Prospective Franchisee [Print Name]

(Date, Sign, and Keep for Your Records)

\_\_\_\_\_  
Prospective Franchise Owner [Signature]