

## FRANCHISE DISCLOSURE DOCUMENT



**AMERICA'S MUSIC SCHOOL LLC**  
(a Maryland limited liability company)  
4819 St. Elmo Avenue  
Bethesda, MD 20814  
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www.Bachtorock.com  
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America's Music School LLC offers franchises for the establishment and operation of "Bach to Rock" music education centers that utilize a distinctive teaching method based on the principle that music instruction is most effective when conducted in a socially interactive environment. The Bach to Rock music education centers, or schools, offer a diverse variety of classes and programs for children and adults, including group classes, private lessons, band sessions, early childhood classes, and special events programming.

The total investment necessary to begin operation of a Bach to Rock franchise is \$241,500 to \$531,500. This includes \$45,000 to \$50,000 that must be paid to the franchisor or its affiliates. If you sign an Area Development Agreement to develop multiple Bach to Rock schools in a specified area, you must also pay the franchisor an area development fee equal to the greater of 50% of initial franchise fees that are required for each Bach to Rock school or \$20,000.

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 Ralph Rillon, America's Music School LLC, 4819 St. Elmo Avenue, Bethesda, MD 20814, 855-227-7570, or franchise@bachtorock.com.

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.

The issuance date of this Franchise Disclosure Document is: April 21, 2023.

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits G and H.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Bach to Rock 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 Bach to Rock franchisee?</b>	Item 20 or Exhibits G and H lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

### Some States Require Registration

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

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 and area development agreement require you to resolve disputes with the franchisor by mediation and/or litigation only in Maryland. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Maryland than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse may have no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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.

## ADDENDUM FOR THE STATE OF MICHIGAN

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

- (A) A PROHIBITION ON THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.
- (B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.
- (C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISIONS 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 FRANCHISED 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:
- (i) THE FAILURE OF THE PROPOSED FRANCHISEE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATIONS OR STANDARDS.
  - (ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.
  - (iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.
  - (iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.
- (H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).
- (I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

\* \* \* \*

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

\* \* \* \*

IF THE FRANCHISOR'S MOST RECENT FINANCIAL STATEMENTS ARE UNAUDITED AND SHOW A NET WORTH OF LESS THAN \$100,000.00, THE FRANCHISOR MUST, AT THE REQUEST OF THE FRANCHISEE, ARRANGE FOR THE ESCROW OF INITIAL INVESTMENT AND OTHER FUNDS PAID BY THE FRANCHISEE UNTIL THE OBLIGATIONS 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 NAME AND ADDRESS OF THE FRANCHISOR'S AGENT IN THIS STATE AUTHORIZED TO RECEIVE SERVICE OF PROCESS IS: MICHIGAN DEPARTMENT OF COMMERCE, CORPORATION AND SECURITIES BUREAU, 6546 MERCANTILE WAY, P.O. BOX 30222, LANSING, MICHIGAN 48910.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO:  
DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE  
CONSUMER PROTECTION DIVISION  
ATTN: FRANCHISE  
670 G. MENNEN WILLIAMS BUILDING  
LANSING, MICHIGAN 48913

NOTE: NOTWITHSTANDING PARAGRAPH (F) ABOVE, WE INTEND TO, AND YOU AGREE THAT WE AND YOU WILL, ENFORCE FULLY THE PROVISIONS OF THE ARBITRATION SECTION OF OUR AGREEMENTS. WE BELIEVE THAT PARAGRAPH (F) IS UNCONSTITUTIONAL AND CANNOT PRECLUDE US FROM ENFORCING THE ARBITRATION PROVISIONS.

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### EXHIBITS:

A Franchise Agreement and Exhibits	H List of Former Franchisees
B Area Development Agreement	I State-specific Disclosures
C Harmony Gateway License Agreement	J State-specific Agreement Amendments
D Table of Contents to Manual	K Franchisee Compliance Certification
E Financial Statements	L General Release
F List of State Administrators/Agents for Service of Process	M Receipts (2 copies)
G List of Current Franchisees/Company-Owned Units	

STATE EFFECTIVE DATES



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

The franchisor is America's Music School LLC. To simplify the language in this disclosure document, we will refer to America's Music School LLC as "**AMS**," or "**we**," "**us**," or "**our**." The terms "**you**" and "**your**" refer to the person who buys the franchise, the franchisee. If the purchaser of the franchise is a partnership, corporation, or other entity, "**you**" includes the franchisee's owners, who must sign a personal guarantee to the Franchise Agreement. By signing a guarantee, you will be personally (and jointly and severally) liable with the franchisee for the franchisee's obligations under the Franchise Agreement.

Unless otherwise defined in this disclosure document, all initially capitalized terms appearing in this disclosure document have the same meaning as set out in the attached Franchise Agreement, which is included as Exhibit A.

### **Franchisor's Company Information**

We are a Maryland limited liability company. We were organized on March 9, 2011. We do business under the name "America's Music School" and "Bach to Rock." Our principal business address is 4819 St. Elmo Avenue, Bethesda, MD 20814, and our phone number is 855-227-7570.

Our agents for service of process are listed in Exhibit F of this disclosure document.

### **Franchisor's Business**

Our affiliates (described below) own and operate Bach to Rock music education centers, which we refer to as "**Bach to Rock Schools**" or the "**Schools**." Our affiliates have operated Bach to Rock Schools since July 2, 2007. As of December 31, 2022, our affiliates operated ten Schools. Our parent, Music Makers Holdings LLC ("**MMH**") owns the Proprietary Marks (including the trademarks) and System (described below).

We began offering franchises for Bach to Rock Schools in June 2011. As of April 15, 2023, 43 franchised locations are open.

This disclosure document describes the franchises we offer for Bach to Rock Schools.

### **Bach to Rock Schools and Bach to Rock Franchises**

Bach to Rock Schools are music education centers that utilize a distinctive teaching method based on the principle that music instruction is most effective when conducted in a socially interactive environment. The Bach to Rock Schools offer a diverse variety of classes and programs for children and adults, including group classes, private lessons, band sessions, early childhood classes, and special events programming, utilizing the music curriculum developed by us and/or our affiliates. Each Bach to Rock School must offer certain mandatory programs and classes, and may offer certain optional programs and classes. While the programming and courses are intended to be offered only at the School, there may be special events and/or courses that are offered or hosted off-site or online (as described further below). The Schools feature state-of-the-art recording studios, along with practice rooms and equipment for individual and group lessons, band sessions, and other collaborative activities.

We and our affiliates have developed a distinctive set of specifications and operating procedures (collectively, the "**System**") for the Schools. The distinguishing characteristics of the System

include: a distinctive teaching method and curriculum; mandatory group and private music lessons and programs (“**Core Programs**”), optional group and private music lessons and programs (“**Optional Programs**”), and other courses of instruction and programs (collectively, “**Courses**”); standards and specifications for School layout, design and equipment; standards and specifications for operation and administration of the Schools; and procedures for management and scheduling at the Schools. The System also includes a proprietary and specialized information technology and database system, currently identified as “Harmony Gateway” (and you will need to sign our Harmony Gateway License Agreement, which is Appendix I to the Franchise Agreement); training and assistance regarding the teaching methods, management and administration of the Schools; advertising and marketing programs; student development and service techniques and programs; and confidential operating manuals that include mandatory and suggested specifications, standards, policies, procedures and guidelines for operating Bach to Rock Schools, implementing the System, and teaching and conducting Courses (and the specifications, standards, guidelines, policies, programs, techniques and the like are referred to in this Disclosure Document as the “**Manuals**”). Our System, and various aspects of the System, may be changed, improved, further developed and/or discontinued by us or our affiliates from time to time.

We identify the Schools operating under the System by means of the trade names and marks “BACH TO ROCK,” “AMERICA’S MUSIC SCHOOL,” “B2R and design,” and certain other trademarks, service marks, trade names, signs, logos, and other indicia of origin (collectively, the “**Proprietary Marks**”). We may designate other trade names, service marks, and trademarks as Proprietary Marks (and we may also periodically delete old names and marks).

We will offer to enter into franchise agreements (“**Franchise Agreements**”) with qualified entities and persons that wish to establish and operate a Bach to Rock School. The form of Franchise Agreement that we intend to enter into with you should you and we mutually agree to enter into a franchise relationship is attached to this disclosure document as Exhibit A.

Under a Franchise Agreement, we will grant you the right (and you will accept the obligation) to operate one Bach to Rock School (a “**School**” or “**Franchised Business**”) under the System and using the Proprietary Marks. You must lease, sublease, or acquire a site for the School, subject to our approval, under the site selection addendum (“**Site Selection Addendum**”) which is attached to the Franchise Agreement as Appendix E. You will sign the Site Selection Addendum at the same time you sign the Franchise Agreement, and you must follow the procedures for finding, selecting and receiving authorization for a site under the Site Selection Addendum. We expect that the typical location for a School will be in a suburban or urban location, possibly in a retail strip mall or other retail location. However, a School may be located in a light industrial area with appropriate facilities that could accommodate the School.

The Franchise Agreement will establish a geographic area within which your School will be located (the “**Territory**”). The Franchise Agreement (as more fully described in this disclosure document) will describe the rights that you and we will have regarding the Territory, although, generally, we will not establish, operate or franchise another Bach to Rock School in your Territory during the term of your Franchise Agreement.

#### Area Development Agreement

We also may offer an area development agreement (the “**Area Development Agreement**”) to qualified entities and persons (“**you**” or the “**Developer**”). The Area Development Agreement grants the right to establish and operate a specified number of Bach to Rock Schools in a specified

area (the “**Development Area**”) at specific locations to be designated in separate Franchise Agreements. The form of Area Development Agreement is attached to this disclosure document as Exhibit B.

If you sign an Area Development Agreement, you must open each Bach to Rock School according to the schedule for developing Bach to Rock Schools described in Exhibit A to the Area Development Agreement (the “**Development Schedule**”). The Developer will exercise each development right by executing a Franchise Agreement for the establishment and operation of a Bach to Rock School. The Franchise Agreement for the first Bach to Rock School developed under an Area Development Agreement will be the current form of Bach to Rock Franchise Agreement attached to the Area Development Agreement as Exhibit D. The Franchise Agreement for each additional Bach to Rock School developed under an Area Development Agreement will be the then-current form of Franchise Agreement being offered generally by us at the time that each such Franchise Agreement is executed (which may be different from the form of Franchise Agreement attached to this Disclosure Document).

The number of Bach to Rock Schools to be established under the Development Schedule will be mutually determined by you and us, based on the size of the Development Area, demographics and economic factors in the Development Area, expected demand for Schools, your desire and ability to develop and operate the Schools, and other factors. During the term of the Area Development Agreement you must operate and maintain at least the number of Bach to Rock Schools which are required to be established according to the terms of the Development Schedule.

### **Beat Refinery**

We have developed an Optional Program called “Beat Refinery” that may be available to those franchisees that we determine, at our sole option, have satisfied our requirements for offering such Optional Program. You may not offer a Beat Refinery Optional Program unless we specifically approve you to do so, in writing. Beat Refinery courses teach those various skill sets needed to become a DJ or enhance basic DJ knowledge. Beat Refinery instruction includes how to beat, match, scratch, drop mix, create mash-ups, and record multi-track mixes, along with various DJ/music theories. Although optional, recently approximately half of our new franchises have opened with Beat Refinery as part of their Bach to Rock School.

### **Online Courses**

As a result of the 2020 pandemic and the related temporary closures of certain businesses’ physical locations, we created an Optional Program that permits franchisees to offer certain of the Core Programs (and Beat Refinery, if applicable) to their students online after they have obtained our prior written consent. You may not offer any of these Core Programs (and Beat Refinery, if applicable) to your students online until we determine, at our sole option, that you have satisfied our requirements for offering such Core Programs (and Beat Refinery, if applicable) online, and we specifically approve you to do so, in writing. We may terminate your right, and/or the right of all franchisees, to offer these Core Programs (and Beat Refinery if applicable) online at our sole option.

Also, as a result of the 2020 pandemic, we and our affiliates created an Optional Program that permits franchisees to offer to its students certain online classes that we and our affiliates have developed and that we or they conduct (“**AMS Online Classes**”). You may offer your students

the opportunity to take some, all or none of these AMS Online Classes, at your discretion. We reserve the right to cancel or modify any or all of the AMS Online Classes at our sole option.

Both of these online offerings are relatively new, experimental, and in the process of being further developed and refined by us. In addition, it is possible that that they may be temporary, or that we may modify them substantially in the future. As noted above, we have the right to terminate your right, and/or the right of all franchisees, to offer the Core Programs (and Beat Refinery if applicable) online, and/or the right to cancel or modify any or all of the AMS Online Classes at our sole option upon notice to you.

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

We are a wholly owned subsidiary of Music Makers Holdings LLC (“MMH”), a Maryland limited liability company. MMH was organized on March 20, 2007. Its principal place of business is the same as ours, at 4819 St. Elmo Avenue, Bethesda, Maryland, 20814. MMH operates under the name “Music Makers Holdings” and “Bach to Rock.” MMH is our parent. As discussed below, MMH, through its subsidiaries, operates Bach to Rock Schools. MMH has not offered franchises for Bach to Rock Schools, or franchises in any other line of business.

MMH is a subsidiary of Cambridge Information Group II LLC (“CIG”), a Maryland limited liability company formed on January 24, 2007. CIG’s principal business address is 7550 Wisconsin Avenue, Suite 850, Bethesda, MD 20814. CIG operates under the names CIG and Cambridge Information Group. Historically, CIG, and/or CIG’s affiliates’ investments have largely focused on businesses in the information services, technology and education industries. (See [www.cig.com](http://www.cig.com).) Within the “education space,” along with Bach to Rock, CIG also owns Sotheby’s Institute of Art, which is an educational institution that offers master’s degrees in art scholarship, connoisseurship and art business, as well as other programs. CIG also owns The School of the New York Times, which offers pre-collegiate programs and professional level online courses relevant to today’s digital world. CIG also owns City Football Leadership Institute, which offers courses that shape the global sport economy. CIG does not own, operate or franchise any Bach to Rock Schools, and CIG has not offered franchises in any line of business.

The precursor to the Bach to Rock Schools was the music education center and school located in Bethesda, Maryland that was operated under the name “East Coast Music.” East Coast Music was owned and operated by East Coast Music Production Camp, LLC (“**East Coast Music**”). East Coast Music Production Camp, LLC was organized on November 15, 2002 and commenced operations around that time. MMH, through a subsidiary, Music Makers St. Elmo LLC (“**MM St. Elmo**”), a Maryland limited liability company formed on April 18, 2007, acquired the assets of East Coast Music on July 6, 2007. Shortly thereafter, MMH acquired the intellectual property from MM St. Elmo and rebranded the Bethesda location as “Bach to Rock.” In addition, on July 2, 2007, MMH, through another subsidiary, opened a second Bach to Rock School location in Gaithersburg, Maryland. Currently, MMH, through wholly owned subsidiaries, operates six Bach to Rock Schools in the Washington, DC suburbs in Maryland and Virginia, three Bach to Rock Schools in the Chicago, Illinois suburbs, and one Bach to Rock School in the New York City suburbs. East Coast Music is our “Predecessor” for disclosure purposes in this disclosure document. East Coast Music’s principal address as of the date we acquired it was 4821 St. Elmo Avenue, Bethesda, Maryland.

To our knowledge, East Coast Music has not offered franchises in any line of business. We do not have any affiliates that offer franchises in any line of business.

## **General Market and Competition**

The primary programs and Courses at Bach to Rock Schools consist of private, group and band lessons for the core audience of elementary, middle and high school students (5-16 years old). Schools also offer instruction for toddlers and preschoolers, as well as innovative summer camp programs and birthday parties for kids of all ages. Bach to Rock Schools' primary constituency is middle and upper income parents who place a premium on learning enhancement for their children. Adults are a secondary audience, comprised of those seeking private lessons as well as the active adult community seeking musical enrichment activities. The principal competition for the programs and services offered at the Schools includes local music schools, music classes taught within retail music stores, independent music teachers, online lessons and self-teaching through instructional books, DVDs/CDs, etc. In addition, there are a small number of regional multiple-location branded music schools or programs and one national one.

## **Industry Regulations**

Generally, we are not aware of any industry-specific or music-school specific laws or regulations with which you must comply. You must comply with copyright laws that pertain to copying, performing, arranging and recording the music and lyrics of others. In addition, you must comply with all local, state, and federal laws that apply to your School operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, bathrooms, etc. You must obtain real estate permits (e.g., zoning) and operational licenses. There also may be regulations that pertain to noise, supplemental education services, or operating schools or camps. Regulations vary widely from jurisdiction to jurisdiction and you will have to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your School. You should consult with your attorney concerning those and other local laws and ordinances that may affect your School's operation.

## **ITEM 2. BUSINESS EXPERIENCE**

### Robert N. Snyder: Chairman, AMS and MMH; Chairman, Cambridge Information Group

Mr. Robert Snyder has served as Chairman of the Board of Cambridge Information Group since January 1971. He has also served as Chairman of the Board of Directors of AMS since its inception in March 2011 and of MMH since July 2007. Mr. Snyder is currently based in Palm Beach, Florida.

### Andrew M. Snyder: Director of AMS and MMH; Director and CEO, Cambridge Information Group

Mr. Andrew Snyder served as President of Cambridge Information Group located in New York, New York from August 2003 until August 2011 when he became CEO; he is also a member of its Board of Directors. He has served as a Board member of AMS since its inception in March 2011 and of MMH since July 2007.

### Michael Chung: Chief Executive Officer, AMS, MMH, CIG Education Group and BrandEd Holdings, and Operating Partner, Cambridge Information Group II

Mr. Chung served as Chief Operating Officer of Cambridge Information Group II located in New

York, New York from December 2007 through December 2016, and now serves as its Operating Partner. He is also the Chief Executive Officer of AMS, and has been since its inception in March 2011. Mr. Chung is also Chief Executive Officer of CIG Education Group, BrandEd Holdings and MMH and is a member of the Board of Directors of BrandEd Holdings, MMH and AMS.

Brian Gross: President, AMS and MMH

Mr. Gross has served as our President since our inception in March 2011, and was named President of MMH as of March 2011. He had been Vice President of MMH from February 2008 until March 2011, and Vice President of CIG from February 2008 through September 2011.

Matt Brehm: CFO, AMS, MMH and Cambridge Information Group

Mr. Brehm has served as the Chief Financial Officer for AMS, MMH and Cambridge Information Group in New York, New York since July 2019. From October 2016 through July 2019 he worked at 40 North Management in New York, New York as the Family Office Controller. Prior to working at 40 North Management, Mr. Brehm served as VP, Finance for AMS, MMH and CIG for six years.

Ralph M. Rillon: Vice President of Franchise Development and Sales, AMS

Mr. Rillon has served as AMS's Vice President of Franchise Development and Sales since September 2011. From September 2009 to September 2011, he was Vice President of Franchise Development for ZIPS Franchising, LLC in Greenbelt, Maryland. From May 2009 to September 2009, he was an independent broker. From March 2007 to May 2009, Mr. Rillon was Director of Franchise Development for Sylvan Learning, Inc. in Baltimore, Maryland. From January 2006 to March 2007, he was National Director of Sales and Marketing for Southwest Equity Partners in Houston, Texas. From May 2003 to January 2006, Mr. Rillon was National Director of Franchise Development for Water to Go in Las Vegas, Nevada.

Angela Sakell: Senior Vice President, Marketing and Operations of AMS and MMH

Ms. Sakell has served as AMS's and MMH's Senior Vice President of Marketing and Operations since January 2020. She previously served as AMS's and MMH's Vice President, Marketing and Operations from April 2019 to December 2019 and AMS's and MMH's Vice President, Marketing from January 2013 until April 2019. From November 2008 through January 2014, Ms. Sakell served as President and Owner of Sakell Consulting LLC in Arlington, VA. From January 2005 until October 2008, Ms. Sakell served as Vice President, Marketing and Sales for BoardSource in Washington, DC.

Aaron Schmidt: Associate Vice President, Education of AMS and MMH

Mr. Schmidt currently serves as Associate Vice President, Education of AMS and MMH. Mr. Schmidt served as AMS's and MMH's Senior Director of Education from January 2020 to January 2021. Before that, Mr. Schmidt served in several capacities at AMS and MMH including Director of Education from January 2017 to December 2019, Director of Curriculum and Training from September 2011 through December 2016, and Site Director at two of AMS's affiliates' schools in Virginia, one from February 2010 through September 2011 and the other from March 2009 through February 2010.

Andrew Griffin: Operations Field Consultant, AMS

Mr. Griffin has served as Operations Field Consultant since October 2018. Before that Mr. Griffin served in several capacities at MMH. He was Music Specialist at AMS's affiliate school in Lansdowne, Virginia from June 2018 through October 2018. He also served as Site Director at the following three affiliate schools: in Gaithersburg, Maryland (Rio) from April 2018 through June 2018, in Herndon, Virginia from October 2015 to April 2018, and in Lansdowne, Virginia from April 2014 to March 2017. In addition, Mr. Griffin was Assistant Site Director at an affiliate school in South Riding, Virginia from October 2011 through April 2014.

Rebecca Hoover: Director of Marketing, AMS

Ms. Hoover has served as Director of Marketing since May 2022. From November 2020 through May 2022, Ms. Hoover served as Social Media Marketing Manager for LaunchLife International, Fredericksburg, Virginia. From December 2014 through November 2020, she served as Marketing Manager and Franchise Support for EK Franchising Company, Fredericksburg, Virginia. From June 2017 through July 2020, she served as Franchise Owner and Area Developer for Acti-Kare Responsive In-Home Care, Fredericksburg, Virginia.

Note: Except as described above, the location of the employer for each of the previous list of directors, principal officers, and other executives is Bethesda, Maryland.

**ITEM 3. LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4. BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5. INITIAL FEES**

**Initial Franchise Fee**

When you sign your Franchise Agreement, you will pay us an Initial Franchise Fee of \$40,000. The Initial Franchise Fee must be paid in one lump-sum amount, will be fully earned when paid, is uniformly imposed, and is non-refundable. In 2021 the amount of the initial franchise fees charged to franchisees was uniform, except in one situation, in which a franchisee was given a 50% discount, due to a pre-existing relationship with an executive at Cambridge Information Group.

**Initial Harmony Gateway License Fee**

When you sign your Harmony Gateway License Agreement (which is the license agreement that grants a franchisee the right to use our proprietary software system), you will pay us an up-front fee of \$5,000. The up-front fee must be paid in one lump-sum amount, will be fully earned when paid, and is non-refundable.

**VetFran Program**

We participate in the VetFran program sponsored by the International Franchise Association. The VetFran program is designed to assist honorably discharged veterans of the U.S. Armed Forces who are interested in purchasing a franchise opportunity. We will waive 50% of the initial

Franchise Fee and 100% of the Royalty Fee for the first six months of operation for all qualifying veterans honorably discharged on or after January 1, 2000.

### Optional Programs

There is neither an additional Initial Franchise Fee nor an additional initial Harmony Gateway License Fee due if we approve your offering a Beat Refinery Optional Program or the Core Programs (and Beat Refinery) online Optional Program; nor is there an Initial Franchise Fee or initial Harmony Gateway License Fee due if you offer AMS Online Classes to your students.

### Other Initial Fees

If you choose to work with an architect not previously approved or designated by us, you must pay to us a fee equal to \$2,500. In addition, if you choose to work with a real estate attorney who we have not previously approved or designated to negotiate your lease for the Premises, you must pay to us a fee equal to \$2,500. The purpose of these fees is to defray a portion of our cost in having your architectural plans or lease reviewed by us or our designee. These fees must be paid in one lump-sum amount, will be fully earned when paid, and are non-refundable.

### Development Fee

If you sign an Area Development Agreement you must pay us a non-refundable development fee (the “**Development Fee**”) equal to the greater of 50% of the Initial Franchise Fee or \$20,000 for each School that is scheduled to be established under the Area Development Agreement. Also, when you sign an Area Development Agreement, you must also sign a Franchise Agreement for the first School at that time. Therefore, in addition to the Development Fee, you must also pay the remaining 50% of the Initial Franchise Fee for the first Franchise Agreement. By way of example to illustrate this initial payment, if you were to sign a Development Agreement for five Schools, the Development Fee would be \$100,000 (50% of \$40,000 times 5), and the balance of the Initial Franchise Fee for the first School would be \$20,000. The total initial payment (for the Development Fee and the first Franchise Agreement) would be \$120,000.

If you remain in full compliance with the Development Schedule, and you are not otherwise in default under any provisions of the Area Development Agreement, or any other Franchise Agreement, then for each Initial Franchise Fee you pay under a Franchise Agreement, we will credit back to you the amount of the Development Fee paid to us under the Area Development Agreement for each of these Bach to Rock Schools. You will remain responsible for all other initial fees that are due in connection with each Franchise Agreement, including the Harmony Gateway License Agreement fee.

### ITEM 6. OTHER FEES

Type Of Fee (Note 1)	Amount	Due Date	Remarks
Royalty Fee	7% of Gross Sales.	Monthly, on the Gross Sales for the previous month (Note 2)	Gross Sales include the entire amount of your revenues (whether or not yet collected) arising out of owning or operating the Franchised Business. (See Note 3)



Type Of Fee (Note 1)	Amount	Due Date	Remarks
Advertising Obligations (Note 4) – <ul style="list-style-type: none"> <li>• National Brand Fund</li> <li>• Regional Fund</li> <li>• Local Advertising</li> </ul>	Currently 6% of Gross Sales, but we may increase this to up to 8% over time. (See Note 4) <u>Currently:</u> <ul style="list-style-type: none"> <li>• 2% for National Brand Fund</li> <li>• 0% for Regional Fund</li> <li>• 4% of Gross Sales that you spend directly on local advertising.</li> </ul>	Same as Royalty for contributions to the National Brand Fund (Note 2)	See Note 3 and Note 4.  If we form a “Regional Fund” for your area, you must join that Regional Fund.
Additional Initial Training (for repeat or replacement trainees)	Our then-current standard training fee for initial training. (Currently \$1,000 per person per day, subject to change.)	Before training	We may charge a reasonable fee for re-training persons who are repeating our initial training program or who are replacing a person (who did not pass training or is no longer employed by you). (Note 5)
Additional Training and Refresher Courses	Our then-current standard training fee for these programs. (Currently the fee is \$500 per person per day, subject to change.)	Before training	We may provide refresher training programs, seminars, or advanced training at locations that we designate, including at annual conferences. We may require that you and your managers attend. You may request that we provide additional training at your School. We may charge you our then-standard training fee for any additional training programs, whether requested by you or required by us. (Note 5)
Technology, Maintenance and Help Desk Fee (Harmony Gateway)™	Currently \$210 per month	Monthly, on the 10 <sup>th</sup> of the month for the previous month commencing upon the opening of the School	See Note 6

<b>Type Of Fee</b> <i>(Note 1)</i>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Special Assistance	Our then-current fee and our out-of-pocket expenses (the fee is currently \$500 per representative per day, subject to change)	Before we render this assistance	If you request (and we can reasonably accommodate that request), we will furnish non-routine guidance and assistance to deal with your unusual or unique operating problems.
Transfer Fee	One-half (½) of the then-current franchise fee, prorated based on the remaining term, subject to a minimum fee of \$15,000	One-half is paid when you submit the request to transfer; the balance is paid when the transfer closes	If you want to transfer your Franchise Agreement, you or the transferee must pay us this transfer fee. Paying this fee relieves the transferee from its obligation to pay a new initial franchise fee under the Franchise Agreement it must enter. (Note 7)
Successor Franchise Agreement Fee	20% of our then-current initial franchise fee	When you enter the Successor Franchise Agreement	You pay this amount instead of an entire initial franchise fee when you sign the Successor Franchise Agreement.
Copyright Royalty Fees	\$2,000 to \$6,250 per year	See Note 8	See Note 8.
Audit costs	Our costs and expenses connected with the inspection of your books (including reasonable accounting and attorneys' fees)	On demand	Only payable if we audit because you did not submit sales statements or keep books and records, or if you underreport your sales or underpay your royalties by 2%. See Note 9. (You will also have to pay delinquency charges and interest on the underpayment (see "delinquency charges and interest" on late payments below.))
Delinquency Charges and Interest on Late Payments	\$100 for each failure to pay a fee on time, and interest at 1.5% per month on overdue amounts (but not more than the maximum legal rate of interest, if any).	On demand	Only due if you don't pay us the amounts you owe on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.

Type Of Fee (Note 1)	Amount	Due Date	Remarks
Supplier Testing	Cost of inspection and evaluation. (The amount will vary, but will include only the retail cost of the product/equipment tested, and our out-of-pocket travel costs.)	On demand	Only payable if you propose a new supplier of products. If we inspect the supplier or test the supplier's products, we may charge you for our costs in conducting those inspections or running those tests.
Indemnification	Will vary under circumstances	On demand	You must indemnify us, and reimburse us for our costs (including any settlement, judgment, as well as our attorneys' fees) if we are sued or held liable in any case having anything to do with your business operations, your operation of the School or your breach of the Franchise Agreement.
Liquidated Damages	Will vary under circumstances (Note 10)	On demand	If the Franchise Agreement is terminated because of your default, you must pay us liquidated damages. See Note 10 for calculation.
Reporting Fee	Up to \$1,000 per incident	On demand	If you fail to submit financial and operational reports, records or documents when required, we may charge you this fee. (See Franchise Agreement, Section 8.2.2.)
Enforcement Costs	Reasonable attorneys' fees, court costs and all expenses	On demand	Only payable if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and also to enforce and/or terminate the Franchise Agreement. In addition, you must reimburse us for the expenses we incur (including reasonable attorneys' fees) if

Type Of Fee (Note 1)	Amount	Due Date	Remarks
			we obtain an injunction or other relief to enforce any provisions under the Franchise Agreement against you.
AMS Online Classes	You must pay a per-student fee based on the cost of the teacher to run the class divided by the number of students registered for the class.	One week after the start of the AMS Online Class, or on demand	Only payable if students register through your school.

Notes:

1) All fees are non-refundable. All fees are uniformly applied to new system franchisees. However, we have in the past waived some of these fees due to special circumstances, and we may in the future waive some or all of these fees when it is appropriate to do so.

2) You must pay your Royalty fee and Advertising Contribution to us by the 10<sup>th</sup> day of each month, based on the Gross Sales of the preceding month. You must make all payments to us by the method or methods that we specify from time to time. We may require payment via wire transfer or electronic debit to your bank account, and you must maintain sufficient balance in your operating account to meet the payment requirements. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. Our current form of electronic funds transfer authorization is attached to the Franchise Agreement as Appendix D. You may not, under any circumstances, set off, deduct or otherwise withhold any Royalty fees, Advertising Contributions, late fees, interest charges, or any other monies payable under the Franchise Agreement on grounds of our alleged non-performance of any obligations.

3) “Gross Sales” means all revenue from the sale of all Courses, Optional Programs, services and products (whether such courses, programs, services or products are permitted or not) and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, including proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of collection in the case of credit. However, “Gross Sales” does not include any sales for which customers do not pay for the services or products (such as donations and free lessons), customer refunds, sales taxes or other taxes collected from customers and actually transmitted to the appropriate taxing authorities, or sales of equipment not in the ordinary course of business (such as sales of obsolete instruments or audio equipment). If you offer the Beat Refinery Optional Program or the Optional Programs of online Core Courses or AMS Online Classes, the revenues from those programs will be included in the Gross Sales upon which the Royalty fees and advertising spend are based. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technologies change. For example, and by way of illustration and not limitation, in the event new technologies and practices, such as “Groupon” and other “deal-of-the-day” discounts, generate revenue for the

School that may not be associated with a particular sale of products, we may establish policies to identify which revenues are, and are not, part of Gross Sales.

4) You must make contributions to the National Brand Fund on a periodic basis, as we prescribe (currently, on a monthly basis), in the amounts we require in the Franchise Agreement. Additionally, during any period that a Regional Fund for the area in which your Franchised Business is located is in effect, you must make a contribution as described in the Franchise Agreement in the amounts that we require under the Franchise Agreement. Required contributions to the National Brand Fund and Regional Fund are referred to as “**Advertising Contributions.**” The total Advertising Obligation (which is the Advertising Contributions plus the expenditures for local advertising) as of the date of this disclosure document is 6% of Gross Sales. This is the minimum level of advertising expenditure expected, but you may wish to spend more (and we encourage you to spend more depending upon the market in which you will operate). We will specify how the Advertising Obligation is to be allocated among these three purposes, and we may adjust the respective portions from time to time. We currently require that you contribute 2% of Gross Sales to the National Brand Fund, and that you spend 4% of Gross Sales on local advertising. At this time, we have not established any Regional Funds, and therefore no contributions are currently required. If we approve your offering the Beat Refinery Optional Program, based on our limited experience with Beat Refinery at several of our affiliated-owned Schools, we believe that your minimum local advertising expenditure or contribution of 4% of Gross Sales derived from Beat Refinery may not be sufficient to adequately market this program. You may wish to spend more (and we encourage you to spend more depending on the market in which you will operate).

We may raise the Advertising Obligation up to the maximum of 8%, but only after providing you with written notice, although we will not increase the Advertising Obligation by more than 0.5% of Gross Sales in any calendar year.

5) For any training that we provide to you and your personnel, you are responsible for expenses incurred while you and your personnel attend training, including salaries, benefits, travel, lodging, meals and other related expenses. We reserve the right to charge you for training additional personnel, for supplemental or additional training programs that we require or that you request, and for retraining persons who are repeating the course or replacing a person who did not pass.

6) You must pay us the monthly technology, maintenance and help desk fee that we charge for your use of the required proprietary technology system, Harmony Gateway. The current technology fee is \$210 per month, commencing upon the opening of the School. We may modify the fees during the term of the Franchise Agreement, and you must pay us the revised fees. However, we will not modify your technology fee unless the change is made for other similarly-situated franchisees or users of the Harmony Gateway system or other technology. We may modify the technology requirements from time to time and you must comply with all new or modified requirements.

7) If the transfer is for a partial, non-controlling interest in the franchisee, or to a corporation or limited liability company for convenience of ownership, no transfer fee is charged. See Sections 14.4 and 14.5 of the Franchise Agreement.

8) You must pay certain copyright licensing and copyright royalty fees to the copyright owners, licensees of the owners or agents of owners of copyrights for copying, performing, arranging and recording certain music and lyrics that you may use in the School. However, we

have established a procedure whereby we make payments on your behalf. You must provide us appropriate reporting on a timely basis and otherwise comply with the terms, conditions and procedures that we specify. This includes paying your pro rata portion to us, which we will forward to the appropriate parties. You must execute any documents and make any payments that we deem necessary to comply with the law or contractual rights of copyright owners and/or to comply with our program. The payment amount for the Core Programs (including those Core Programs offered online) is based on the revenues of your School.

9) The amount of audit costs will be determined by the auditors, legal advisors and other professionals who provide the audit services. These costs will vary based on the fees charged by these professionals, travel costs, the scope of the audit needed, the degree to which you cooperate in terms of providing information, and the time it takes the auditors to review your records.

10) The liquidated damages will be an amount calculated as follows: (a) the average of your Royalty Fees and contributions to the National Brand Fund due for the 36 months before our delivery of notice of default (or, if lesser, the months you had been operating before our delivery of notice of default), (b) multiplied by the lesser of 24 or the number of months remaining in the term of the Franchise Agreement.

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## ITEM 7. ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure*	Estimated Amount/(Low-High Range)	Method Of Payment	When Due	To Whom Payments are to be Made
Initial Franchise Fee (1)	\$40,000	Lump sum	Upon signing Franchise Agreement	Us
Harmony Gateway License Fee (2)	\$5,000	Lump sum	Upon signing Franchise Agreement	Us
Real Estate; Prepaid Rent and Security Deposit (3)	\$3,000-\$15,000	Lump sum	Upon signing lease and as incurred	Landlord
Leasehold improvements (4)	\$105,000-\$275,000	As incurred	As incurred	Contractors
Signage (5)	\$4,000-\$15,000	As incurred	As incurred	Suppliers
Furniture and Fixtures (6)	\$2,000-\$14,000	As incurred	As incurred	Suppliers
Architectural Plans and Design (7)	\$6,000-\$13,000	As incurred	As incurred	Suppliers, Us
Lease Review Fee (8)	\$0-\$2,500	As incurred	As incurred	Us
Computer System (9)	\$3,000-\$9,000	As incurred	As incurred	Computer suppliers
Equipment (10)	\$15,000-\$25,000	As incurred	As incurred	Equipment suppliers
Insurance Deposits and Premiums (11)	\$2,000-\$5,000	As incurred	As incurred	Insurance carrier(s)
Travel and living expenses during training (12)	\$500-\$5,000	As incurred	During training	Third parties
Grand Opening Advertising (13)	\$25,000	As incurred	Within the 60 days before and up to 90 days after opening of the School	Advertising suppliers
Licenses and permits (14)	\$2,000-\$8,000	As incurred	As incurred	Various municipal agencies

Type of Expenditure*	Estimated Amount/(Low-High Range)	Method Of Payment	When Due	To Whom Payments are to be Made
Professional Fees (15)	\$3,000-\$15,000	As incurred	As incurred	Attorneys, accountants and other professionals
Inventory, Curriculum and Course Materials (16)	\$2,000-\$4,000	As incurred	As incurred	Suppliers, Us
Pre-Opening Costs (17)	\$4,000-\$16,000	As incurred	As incurred	Suppliers, employees
Additional Funds (3 Months) (18)	\$20,000-\$40,000	As incurred	As incurred	Suppliers, employees and other creditors
<b>Total Estimated Initial Investment (19)</b>	<b>\$241,500-\$531,500</b>			

The table above and the notes that follow describe the estimated initial investment required for the construction and/or build-out of a Bach to Rock School of approximately 1,600 square feet.

Notes:

\*Please note that we do not offer direct or indirect financing to you for any items. The availability and terms of financing from other sources will likely depend on factors such as the availability of financing generally, your creditworthiness, and the policies of lending institutions.

\*Except as otherwise stated, all amounts payable to us are nonrefundable. Whether payments you make to third-party suppliers and service providers are refundable is something you will have to negotiate with them.

1. Initial Franchise Fee. The initial franchise fee is \$40,000. Please see Item 5 above for additional details. Also, as discussed in Item 5, if you sign an Area Development Agreement, you will be required to pay us a Development Fee in an amount equal to the greater of 50% of the Initial Franchise Fee or \$20,000 for each Bach to Rock School that you must establish under the Area Development Agreement. You will sign the Area Development Agreement contemporaneously with the Franchise Agreement for the first School to be developed, so you will also pay the remaining 50% of the Initial Franchise Fee for the first School at that time. The chart above does not reflect the payment of Development Fees.

2. Harmony Gateway License Fee. The Harmony Gateway License Fee is \$5,000. Please see Item 5 above for additional details.

3. Real Estate. The figures in the chart reflect our current prototypical model, which is approximately a 1,600 square foot space with estimated rental charges of approximately \$12 to \$45 per square foot. The figures also reflect rental charges for the build-out phase, the initial 3-month operation phase, and a one-month security deposit. The cost per square foot of leasing



commercial or retail space varies considerably depending upon location and market conditions affecting commercial property. Our estimate of square foot rental charges for commercial space is based on our affiliates' experience in leasing space for affiliate-owned Schools from 2012 through 2022, and the experience of our franchisees who signed leases for Schools from 2012 through 2022. Landlords also may vary the amount they charge for a security deposit. The figures include a partial rent reduction or abatement prior to opening and for a short while after opening. You should consult a real estate broker and/or other professional in your area to assess the typical leasing costs for your target area.

4. Leasehold Improvements. You will need to construct improvements, or "build out," the premises at which you will operate the School. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, HVAC, lighting, millwork, sound reduction or attenuation and décor items which must be constructed according to our specifications. The estimates are for our prototypical (approximately 1,600 square feet) space. Our estimate of leasehold improvements is based on our affiliates' experiences in leasing space for affiliate-owned Schools, and the experiences of Bach to Rock franchisees who chose to share this information with us (not all of our franchisees shared their experiences with us). Costs are likely to vary depending upon the size, location, configuration, installation costs and overall condition of the premises. You may be able to obtain a leasehold allowance covering a portion of the costs of constructing the leasehold improvements from the landlord. Any allowance will be negotiated between you and the landlord. If you are able to obtain from the property owner or lessor a leasehold allowance, or even a lease payment abatement, those allowances or benefits should reduce your overall out-of-pocket costs to acquire, build out, and lease space. The figures in the chart are for the build-out of a "plain vanilla shell" location. The low end of the range reflects estimated costs after receiving allowances from the landlord and/or in lower cost build out regions, and the high end of the range includes estimates if you are not able to obtain landlord allowances and/or are in higher cost build out regions. If a franchisee acquires or leases existing retail space that may have operated as a business that is not similar to a School, and/or had physical requirements significantly different from a School, the costs for retrofitting or demolition of the space with the required leasehold improvements may be more than the figures in the chart. Partial or fully alarmed space and partial or fully sprinklered space may be more than the figures in the chart. These situations are site-specific and we cannot estimate the costs. A franchisee should evaluate those potential costs for any specific site that might be considered.

5. Signage. Estimate includes exterior, illuminated signage visible from the road, and interior signage.

6. Furniture and Fixtures. The estimate includes office furniture, student chairs, and lobby furniture.

7. Architectural Plans and Designs. The figures in the chart reflect the estimated cost for a franchisee's architect to take specifications provided by us and make necessary modifications based on the actual size and shape of the commercial space to be leased, and for our architect to review a franchisee's architect's plans if the franchisee does not use an architect that we approve or designate. The high end of this range includes the \$2,500 processing fee that you must pay to us if you choose an architect we have not previously designated or approved (See Item 5).

8. Lease Review Fee. If you choose to work with a real estate attorney who we have not previously approved or designated to negotiate your lease for the Premises, you must pay to us a fee equal to \$2,500. (See Item 5)

9. Computer System. You are required to purchase certain computer equipment to operate your Computer System including the point-of-sale system (which includes Harmony Gateway) and to implement the curricula. The costs incurred for the purchase of the computer equipment may vary depending upon the number of computer terminals purchased and the configuration of the premises of the School.
10. Equipment. The estimate includes all musical instruments and recording equipment used to deliver the music curriculum.
11. Insurance. You must obtain and maintain insurance covering the Franchised Business. See Item 8 below and Section 6.14 of the Franchise Agreement for details. The figures in the chart above are estimated 3-month premiums (which you should expect to pay before you open, during your build out period).
12. Travel and Living Expenses While Training. We provide initial training consisting of a “Franchisee” training component and a “Site Director” training component. The franchisee training component is for two individuals who will serve in management capacities at your School. The Site Director training component is for you/your Operating Principal and one other employee manager who is the Site Director if your Operating Principal is not the Site Director. Training will be conducted in Herndon, Virginia or at a different location of our choice. We may permit additional managers to attend portions of the initial training program, subject to availability, but only with our prior consent. You will need to arrange and pay for transportation, lodging and food for yourself (or your Operating Principal) and for your employee(s) during training. The cost will depend on the distance you and your employee(s) must travel and the type of accommodations you choose. The estimates in the chart are per person trained. We require that the two managers successfully complete our initial franchisee training program and that the Operating Principal and Site Director (if not the Operating Principal) successfully complete our initial site director training program. If you request that we send a trainer to the location of the School to conduct any additional initial training and/or any additional on-site training, you will be required to cover the reasonable travel and lodging expenses incurred by our trainer; this amount is not reflected in the estimate in the chart.
13. Grand Opening Advertising. We will assist you in developing and conducting a grand opening advertising program. You are required under the Franchise Agreement to spend a minimum of \$25,000 on Grand Opening Advertising, but you may wish to spend more on this program (and we may encourage you to spend more depending upon the market in which you will operate). We may waive or alter this requirement depending on the circumstances and location of the School. The estimate is for the initial promotion and advertising efforts you will need to make. You may begin these efforts two months before opening your School, and must complete them within three months after opening your School.
14. Licenses and Permits. The estimate includes occupancy permits, business permits and related licenses. Local and state codes can vary. You must check local and state codes.
15. Professional Fees. These estimated costs reflect one time legal and accounting fees that you are likely to incur. Legal and accounting fees may include incorporating your company and setting up its books and records. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors.
16. Inventory. You must purchase an opening inventory of curriculum and course materials and office supplies used at the School. These items include course workbooks and giveaways.

17. Pre-Opening Costs. This estimate covers miscellaneous costs and expenses that you are likely to incur to advertise for employees, to cover utility deposits, as well as for payroll and other expenses during training and other operating costs you are likely to incur prior to opening.

You will need to have staff on-hand before opening to prepare the Franchised Business for opening, for training, orientation, and related purposes. The estimates provided above reflect estimated costs to provide training to your staff, according to our minimum criteria and standards. Your costs to prepare for opening may vary depending on a variety of factors, including whether you will serve as the Site Director for the School, how many employees you have and the minimum and prevailing wages in your area.

18. Additional Funds. You will need additional capital to support on-going expenses to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. The types of expenses you may experience and are reflected in the estimates above include cash to pay your employees and your suppliers for your initial inventory, and to cover other operating expenses such as utilities (and utility deposits), repairs and maintenance, office supplies, etc. The estimates above do not include any salary or allowance for an owner's draw; or any royalty fees, advertising contributions, or other amounts you must pay us. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The actual amount of additional funds you will need during the initial phase of operating will depend on factors such as: the size and location of your Franchised Business; the extent to which you follow our methods and procedures; the local market for your products and services; the timing (seasonality) as to when you open your business; the prevailing wage rates; the sales level reached during your startup phase and other factors.

Your credit history could impact the amount (and cost) of funds needed during the start-up phase. If you have no credit history or a weak credit history, suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period. Depending on your credit history or on other relationships with utility companies, you may have to provide security deposits.

By providing these estimates of your costs, we are not making any representation that you will have any level of sales. The estimates are of your expenses only and do not reflect any offsetting sales revenue you may earn from operations to pay those expenses. The estimate of Additional Funds for three months shown on the table above is not an estimate of working capital that you will need, but relates only to certain (but not necessarily all) expenses for the stated time period. The three-month time period is not a representation of, nor is it intended to suggest, when you should expect to break even, if ever. Extensive startup costs may be involved, depending upon your circumstances.

19. Total. In developing and preparing the above estimates, we used the recent experiences of our affiliates, and the experiences of Bach to Rock franchisees who chose to share this information with us (not all of our franchisees shared their experiences with us). The figures in the chart and the explanatory notes are only estimates. Your costs, especially for leasehold improvements and equipment, could be significantly higher, and actual costs may vary considerably, depending on, for example, factors such as: local economic conditions; the local market for the School; the length of time it may take to obtain permits and then build out the space for the School; the prevailing wage rate; competition and sales revenues; and your management and training experience, skill, and business acumen.

You should review these figures carefully for yourself, and preferably with a business advisor of your own choosing before making any decision to purchase the franchise. You should take into account the cash outlays that you may incur while you are trying to get established.

### **Optional Programs Estimated Initial Investment**

If you offer a Beat Refinery Optional Program upon our approval, your initial investment for Beat Refinery is expected to be approximately \$6,950 (single set-up) or \$27,550 (group set-up) and will include the following additional costs and expenses: \$0 or \$9,000 for leasehold improvements, \$4,300 (single set-up) or \$15,750 (group set-up) for equipment, \$2,500 for advertising to launch Beat Refinery to the public, and \$150 or \$300 for inventory, curriculum and course materials. Recently approximately half of our new franchises have opted to add the Beat Refinery Optional Program. If you elect later to offer the Beat Refinery Optional Program, these costs will be incurred after the initial opening period.

If you offer the Optional Program of Core Courses (and Beat Refinery if applicable) or the Optional Program of AMS Online Classes to your students, upon our approval, your initial investment is expected to be approximately \$300-\$600 for an annual subscription to Zoom or other software for delivery of such courses. If you offer the opportunity to take the Optional Program of AMS Online Classes to your students, there will not be any additional investment.

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

### **General Requirements**

#### Authorized Suppliers and Specifications

We have the right to require that all of the curriculum and course materials, including books, software, equipment, supplies, and materials, and other items, products and services used or offered for sale at your Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from suppliers that we have expressly approved; and/or (c) be purchased only from a single source (which may include us or our affiliates). Despite the requirement in the previous sentence, we will not require you to purchase equipment and supplies (other than curriculum-related materials) through our preferred network of suppliers, so long as any items that you purchase from other sources meet our requirements. To the extent that we establish specifications, require approval of suppliers, or designate specific suppliers for particular items, we will set forth our requirements in the Manuals.

If you would like to use or offer items (other than the Bach to Rock curriculum), equipment, supplies, and other materials, products and services that we have not approved, or to purchase from a vendor, supplier, distributor, or other source (together, “**supplier(s)**”) that we have not approved, then you must submit to us a written request for approval. We have the ongoing right to inspect any proposed supplier’s facilities and to test samples of the proposed equipment, products or services. You must pay us an amount not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed equipment, product or service, including personnel and travel costs, whether or not we ultimately approve the supplier. We have the right to grant, deny, or revoke approval of equipment, products, services, and suppliers. We will notify you in writing of our decision as soon as practicable following our evaluation, which we expect will be not more than 30 days after we complete our evaluation. You may not contract with an alternative supplier without our prior written approval. We reserve the right to reinspect the products of any approved supplier and to revoke approval if we find that the supplier fails to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to

immediately stop buying products or services from the disapproved supplier and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier's products as we direct.

We will provide our specifications to approved suppliers upon request. We are not required, however, to make available to prospective suppliers any standards and specifications that we deem confidential or proprietary.

None of our officers owns an interest in any companies (other than us) that are vendors or suppliers to our franchisees.

If you wish to test market a product, service or other item that we have not approved, then, so long as we have given you our prior written approval, you may do so for so long, and on such terms, that we mutually agree upon (a "**Test**"), and the product, service or other item so tested, and all associated plans and materials, will become our property. If, following the Test, we determine that we will approve the tested item, then for so long as we deem that item to be an "approved item" under the Franchise Agreement, you will have the right to use that item under the terms of the Franchise Agreement; and we will have the right to use and market that item as we see fit, including but not limited to using it in our affiliate-owned Schools as well as that of other licensees and franchisees, without compensation to you. You must sign such documents (and require your employees and any independent contractors that you have engaged to sign such documents) as we may require in order to implement these provisions.

## **Specific Requirements**

### Site and Lease Approval

You must lease, sublease, or acquire a site for the School, subject to our approval according to our Site Selection Addendum. The site you select must meet our standards for environmental impact, demographic characteristics, traffic patterns, parking, predominant character of the neighborhood, competition from other businesses providing similar services within the area, proximity to other businesses and the nature of such businesses, size, appearance, and other physical characteristics of the site, and any other factors we may consider relevant to approving or disapproving a site. Additionally, while we do not require that you hire or retain a commercial real estate broker to assist you in securing an acceptable site, we encourage you to engage a qualified commercial real estate broker who has adequate experience with retail leasing opportunities and who is reasonably acceptable to us.

Your lease or sublease of the Premises must have certain provisions described in the Franchise Agreement (see the "Lease Rider" in Appendix F to the Franchise Agreement). Our approval of any lease is conditioned upon the inclusion in the lease of those terms and conditions contained in the Lease Rider. We are not responsible for review of the lease for any terms other than those in the Lease Rider. If you want to purchase the site, you must submit the purchase agreement to us for our approval.

### Architect, Contractors, and Construction

You must employ the services of a qualified, licensed architect or engineer to prepare, for our approval, preliminary space plans and specifications for site improvement and construction of the Franchised Business based upon the prototype conceptual schematic design and specifications we will furnish to you. We will not unreasonably withhold our approval of special plans and

specifications, prepared at your expense, when the Premises will not accommodate our standard plans and specifications, provided that such plans and specifications conform to our general design criteria. You will be responsible for the design and layout that your architect or engineer prepares. If we express an opinion about the plans or indicate our approval, it will be merely for the purpose of our own determination that your plans will satisfy our internal standards, specifications, and layout. We will not be in a position to provide any assurances, and therefore cannot be deemed to have given any information about, whether your plans satisfy any federal, state, and local laws, codes and regulations (including, without limitation, the Americans with Disabilities Act (“**ADA**”)).

### Architect and Real Estate Counsel

We will provide you with a list of approved architects and real estate counsel that you can engage and hire. However, you are free to work with any architect or real estate counsel that you wish. If you choose to work with an architect not previously approved or designated by us, you must pay to us a fee equal to \$2,500. In addition, if you choose to work with a real estate attorney who we have not previously approved or designated to negotiate your lease for the Premises, you must pay to us a fee equal to \$2,500. The purpose of these fees is to defray a portion of our cost in having your architectural plans or lease reviewed and processed by us or our designee.

### Signage

You must purchase and install at the Premises all interior and exterior signage according to our specifications, and if we require, use suppliers that we designate or approve (the “**Signage**”). We currently do not require you to purchase a signage package from a designated supplier.

### Ongoing Maintenance, Refurbishment and Renovations

You must at all times maintain the School in a high degree of sanitation, repair, and condition, and must make such additions, alterations, repairs, and replacements (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor as we may reasonably direct. Throughout the term of the Franchise Agreement, you must maintain all of the fixtures, furnishings, equipment, decor, and signs that we prescribe from time to time in the Manuals or otherwise communicate to you in writing or through electronic or other formats. If we determine that additional or replacement equipment is needed because of a change in curriculum or programs offered, a change in technology, customer concerns, or safety considerations, or because of any other reason, you agree that you will install the additional equipment or replacement equipment within the reasonable time we specify. At our request, but not more often than once every five years (and not before the fifth year after you begin operating), unless sooner required by your lease or upon renewal, you must refurbish the Premises at your expense, up to \$15,000 per refurbishment. We may require that you refurbish your Premises and School to conform to the design, signage, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Schools. The refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications, and deadlines as we may reasonably specify.

## Operating Standards

To ensure that the highest degree of quality and service is maintained, you must comply with all standards, specifications and procedures (the “**System Standards**”) as described in our Manuals from time to time. The System Standards include, without limitation, required and suggested specifications, policies, procedures, guidelines and rules regarding School operations, administration, recordkeeping and reporting, Courses, teaching, training, sales, advertising and marketing programs, staffing levels, student and customer service standards, use and display of Proprietary Marks, and other aspects related to the development, equipping, opening and operation of Bach to Rock Schools.

## Course Materials and Curriculum

We and our affiliates have developed Courses and elements of our curriculum, and we and they may continue to develop additional Courses and curriculum. The Courses and curriculum include proprietary and/or specialized materials. In order to maintain the high standards of quality and consistency in teaching the Courses and in the delivery of services, you must purchase and/or use curriculum materials that we approve and/or designate and/or make available to you electronically. There are third-party suppliers whom we have approved to supply the materials you must purchase. In addition, some curriculum materials are only accessible via in-classroom tablet computers (with internet access) that you must purchase.

## Computer System – “Harmony Gateway”

You must buy (or lease) and maintain at the Premises a Computer System. One required element of the Computer System is MMH’s proprietary “Harmony Gateway” system. Harmony Gateway maintains student records, billing and payroll data, and student and faculty scheduling and provides other administrative and information technology support to the Franchised Business. You will receive a license to use the Harmony Gateway system. The current license fee is \$5,000 up front and \$210 per month, which is paid to us. In general terms, you will be required to obtain a Computer System that will consist of certain hardware and software items and peripheral devices.

## Bookkeeping and Accounting Services

We have the right to require that you use an independent bookkeeper and/or independent accounting firm and/or services and programs that we designate, in writing, for all such requirements of your Franchised Business. Currently, we do not request or require the use of a designated firm or service. If we make such a designation, you must promptly work and cooperate with the designated bookkeeper and/or accountant. You must: pay the designated service or company the fees and costs charged by the service or company; use the online, electronic, and paper reporting systems specified by the service or company; and submit to us reports that we require under the Franchise Agreement or in the Manuals. You must provide to the service or company complete and accurate information that we or the service or company require. We will have full access to the data and information that you provide to the accounting or bookkeeping service or company or through the designated program. We also have the right to require you to use accounting, recordkeeping and bookkeeping software and programs that we designate, including, without limitation, the Harmony Gateway system, and to record data and prepare reports that we specify.

## Insurance

You must maintain the types of insurance in amounts that we may require. This insurance is in addition to any other insurance that may be required by applicable law, your landlord, or otherwise. The insurance must meet the following requirements:

- The insurance policies must name us and our affiliates as additional insureds.
- The insurance must be placed with an approved vendor and a carrier with a Best's Rating of "A" or better.
- The insurance may not be subject to cancellation or any material change except after 30 days' written notice to us.
- The insurance policies must provide that even if you do not comply with the contract, or engage in other conduct, the insurance coverage will not be voided or otherwise affect the coverage afforded to us and our affiliates.
- The insurance policies must contain a waiver of subrogation in favor of us or our insurer.
- Minimum coverage requirements include:

<b>Type of Coverage</b>	<b>Limits/Specifications</b>
Comprehensive General Liability	\$1,000,000 per occurrence; \$2,000,000 aggregate
Property	All risks/all perils form covering 100% replacement cost value on all owned property (building, personal property, and leasehold improvements); business income limit equal to 6 months loss of revenue
Workers' Compensation	Statutory Requirements
Employer's Liability	\$500,000/\$500,000/\$500,000
Automobile Liability	\$1,000,000 Combined Single Limit (includes owned (if applicable), hired and non-owned coverage)
Crime Policy	\$100,000 (includes 1 <sup>st</sup> and 3 <sup>rd</sup> party theft)
Abuse and Molestation	\$1,000,000 per occurrence; \$2,000,000 aggregate
Umbrella/Excess Liability	\$2,000,000 per occurrence and aggregate (follow-form underlying GL, abuse and molestation, employer's liability and auto)



Note: This is just a summary. Please see Franchise Agreement Section 6.14 for details.

If you do not obtain or maintain the requisite coverage, we will have the right (but not the obligation) to pay any premium or obtain the required coverage on your behalf and charge you back for those premiums.

#### Required Purchases from Us or Our Affiliates

We currently do not require that franchisees purchase from us or our parent, MMH, elements of the curriculum, instructional materials, marketing materials, furniture, fixtures, equipment or any other items needed to open or operate the Schools.

#### Required Purchases or Leases as Percentage of Overall Purchases or Leases

We estimate that your purchases or leases from us, from designated and/or approved suppliers, and/or otherwise in accordance with our specifications, will represent, collectively, approximately 85% to 95% of your total purchases in establishing the Franchised Business, and approximately 70% to 90% of your total purchases in the continuing operation of the Franchised Business.

#### Supplier Rebates and Allowances

We and our affiliates have the right to receive, collect and retain payments, manufacturing allowances, marketing allowances, rebates, credits, monies, or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us or our affiliates based upon your and/or other franchisees’ purchases of products and services. These Allowances may be based on individual or network-wide purchases of products and services. By signing the Franchise Agreement, you assign to us or our designee all of your right, title and interest in and to any and all Allowances and authorize us or our designee to collect and retain any or all such Allowances without restriction (unless otherwise prohibited by the supplier). We may use all amounts received for any purpose that we and our affiliates deem appropriate. As of the date of this disclosure document, our current policy (which may change) is that we will contribute all Allowances we receive, less costs that we incur in connection with establishing and managing such arrangements, to the National Brand Fund or to offset curriculum development or Harmony Gateway development costs.

Currently the only Allowances we receive are from the vendor of our curriculum books. We receive a rebate of \$1.00 per book from the supplier for books purchased by franchisees. In 2022, we received \$10,849 in rebates from the supplier of curriculum books, \$8,455 of which was due to our franchisees’ purchases and the remainder of which was from our affiliates’ purchases.

#### Purchasing or Distribution Cooperatives and Purchase Arrangements

We have an agreement with a third-party provider to create an ordering portal for franchised and affiliate-owned Schools. The portal allows franchised and affiliate-owned Schools to order products needed to run a School such as birthday party giveaway items, t-shirts for camps, bags for students, etc. This provider warehouses, picks and packs, and ships the items directly to franchised and affiliate-owned Schools that use the ordering portal. Franchised schools are not required to use the ordering portal but may instead order from vendors of their choice, subject to our approval. We do not expect to receive any revenues based on franchisee purchases from this third-party provider.

We may negotiate other purchase arrangements, including price terms, with suppliers regarding various products. In doing so, we intend to seek to promote the overall interests of our franchise system and our interests as franchisor. Currently, we do not have any purchasing arrangements except as described above.

No purchasing or distribution cooperatives exist at this time.

Material Benefits for Use of Approved Sources

We do not provide material benefits to you based upon your use of designated or approved sources.

**ITEM 9. FRANCHISEE'S OBLIGATIONS**

**FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Franchise Agreement and Area Development Agreement</b>	<b>Disclosure Document Item</b>
a. Site selection and acquisition/lease	4 and Site Selection Addendum in Franchise Agreement; 3.1 and 5.1.2 in Area Development Agreement	8, 11, and 12
b. Pre-opening purchases/leases	4 and 6.4 in Franchise Agreement; 5.1.1 in Area Development Agreement	7 and 11
c. Site development and other preopening requirements	4 and 5 in Franchise Agreement; 5.1.1 and 5.2 in Area Development Agreement	7, 8, and 11

<b>Obligation</b>	<b>Section in Franchise Agreement and Area Development Agreement</b>	<b>Disclosure Document Item</b>
d. Initial and ongoing training	5 in Franchise Agreement; 5.5 in Area Development Agreement	6, 7, and 11
e. Opening	4 in Franchise Agreement; 3.2 and 5.3 in Area Development Agreement	11
f. Fees	2.2.5, 3, and 14.3.4 in Franchise Agreement; 2.1, 2.2, 3.1, and 7.2.3.4 in Area Development Agreement	5, 6, and 7
g. Compliance with standards and policies/operating manuals	6 and 11 in Franchise Agreement; 18.5 in Area Development Agreement	8 and 11
h. Trademarks and proprietary information	7 and 12 in Franchise Agreement; 5.4 in Area Development Agreement	13 and 14
i. Restrictions on products/services offered	6.2–6.4 in Franchise Agreement; Not Applicable for Area Development Agreement	16
j. Warranty and customer service requirements	6.8 and 6.9 in Franchise Agreement; Not Applicable for Area Development Agreement	8

<b>Obligation</b>	<b>Section in Franchise Agreement and Area Development Agreement</b>	<b>Disclosure Document Item</b>
k. Territorial development and sales quotas	Not Applicable	12
l. Ongoing product/service purchases	6.2–6.4 in Franchise Agreement; Not Applicable for Area Development Agreement	5, 6, 7, 8, and 11
m. Maintenance, appearance and remodeling	6.6, 6.11-6.13 in Franchise Agreement; 5.2 in Area Development Agreement	8
n. Insurance	6.14 in Franchise Agreement; Not Applicable for Area Development Agreement	7 and 8
o. Advertising	9 in Franchise Agreement; Not Applicable for Area Development Agreement	6, 7, and 11
p. Indemnification	19 and Guarantee in Franchise Agreement; 12 and Guarantee in Area Development Agreement	6
q. Owner's participation/management/staffing	6.5 and 6.7 in Franchise Agreement; 5.5 and 5.7 in Area Development Agreement	15
r. Records/reports	8 in Franchise Agreement; Not Applicable for Area Development Agreement	8

<b>Obligation</b>	<b>Section in Franchise Agreement and Area Development Agreement</b>	<b>Disclosure Document Item</b>
s. Inspections/audits	6.9 and 8.3 in Franchise Agreement; Not Applicable for Area Development Agreement	6
t. Transfer	13 and 14 in Franchise Agreement; 7 in Area Development Agreement	6 and 17
u. Renewal	2.2 in Franchise Agreement; 4.2 in Area Development Agreement	6 and 17
v. Post-termination obligations	16 in Franchise Agreement; 6.5 and 8.2 in Area Development Agreement	6 and 17
w. Non-competition covenants	17 in Franchise Agreement; 8 in Area Development Agreement	17
x. Dispute resolution	25 in Franchise Agreement; 17 in Area Development Agreement	17
y. Other (taxes, permits)	3.9, 4.2.1, and 6.10 in Franchise Agreement; 10 in Area Development Agreement	7
z. Other (personal guarantee)	See Exhibit C in Franchise Agreement; Exhibit B in Area Development Agreement	Not applicable

## **ITEM 10. FINANCING**

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

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

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

### **Pre-Opening Obligations**

Before you open your business, we will provide certain assistance and services to you:

A. When you sign your Franchise Agreement, you will sign a Site Selection Addendum, unless we have already approved an existing location that you own, control or lease. Under the Site Selection Addendum, you will receive certain site selection assistance. The assistance provided includes:

1. A copy of our real estate guidelines (which will be part of the Manuals), which will describe our procedures and policies regarding the selection and leasing of locations, including our minimum standards for a location for Bach to Rock Schools. (Franchise Agreement, Site Selection Addendum, Section 1)

2. One on-site evaluation as we deem appropriate without a separate charge. For any additional on-site evaluations, you must reimburse us or our designee for all reasonable expenses in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. (Franchise Agreement, Site Selection Addendum, Section 3)

3. Reasonable telephone support regarding the construction and development of your School during business hours. (Franchise Agreement, Section 4.2)

B. We will provide you:

1. A sample of our prototypical conceptual schematic designs and other specifications for the construction and/or build-out of a Bach to Rock School, improvement of the premises, and for the layout of fixtures, furnishings, equipment, and signs (Franchise Agreement, Section 4.2); and

2. Any additional materials that we may develop (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of the School. (Franchise Agreement, Section 4.2)

C. We will provide you with our initial training program, which includes opening procedures, recruiting and training, sales, student services, course offerings, teaching techniques, and marketing, promotion, and advertising, at times scheduled by us. (Additional information about training can be found below under "Training.") We will be responsible for the cost of instruction and materials, subject to the terms stated in the Franchise Agreement. (Franchise Agreement, Sections 5.1, 5.5 and 5.6)

D. We will provide on-site opening assistance at your Premises. (Franchise Agreement, Section 5.2)

E. We will review your proposed Grand Opening Advertising Program, which you must conduct at your expense after receiving our approval of your proposed program, as further described below. (Franchise Agreement, Section 9.6)

F. We will allow you access, for the duration of the Franchise Agreement, to the Manuals. We typically provide you with electronic access to the Manuals at (or before) the initial training program. Attached to this disclosure document (at Exhibit D) is a list of those topics that are covered in the Manuals. Because we provide you with electronic access to the Manuals as a series of electronic pages and modules that may vary in size and number depending on the settings of your computer, the number of “pages” in the Manuals may vary. However, if printed, the Manuals currently consist of at least 5,600 pages. (Franchise Agreement, Section 11)

G. We and our affiliates have developed the curriculum and may continue to develop additional courses and elements of, and/or refine, the curriculum. The Courses and curriculum include proprietary materials and/or specialized instructional techniques and materials. In order to maintain the high standards of quality and consistency in the teaching of Courses and delivery of services, and to protect the proprietary nature of these Courses and curriculum, you must use only the curriculum and Course materials that we specify and require, as described in the Manuals. Certain elements of the curriculum and/or Course materials will be provided to you as part of the franchise granted, and some elements of the curriculum and/or Course materials you must purchase from sources that we designate. Some Course materials may be obtained through third parties who are not designated or approved by us if the materials satisfy our specifications. We will grant you a license to use our curriculum during the term of the Franchise Agreement. This license is a non-exclusive, non-transferable license. (Franchise Agreement, Section 6.3)

We are required by the Area Development Agreement to provide certain assistance and service to you. This includes:

A. We will furnish to you a sample of our prototypical conceptual schematic designs and other specifications for the construction and/or build-out of a Bach to Rock School, improvement of the premises, and for the layout of fixtures, furnishings, equipment, and signs. (Area Development Agreement, Section 5.2)

B. We will also provide to you any additional materials that we may develop (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of a Bach to Rock School. (Area Development Agreement, Section 5.2)

C. We will provide reasonable telephone support regarding the construction and development of your Schools during business hours. (Area Development Agreement, Section 5.2)

D. Prior to the opening of your first School, we will provide our initial training to you (or, if you are a corporation, partnership, limited liability company, or limited liability partnership, your Operating Principal, described below) and, potentially, one (1) additional Manager Trainee (described below) of your operations. (Area Development Agreement, Section 5.5)

### **Post-Opening Obligations**

Under the Franchise Agreement, we are required to provide certain assistance and services to you during the operation of your Franchised Business:

- A. We will provide curriculum and materials to you (as discussed above). (Franchise Agreement, Section 6.3)
- B. We will make available additional training programs, as we deem appropriate. (Franchise Agreement, Section 5.3)
- C. We may conduct, as we deem advisable, periodic inspections of the Franchised Business, and we may interview students, employees and customers and review your business records. (Franchise Agreement, Section 6.9)
- D. We will make available to you information about new developments, products, techniques, and improvements in the areas of operations, management, and marketing, if you are in good standing, to the same extent as we make the information available to other Bach to Rock franchisees in good standing. We may provide this information through the distribution of printed or filmed material, an extranet or other electronic forum, meetings or seminars, training programs, telephone, or other forms of communications. (Franchise Agreement, Section 6.17)
- E. If you request, and we can reasonably accommodate that request, we will furnish non-routine guidance and assistance to deal with your unusual or unique operating problems for the fees and charges described in Item 6. (Franchise Agreement, Section 6.18)
- F. We have established a National Brand Fund, and we will administer the National Brand Fund as stated in the Franchise Agreement and as described below. (Franchise Agreement, Section 9.3)
- G. We or our affiliates may from time to time prepare or approve advertising and promotional materials, including signs, posters, collaterals, etc. To the extent we do so, we will make them available to you. (Franchise Agreement, Section 9.7)
- H. You agree that you will permit us to use your Franchised Business as a training facility for other franchisees if we request to do so. It is our intention that we will compensate you, according to our then-current policy, if we use your Franchised Business to train other franchisees. Our current policy is to pay \$350 per day that we use a Franchised Business as a training facility for other franchisees. (Franchise Agreement, Section 6.23)

Neither the Franchise Agreement, the Area Development Agreement, nor any other agreement requires that we provide any other assistance or services to you during the operation of the Franchised Business.

### **Beat Refinery and Online Course Obligations**

If you offer a Beat Refinery Optional Program upon our approval, we will provide you with our training program for Beat Refinery, review your advertising launch program, provide the curriculum and materials to you, and make available any advertising and promotional materials we have prepared or approved.

If you offer Core Courses online (and Beat Refinery if applicable) as an Optional Program to your students upon our approval, we will provide you with our training program for the online courses, provide the curriculum and materials to you, and make available any advertising and promotional materials we have prepared or approved. If you offer your students the opportunity to take the



Optional Program of AMS Online Classes, we will make available any advertising and promotional materials we have prepared or approved.

## Training

We provide an initial training program consisting of a “Franchisee” training component and a “Site Director” training component, which will be conducted at our offices or at Schools that we designate as training facilities or at other locations that we may specify in writing. The initial training program will consist of in-person classroom training, direct observation of a School, remote phone and web based sessions, and assigned reading and research activities for you to complete. One person or two people that you designate who will be active in the management of the Franchised Business and will perform managerial responsibilities (each, a “**Manager Trainee**”) must attend and successfully complete, to our satisfaction, the franchisee training component we require, as described below. One or two Manager Trainees must also attend the site director training sessions; one Manager Trainee must be your “**Site Director**” who will work full time at the School and be responsible for general oversight and day-to-day administration of the School and for all teaching, instructional and programming issues. If your Operating Principal (who meets the criteria summarized below) will also serve as your Site Director, he/she will be the only Manager Trainee at the site director training sessions. If your Operating Principal will be a more passive investor and you will hire a Site Director, your Operating Principal and Site Director will be the two Manager Trainees. You may request that additional managers attend the portions of the initial training that are designed for managers, subject to the availability and space capacity of our training sessions. All trainees must be persons that we find acceptable at all times to serve in their respective capacities. (Franchise Agreement, Section 5.1)

The Operating Principal is (Franchise Agreement, Section 6.5.1):

- if the franchisee is an individual, that individual; or
- if the franchisee is an entity, an individual that owns at least 25% of the ownership and voting interests in the franchisee entity (unless you obtain our written approval of a lower percentage), has authority over all business decisions related to the Franchised Business, and has the power to bind you in all dealings with us.

We will provide instructors, facilities, and materials for the initial training program at no charge, provided that all of your personnel are trained during the same training session. We reserve the right to charge a reasonable fee for re-training persons who are repeating a course or replacing a person who did not pass. For all training, including initial training, you are responsible for any travel expenses, living expenses, wages, and other expenses incurred by your trainees. We schedule and conduct this training periodically on an as-needed basis.

In addition to the initial training described above, we also provide at no charge opening assistance training commencing two days prior to opening, which will run for three days and take place at your School. The Operating Principal and, if applicable, the other Manager Trainee, and such of your other employees as we designate, must attend the opening assistance component of training. (Franchise Agreement, Section 5.2).

Your employees must be covered by your workers’ compensation insurance policy prior to commencing training with us, and you must provide evidence of this coverage if requested by us.

<b>TRAINING PROGRAM</b>			
<i>Subject</i>	<i>Hours of Classroom Training*</i>	<i>Hours of on the Job Training**</i>	<i>Location***</i>
Bach to Rock Overview	1	0	Herndon, Virginia
New Site Opening Procedures	10	4	Herndon, Virginia for classroom; franchisee's School for on the job
Human Resources	5	8	Herndon, Virginia for classroom; franchisee's School for on the job
Site Operations	8	8	Herndon, Virginia for classroom; franchisee's School for on the job
Sales and Services	6	2	Herndon, Virginia for classroom; franchisee's School for on the job
Course Offerings	5	1	Herndon, Virginia for classroom; franchisee's School for on the job
Marketing	5	1	Herndon, Virginia for classroom; franchisee's School for on the job
<b>Total</b>	<b>40</b>	<b>24</b>	

\*We may adjust the training times based on the participant's knowledge as determined by testing. This is the initial training.

\*\*This is the opening assistance training.

\*\*\*We intend to conduct training at our offices and/or at Schools that we designate as training facilities, which may include franchisees' Schools. We may also conduct portions of training at other facilities we determine appropriate. We will determine the location for each training session on a variety of factors, including proximity to you.

The instructional materials for our training program include our Manuals, handouts, videos, and other presentation tools.

If you sign an Area Development Agreement, the Area Development Agreement also requires us to provide you with training. Prior to the opening of your first School under the Area Development Agreement, we will provide the same initial training to two Manager Trainees of your operations (one of whom may be you or your Operating Principal).

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of our approved services in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your

employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees.

*Failure to Complete Training.* If we determine that any Manager Trainee has failed to satisfactorily complete the applicable training described above, we may, at your expense (including payment of our then-standard training fee), retrain the Manager Trainee or allow you to hire another Manager Trainee, who must attend and satisfactorily complete the required training. (Franchise Agreement, Section 5.1.2)

Our training program is conducted under the supervision and direction of Angela Sakell, our Senior Vice President of Marketing and Operations. Ms. Sakell has been with us or our affiliates since January 2013. Please see Item 2 for Ms. Sakell's experience. In addition to Ms. Sakell, we expect to utilize our and our affiliates' employees to assist with training. Typically these employees have 3 to 5 years of experience with Bach to Rock, as Site Directors, Assistant Directors or Music Specialists, and have 5 to 10 years (or more) of prior experiences as skilled musicians or vocalists, and/or have specialized knowledge in the fields of marketing, human resources, finance, and/or public relations.

*Refresher or Additional Training.* We may provide refresher training programs, seminars, and advanced management training at our principal training facility (or another location we designate). We may require you, your Operating Principal or others who have completed our initial training, and other designated personnel to attend these training programs, seminars, and advanced management training sessions. You must pay for all costs and expenses associated with these programs, seminars, and training sessions, including the then-standard training fee we charge for such programs, as well as all travel, meal, and lodging expenses your attendees incur. (Franchise Agreement, Section 5.3)

*Conferences and Seminars.* We may conduct annual conferences or conventions, which may include training sessions. If we do, we may require the Operating Principal, Site Director and/or Assistant Director, or any other employees that we designate to attend. (Franchise Agreement, Section 6.20; Area Development Agreement, Section 5.9)

## **Beat Refinery Training**

We will provide at no charge Beat Refinery training at your School if we approve you to open the School with the Beat Refinery program. The Operating Principal and, if applicable, the other Manager Trainee, and such of your other employees as we designate, must attend and successfully complete the Beat Refinery training before you open if the School will open with the Beat Refinery program. The Beat Refinery training provided before opening will consist of no less than five hours of on-the-job training, and will cover human resources, site operations, sales and service, course offerings and marketing. If we do not approve you to open with the Beat Refinery Optional Program but you are approved to offer this program later, we will provide training regarding the Beat refinery program (which may be online or through our electronic training platform) which your personnel must successfully complete before offering these services at your School. As noted above, Beat Refinery is currently an Optional Program, with approximately half of our recent new franchisees seeking to offer these services upon opening.

## **Advertising and Marketing**

During the term of the Franchise Agreement, you must make certain payments that comprise the Advertising Obligation. The Advertising Obligation is comprised of (1) contributions to a National

Brand Fund, (2) contributions to a Regional Fund, and (3) expenditures by you on local advertising. We will periodically designate the amount of your total Advertising Obligation and how that percentage is split between the contributions and expenditures. Currently, the Advertising Obligation is 6% of your Gross Sales, and the “split” is 2% to the National Brand Fund and 4% for local advertising expenditures. At this time, there are no Regional Funds.

We may increase the total Advertising Obligation to 8% of Gross Sales. However, when we change the Advertising Obligation, we will give reasonable written notice to you, and we will not increase the Advertising Obligation by more than 0.5% of Gross Sales in any calendar year.

### The National Brand Fund

As described in Item 6, we have established and maintain and administer a system-wide advertising, marketing, promotional and creative fund called the “National Brand Fund.” The National Brand Fund is for the benefit of all franchisees and company or affiliate-owned Schools that contribute to it. We have the exclusive right to maintain, operate, and administer the National Brand Fund as follows. (Franchise Agreement, Section 9.3)

We have the right to determine the proper operation of and make other decisions regarding the National Brand Fund. We may use your contributions to and any earnings on the contributions to the National Brand Fund for any costs associated with advertising, marketing, public relations, and/or promotional programs and materials, and any other activities we believe would benefit the “Bach to Rock” brand and the network of Bach to Rock Schools generally. The National Brand Fund may be used for a variety of purposes and purchases, including, without limitation, hiring and/or retaining internal and/or third parties to develop and create any advertising, marketing, promotional, social media and/or public relations materials, programs, campaigns, and media; developing, creating, planning and purchasing advertising campaigns in various media; purchasing media space or time (including all associated fees and expenses); developing and implementing direct mail advertising; employing advertising and/or public relations agencies; conducting and administering promotions, contests, giveaways, public relations events, community involvement activities, etc.; purchasing promotional items; developing new or modified trade dress and marks; developing point-of-purchase (POP) materials, designs and photographs; conducting and administering visual merchandising, and other merchandising programs; administering regional and multi-regional marketing and advertising programs; conducting market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs, and customer and student retention programs; developing and implementing customer and student service training programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, print/radio/television/outdoor/electronic ads, direct mail, press releases, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; creating, maintaining and developing one or more websites or social media platforms devoted to the System, the Proprietary Marks and/or the “Bach to Rock” brand (but not the costs for activities principally directed toward soliciting or promoting the sale of new franchises); and providing promotional and other marketing materials and services to the Schools operated under the System. The National Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we will have the right to determine will promote general public awareness and favorable support for the System; and providing promotional and other marketing materials and services to our franchisees, and any other activities which we believe will enhance the image of

the System. We have the right to direct all marketing programs, with the final decision over creative concepts, materials, and media used in the programs and their placement.

We do not guarantee that you will benefit from the National Brand Fund in proportion to your contributions to the National Brand Fund.

We will deposit all contributions to the National Brand Fund in an account separate from our other funds and will not use them to defray any of our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the National Brand Fund or the management of National Brand Fund-supported programs (including full or partial salaries of our personnel who devote full- or part-time services to National Brand Fund activities).

We will make available to you, at a reasonable cost, any promotional materials produced with National Brand Fund monies, and we will deposit the proceeds of those sales into the National Brand Fund account. We are not required to have an independent audit of the National Brand Fund completed. We will make available, and will provide electronically or in writing, an unaudited statement of contributions and expenditures for the National Brand Fund 60 days after the close of our fiscal year to franchisees that make a written request for a copy.

We may make, or refrain from making, any expenditures for advertising and promotional activities. In any calendar year, we may spend more or less than that year's aggregate Advertising Contributions to the National Brand Fund. We may have the National Brand Fund borrow from us or other lenders to cover any National Brand Fund deficits. Any money in the National Brand Fund that is not expended in a particular year will be held in the fund for expenditures or use in future years. We may have the National Brand Fund invest any surplus for the National Brand Fund's future use.

You authorize us to collect any advertising monies or credits owed to you by any supplier or other rebates from suppliers based upon purchases by us or our affiliates or you. We may remit those collections to the National Brand Fund, and our current policy is that we will do so, less the costs we incur in connection with those programs.

With respect to maintaining, operating, or administering the National Brand Fund, we are not a trustee or fiduciary and assume no other direct or indirect liability or obligation to you.

At any time, we may stop collecting and disbursing advertising contributions and terminate the National Brand Fund. It will not be terminated, however, until all monies in the fund have been expended for marketing purposes.

We established the National Brand Fund on January 1, 2013. During the 2022 fiscal year, the National Brand Fund expended funds for the following purposes: 44% on the internet, including media placement of online ads; 11% on public relations; 36% on research; 3% on graphic design and 6% on the toll-free telephone number. Included among these expenditures was an allocation of certain personnel costs to some of the categories.

The National Brand Fund will not expend any money for advertising that is principally a solicitation for the sale of franchises. Our current policy is that we and our affiliates will contribute to the National Brand Fund in the same manner as franchisees for our company-owned or affiliate-owned Schools; however, we may count other marketing costs that we incur in connection with

promoting the Bach to Rock brand and products (such the costs of maintaining the B2R website) towards the required advertising contribution.

### Regional Fund

We have the right to designate any geographical area for purposes of establishing a regional marketing or cooperative fund (“**Regional Fund**”). The purpose of a Regional Fund is to conduct marketing campaigns for the Bach to Rock Schools located in that region. If a Regional Fund for the area in which your Franchised Business is located has been established at the time you begin operations, you must immediately become a member of the Regional Fund. If a Regional Fund for your area is established during the term of the Franchise Agreement, you must become a member of the Regional Fund within 30 days after the date on which the Regional Fund begins operations. You will not be required to be a member of more than one Regional Fund. The following provisions will apply to each Regional Fund (if and when organized) (Franchise Agreement, Section 9.4):

(a) Each Regional Fund will be established, organized, and governed in the form and manner that we have approved in advance in writing.

(b) Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in local marketing and promotion.

(c) Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written approval, as described below.

(d) You must submit your Regional Contribution to the Regional Fund in the same manner, and on the same schedule as your Royalties. At the same time, you will have to submit the reports that we or the Regional Fund require. We may require that your Regional Fund contribution and reports to the Regional Fund be made to us for distribution to the Regional Fund.

(e) Unless we designate otherwise in writing when we establish a Regional Fund, we will administer the Regional Fund in the same manner as described above regarding the National Brand Fund.

(f) Once established, while each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing and/or promotional purposes.

### Local Advertising

You must engage in Local Advertising. The amount you must spend on Local Advertising is described above (currently 4% of Gross Sales). This requirement of 4% of Gross Sales for Local Advertising may not be sufficient in all cases to develop adequate exposure to the services offered by your Franchised Business, and it may be necessary for you to supplement this amount with additional advertising and promotional expenditures and efforts. You must make these local marketing expenditures on a quarterly basis based upon your Gross Sales calculated for the current year. We recognize that some local advertising and marketing is seasonal, or there will be spikes in expenditures. Therefore, your local expenditures should be made at least quarterly, at approximately 4% of Gross Sales, and we and you will measure your actual local advertising

expenditures on a calendar year basis. Upon our request, you must submit to us, for our approval, an annual proposal and quarterly proposals detailing your plan for implementing your local marketing budget. At our request, you must submit appropriate documentation to verify compliance with the minimum spending obligation. All local advertising, marketing, and promotions by you must be in such media, and such types and format as we may approve; must be conducted in a dignified manner; and must conform to such standards and requirements as we may specify. You must not use any advertising, marketing materials, or promotional plans unless and until you have received written approval from us, according to the procedures and terms summarized below. We have the right to periodically designate in the Manuals the types of expenditures that will or will not count toward the minimum annual spending requirement. You must advertise the Franchised Business in all major directories in your Territory, including local online directories or online user guides, as we specify in the Manuals or other written instructions. If you advertise jointly with other franchisees, your share of the cost will count toward your local spending requirement.

If you offer a Beat Refinery Optional Program upon our approval, it is anticipated that your local advertising expenditures of 4% of Gross Sales derived from offering Beat Refinery may not be sufficient to adequately market this program. In that event, you may wish to spend more (and we encourage you to spend more depending on the market in which you will operate).

#### Initial Advertising Campaign

You must conduct a Grand Opening Advertising Program for the Franchised Business during the five-month period beginning two months before the Opening Date and ending three months after the Opening Date, spending an amount not less than \$25,000. You must obtain our prior written approval before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. The Grand Opening Advertising Program may not be sufficient in all cases to develop adequate exposure to the services offered by your Franchised Business, and it may be necessary for you to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. This requirement is in addition to the Local Advertising expenditures you must make. (Franchise Agreement, Section 9.6)

If you offer a Beat Refinery Optional Program upon our approval, there will be additional Grand Opening advertising obligations of \$2,500 to launch Beat Refinery to the public.

#### Advertising Approval

You must conduct all advertising in a dignified manner and conform to the standards and requirements we specify from time to time in the Manuals or other written materials. We will make available to you approved advertising and promotional materials, including signs, posters, collaterals, press releases, etc. that we or our affiliates have prepared. We will have the final decision on all creative development of advertising and promotional messages. You must submit to us in writing, for our approval before your use, all proposed plans, promotional materials, press releases, and advertising that we did not prepare or approve in the previous year. If you do not receive our written disapproval within 14 days from the date we received the material, the material is deemed approved. We reserve the right to require you to discontinue the use of any advertising or marketing materials.

## Special Campaigns and Promotions

We may establish, and modify from time to time, social media campaigns, programs and policies, and/or other forms of special advertising campaigns and promotional events, including, for example, our current “Battle of the Bands” and “Classical Recital” programs. You agree to participate in and comply with mandatory promotional activities and campaigns that we may prescribe from time to time for Franchised Businesses generally or in specific geographic areas or for specific types of venues. You agree to bear your own costs of participating in such promotions. Any costs you incur to participate in such promotions will count toward your local advertising obligation. Without limiting the previous description, these campaigns and programs may include:

(a) Online social media efforts and/or activities and events conducted through other media or in person.

(b) Local, area-wide, regional or national band and music competitions and performances which one or more Bach to Rock Schools sponsor, host, promote or conduct.

(c) Programs and services for frequent students and/or loyalty programs, which may include providing discounts or complimentary services, classes or equipment. You agree to comply with all requirements that we or any designated third-party service provider may establish to carry out such programs, including, without limitation, payment of any fees and purchasing and using additional equipment and services, which may include, without limitation, software, interface connections, and electronic funds transfer.

(d) Optional or mandatory programs for customer gift cards or certificates (together “**Gift Cards**”). You agree to participate in any mandatory program and to comply with any policies or requirements that we may specify in the Manuals or otherwise in writing. Our requirements may include: selling or otherwise issuing only those Gift Cards that have been prepared using the standard form of Gift Card that we have designated or approved in writing; honoring all Gift Cards that are in the form that we have approved (including Gift Cards issued by another School); and procedures for selling, issuing, and redeeming (without any offset against any Royalty Fees) Gift Cards, including procedures for requesting reimbursements and making timely payment to us, other operators of Schools, or a third-party service provider for Gift Cards issued from your School that are honored by us or our affiliates or other School operators.

## **Franchisee Advisory Council**

We may create a Franchisee Advisory Council comprised of members who are elected by franchisees. If created, the Franchisee Advisory Council will advise us on advertising policies, but the council’s authority will be advisory only. We will have the right to form, dissolve, or change the Franchise Advisory Council, as we determine appropriate.

## **Electronic Point-Of-Sale and Computer Systems; Harmony Gateway**

We have the right to specify or require that certain brands, types, makes, and/or models of communications equipment, computer systems, and hardware be used by, between, or among Franchised Businesses, and between and among your Franchised Business and us, our designee and/or you, including without limitation: (a) back office, data, audio, video, voice storage, retrieval, and transmission systems; (b) point-of-sale (or POS) systems (defined below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-



up systems; and (f) internet access mode (e.g., form of telecommunications connection) and speed (collectively, the “Computer System”). Our proprietary Harmony Gateway system is part of the required Computer System. You agree to abide by our requirements with respect to the Computer System.

You must record all sales on computer-based point-of-sale systems that we have the right to designate or approve in the Manuals or otherwise in writing (“**Point-of-Sale Systems**” or “**POS Systems**”). The POS System is deemed to be part of your Computer System. You must utilize computer-based point-of-sale equipment which is fully compatible with any program or system which we have the right to designate and you must record all Gross Sales and all revenue information on such equipment. Currently, the Harmony Gateway system functions as part of the required POS System.

We and our affiliates have designed a specialized and proprietary database called Harmony Gateway. It is a web-based program and can be accessed remotely. Harmony Gateway maintains each School’s student records, billing and payroll data, student and faculty schedules, and more. Although much of Harmony Gateway is password protected and accessible only to authorized personnel, faculty members have access to those parts of the system pertinent to their needs. These include teaching materials, schedules and student progress reports. Students and parents may also access parts of this system to check their progress, homework, schedules and the status of their account with the School. Harmony Gateway will be used daily by each franchisee to maintain student records, billing and payroll data, student and faculty schedules, student progress reports and more. Sales, student courses, faculty, and payroll data will be collected, generated and stored using Harmony Gateway. You must sign a license agreement to have access to and utilize the Harmony Gateway system. The current form of license agreement is attached to this disclosure document as Exhibit C. The current license fee for Harmony Gateway is \$5,000 up front and \$210 per month.

The minimum required components, hardware and software for our Computer System currently include the following:

### General Requirements

You must have, install and use desktop and/or laptop computers, tablets, a local area network (LAN), a printer/scanner/copier/fax, internet access and telephone lines at each School.

(a) Desktop and/or Laptop Computers. The computer systems used in a Bach to Rock School support several functions, including site administration (e.g. email, word processing, budget planning, etc.); Harmony Gateway access (the POS System); running course software; and as an instructor resource.

The typical desktop/laptop computer for the Site Director and the Reception Desk is an entry level system (e.g., Dell Vostro line) with the following characteristics:

- Intel (or similar) x86 based system running Windows 10 or higher
- 8 GB RAM or better
- 256 GB or greater hard drive
- 2 Ghz Processor or greater
- Monitor capable of displaying SXGA (1280 x 1024) or better

The typical laptop computer used for the early education program is an entry level laptop with the following characteristics:

- Windows 10 or higher
- 4 GB RAM or better
- 1.2 Ghz Processor

The typical computer used in the Control Room (or Control Cart if applicable) is an iMac with the following characteristics:

- 8-Core CPU
- 8-Core GPU
- 256GB storage
- 8GB unified memory
- 24-inch display

The typical laptop computer used for the Beat Refinery program is a mid-level laptop with the following characteristics (the Beat Refinery computer can double as an early education computer):

- Windows 10 or higher
- Meets minimum system requirements for the current version of Ableton and Serato

The typical School will have 9 computers installed in the following areas or for the following people:

- Site Director – this system should have the latest version of MS Office installed and should be connected to the internet via the LAN. The Site Director may have a desktop or a laptop computer system.
- Reception Desk – this system should have the latest version of MS Office and the POS software installed. This station should also be connected to the internet via the LAN. The Reception Desk should have a desktop computer.
- Control Cart/Room – this system will be used to facilitate recordings for student graduations, camps, parties and client recording sessions. This device will run Pro Tools software and be connected to the internet via the LAN.
- Early Education Room/Beat Refinery – typically, a School will have 6 laptops that are installed to support the early education programs. While MS Office is not required for these systems, the MS Office “reader” programs (free download from the Microsoft site) should be loaded on these systems in addition to any music instruction software. If your School is approved to open with the Beat Refinery Optional program, these laptops can double as Beat Refinery laptops if they meet system requirements for the current version of Ableton and Serato.

(b) Tablets: Tablet computers are used by teachers during classroom instruction. The typical School will need 8 tablets with the following minimum requirements:

- iPad running iPadOS 15 or higher

(c) Local Area Network (LAN). The LAN is used to connect the site administrative computers (i.e., Site Director, Reception) to the printer and the internet. The typical School will have the following network equipment installed:

- Cat 5e or better network wiring connecting the Site Director Office (if applicable), Reception, and Control Room (if applicable) to the workgroup switch in the network/telephone equipment closet. For PCI DSS compliance, computers processing credit cards must be on a dedicated, secure network. This network should only have the front desk computer, director computer and a printer. These devices can be wired or wireless. Cell phones, tablets or other devices cannot connect to this network. A minimum of 2 SSID's is required (Strathmore for PCI, Birchmere for tablets and staff devices). We recommend 3 SSID's (Strathmore for PCI, Birchmere for tablets and staff devices, and Wolftrap for parent/guest).
- Network switch capable of 1Gbps or faster. The switch should have a minimum of 8 ports to support the minimum computer layout.
- Network router with firewall. This will connect to the Internet Service Provider (ISP) equipment.
- Wireless Access Points (WAP). These are required to support tablet use. You should install a sufficient number to provide good connectivity into all classrooms (typically 2 or 3), and ensure that a user will automatically connect to the WAP with the strongest signal.

(d) Printer/Scanner/Copier/Fax. A good quality medium duty printer/scanner/copier/fax is required.

(e) Internet Access. Schools are also required to have an internet connection with a minimum of 25 megabits per second download and 5 megabits per second upload speed to adequately access web-based support services such as Harmony Gateway, email, and the curriculum library. You must also have back-up internet access capacity (such as wireless connections) in the event your School or facility temporarily loses internet connections and access.

(f) Telephone Lines. The requirement would be for a minimum of two voice lines if not using a VOIP service.

We estimate that it will cost you approximately \$3,000 to \$9,000 to purchase the necessary components for the Computer System, including the POS system. We do not have current information regarding the possible availability, terms or costs of leasing the computer components.

We rely on suppliers to provide support for the hardware and software and we may require that you enter into service contracts directly with the hardware and software suppliers and pay the suppliers directly for this support. We do not have information about the availability or annual cost of any optional maintenance, upgrading, updating or support contracts.

You must be able to access information that is available on the internet, and be able to send and receive email. We may periodically require you to upgrade and update the hardware and software

used in connection with the Computer System. There are no contractual limitations on the frequency and cost of these upgrades and updates. We reserve the right to approve your email address.

You must afford us unimpeded and independent access to your Computer System in the manner, form, and at the times we may request. We will have the right at any time to access and retrieve data and information from your Computer System in any manner we deem necessary or desirable. To the extent that you collect information from customers and potential customers in connection with the Franchised Business ("**Customer Data**"), all Customer Data is deemed to be owned exclusively by us. You also must provide the Customer Data to us at any time that we request you to do so. You have the right to use Customer Data while the Franchise Agreement or a Successor Franchise Agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that we establish from time to time (which may include, without limitation, limitations or restrictions on the types of data that you may collect and/or use). You may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business and marketing "Bach to Rock" courses, products and services.

We have the right to specify from time to time in the Manuals or otherwise communicate to you in writing or through electronic or other formats, the information, including Customer Data, that you must collect and maintain on the Computer System. You must provide us with the reports that we may reasonably request from the data so collected and maintained. You must enter into the Computer System (and specifically Harmony Gateway) on a daily basis, or at other intervals that we may require, all information and materials that we may require in connection with your operation of the Franchised Business, and display the information and materials in the manner we may prescribe, including, without limitation, to employees of the Franchised Business. All data pertaining to, derived from, or displayed at the Franchised Business (including without limitation data pertaining to or otherwise about Franchised Business customers) is and will be our exclusive property. You will have a royalty-free non-exclusive license to use that data during the term of the Franchise Agreement.

You must sell or honor gift cards only in accordance with our written standards. You must not sell, issue or redeem gift certificates or gift cards other than gift cards we have approved in writing. Future gift card programs may require that you purchase and install software, hardware and other items needed to sell and process gift cards, as we may specify in the Manuals or otherwise communicate to you in writing or through electronic or other formats. You may also be required to pay fees to a third-party vendor to administer the gift card program.

Because changes to technology are dynamic and not predictable within the term of the Franchise Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities: (a) we will have the right to establish, in writing, reasonable new standards to address new technologies, and to implement those changes in technology into the System; and (b) you must abide by our reasonable new standards as if the technology provisions of the Franchise Agreement were periodically revised for that purpose.

## **Websites**

We or our affiliates will maintain a website for the benefit of ourselves, our affiliates and our franchisees. You may not establish a website or permit any other party to establish a website that relates in any manner to your Franchised Business or referring to the Proprietary Marks, except as we may designate or approve in writing. We have the right, but not the obligation, to provide one or more references or webpage(s) to your Franchised Business, as we may

periodically designate, within the website. (The term “website” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Instagram, etc.), blogs, vlogs, and other applications, etc.). If we ever do approve in writing a request for you to use a separate website (although we are not required to permit you to do so), then we have the right to require that you comply with the standards, specifications, conditions, and requirements relating to such website that we may periodically prescribe in the Manuals or otherwise communicate to you in writing or through electronic or other formats. We may from time to time establish policies regarding social media as we determine appropriate for the System. Any use of social media using the Proprietary Marks is considered advertising, and you must comply with our social media and advertising policies, including approval requirements. We may modify these policies as we determine appropriate, including as available technologies and advertising methods change.

### **Selecting the Location of Your Franchised Business**

You must sign the Site Selection Addendum. Under the terms of the Site Selection Addendum, you will have 180 days from signing the Site Selection Addendum (the “**Search Period**”) within which to lease, sublease or acquire a site for the School, subject to our approval according to our site selection guidelines.

Under the Site Selection Addendum, we will provide you with our real estate guidelines, which will describe our procedures and policies regarding the selection and leasing of locations, including our minimum standards for a location for a Bach to Rock School. You may not contact any potential lessors regarding the development of a School or engage any real estate brokers before you and we begin activities under the Site Selection Addendum. We recommend that you engage a qualified commercial real estate broker who has adequate experience with retail leasing opportunities and who is reasonably acceptable to us. In response to your request for site approval, we, or the service provider that we designate, will perform one on-site evaluation of a proposed site for the School as we may deem advisable. For any additional on-site evaluations, you must reimburse us or our designee for all reasonable expenses incurred, including, without limitation, the cost of travel, lodging and meals.

You must submit to us, in the form we specify, various site review reports, approval forms and data that we may specify, which may include a copy of the site plan, financial information, and any other materials or information that we may require, together with an option contract, letter of intent, term sheet, or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We will use reasonable efforts to approve or disapprove the proposed site within 30 days following receipt of complete submittal of all the information and materials we request from you to approve or disapprove the proposed site.

If you used your best efforts, but have not identified a suitable site that we approve by the end of the Search Period, we will have the right (but not the obligation) to extend the Search Period by up to sixty (60) days. If you fail to acquire or lease a site for the School within the Search Period (as extended if we have done so), you will be in default under the Franchise Agreement and the Site Selection Addendum, and we will have the right to terminate the Franchise Agreement. If we elect not to terminate the Franchise Agreement at such time, and we extend the period of time you may search for a site past the Search Period, we may subsequently terminate the Franchise Agreement for your failure to acquire or lease a site for the School, and/or we reserve the right to make your Site Selection Area available to others (including, without limitation, current franchisees, prospective franchisees, and/or to us or any of our affiliates) for the establishment of

a Bach to Rock School, and your Site Selection Area will be modified to eliminate any areas that become protected territories for another Bach to Rock School.

Within 90 days of our approval of the site, you must execute a lease which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease (as a rider to the lease) of the specified terms and conditions included in Appendix F to the Franchise Agreement. We are not responsible for review of the lease for any terms other than those contained in the Lease Rider.

If we have recommended, approved or given you information regarding a site, that is not a representation or warranty of any kind, express or implied, of the suitability of the site for a Bach to Rock School or any other purpose. Our recommendation indicates only that we believe that the site meets our then criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and changeable nature of these criteria and factors are beyond our control, and we are not responsible if a site and premises we recommend or approve fail to meet your expectations. Your acceptance of the obligation to develop the School will be based on your own independent investigation of the suitability of the site for the School.

### **Time between Signing the Franchise Agreement and Opening the Franchised Business**

The typical length of time between your signing of the Franchise Agreement and the opening of your business is expected to be six to twelve months. Factors that may affect this typical time period include the landlord or developer's ability to deliver the site, your ability to negotiate and obtain a lease at a satisfactory location, negotiate and obtain financing, procure the requisite building permits, comply with zoning and local ordinances, install equipment, fixtures, and signage, recruit competent staff, and schedule and complete the required initial training courses. You must satisfy all conditions pertaining to opening the Franchised Business and be prepared to open for business not later than the opening deadline specified in your Franchise Agreement, which will be nine months after the date you and we enter into your Franchise Agreement, unless you and we agree to a longer period.

## **ITEM 12. TERRITORY**

### **Grant for a Specific Location**

Your franchise is granted for a specific location that you select and we approve if acceptable (which is the “**Premises**” or “**Approved Location**” under the Site Selection Addendum). You may operate the Franchised Business only from the Premises, except in limited circumstances (such as at elder care facilities or hosting off-site programs such as band competitions).

### **Territory Under the Franchise Agreement**

During the term of the Franchise Agreement, and if you are in compliance with the terms and conditions of the Franchise Agreement, we will not establish nor license or franchise any other person or entity to establish another Bach to Rock School at any location within the geographic area described in Appendix A to the Franchise Agreement (the “Territory”), except as otherwise provided in the Franchise Agreement. The Territory will be based on a particular area surrounding the School. The size of the Territory granted will vary from franchise to franchise and will be determined in our sole discretion. Typically, that area will include at least approximately 5,000

households with children and consideration will be given to factors such as rush hour drive time, median family income, and natural or man-made barriers (such as bodies of water, bridges, etc.). We will designate the Territory after you propose, and we approve, the Premises for the School.

We will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following within (and outside of) the Territory:

- (a) We may establish, and license others to establish, Schools at any location outside the Territory despite their proximity to the Franchised Business or Territory or their actual or threatened impact on sales at your Franchised Business.
- (b) We may establish, and license others to establish, businesses under other systems or other proprietary marks, which businesses may offer or sell products and services that may be similar to, or different from, the Courses, products and services offered from the Franchised Business, and which businesses may be located within or outside the Territory, despite such businesses' proximity to the Franchised Business or Territory or their actual or threatened impact on sales at the Franchised Business.
- (c) We may establish and license others to establish businesses under the Proprietary Marks, that offer classes, products and/or services that are not offered at your School and/or are not part of the System, which businesses may be located within or outside of the Territory, despite such businesses' proximity to the Franchised Business or Territory, or their actual or threatened impact on sales at the Franchised Business.
- (d) We may acquire, or be acquired by, a company, entity, or business that operates and/or licenses music schools and/or other businesses that offer or sell some or all of the same products or services as offered at Bach to Rock Schools, and continue to operate and/or license those businesses, whether such businesses are located within or outside of the Territory, despite such businesses' actual or threatened impact on sales at the Franchised Business, so long as such businesses that are in your Territory are not converted to a Bach to Rock School and do not operate under the System or the Proprietary Marks.
- (e) We may sell and distribute, directly or indirectly, through any channels of distribution (using the Proprietary Marks or other marks), including through electronic channels such as the internet, the Courses, and other products or services (including products and services that are the same or similar to those offered by Schools), from any location or to any student or customer, so long as those sales are not conducted from a Bach to Rock School operated from a location inside the Territory.
- (f) We may create, place, and/or distribute, or authorize others to create, place, and/or distribute, any advertising and promotional materials which may appear in any media and/or be received by prospective students or customers located within the Territory.

As described above, you will receive a Territory with certain territorial protections, and we have reserved certain rights concerning operations in the Territory. Therefore, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

While we expect you to advertise and promote your School, you may not engage in any of the sales activities described above (in provisions (a)-(e)), such as promoting sales, providing products or services, or conducting business through alternate channels of distribution (which may include the internet), without our prior written consent.

The continuation of your territorial protection does not depend on the achievement of any particular sales volume, market penetration, or other contingency.

To the extent we may accept students located in, or orders for services, Courses, or products from customers located in, your Territory, we are not under any obligation to pay for, or compensate you for, any such students or orders.

If you and we enter into a successor Franchise Agreement, we have the right to modify the Territory (in addition to including other terms and conditions that may be materially different from the prior form of Franchise Agreement that you entered into with us). When considering a modification to a Territory upon renewal, our current policy is to consider, in part, the current demographic situation.

### **Site Selection Area**

After you sign the Franchise Agreement, but before you have an approved premises for the School, you will need to locate a site. You will sign the Site Selection Addendum attached to the Franchise Agreement. You will have 180 days (the “**Search Period**”) to acquire or lease/sublease a site for the School. We and you will establish an area within which you will search for a site (the “**Site Selection Area**”). The Site Selection Area will be larger than an expected Territory, and will likely encompass approximately three or four potential market areas; any one of which is likely to have a sufficient number of potential customers for a Territory (see demographic considerations for a Territory above). The Site Selection Area is described solely for the purpose of selecting a site for the School. We will not establish, nor franchise another to establish, a Bach to Rock School within the Site Selection Area until we approve a location for the School, or until the expiration of the Search Period, whichever event first occurs.

### **Territory Under the Area Development Agreement**

As described in Item 1, if you sign an Area Development Agreement, you will receive a Development Area pursuant to which you must develop Bach to Rock Schools. If you are in compliance with your obligations under the Area Development Agreement and all Franchise Agreements between you and us, then we will not establish, nor license anyone other than you to establish, a Bach to Rock School in the Development Area until the earlier of (a) termination of the Area Development Agreement; (b) the opening of the last required School under the Development Schedule; or (c) the last date specified in the Development Schedule, except as otherwise provided below. The Development Area in the Area Development Agreement is a protected territory, but that protection or exclusivity is limited. Specifically, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following within (and outside of) the Development Area:

- (a) We may establish, and license others to establish, Schools at any location outside the Development Area notwithstanding their proximity to any Franchised Business developed or operated pursuant to the Area Development Agreement or the Development Area or their actual or threatened impact on sales at a Franchised Business;



- (b) We may establish, and license others to establish, businesses under other systems or other proprietary marks, which businesses may offer or sell products and services that may be similar to, or different from, the Courses, products and services offered from any Franchised Business developed or operated under the Area Development Agreement and which businesses may be located within or outside the Development Area, notwithstanding such businesses' proximity to any Franchised Business or the Development Area or their actual or threatened impact on sales at any Franchised Business developed under the Area Development Agreement;
- (c) We may establish and license others to establish businesses under the Proprietary Marks, if those businesses offer classes, products and/or services that are not offered at your Schools and/or are not part of the System, which may be located within or outside of the Development Area, notwithstanding such businesses' proximity to any Franchised Business developed or operated pursuant to the Area Development Agreement or the Development Area or their actual or threatened impact on sales at any Franchised Business;
- (d) We may acquire, or be acquired by, a company, entity, or business that operates and/or licenses music schools and/or other businesses that offer or sell some or all of the same products or services as offered at Bach to Rock Schools, and continue to operate and/or license those businesses, whether those businesses are located within or outside of the Development Area notwithstanding those businesses' actual or threatened impact on sales at any Franchised Business, so long as such businesses that are in your Development Area are not converted to a Bach to Rock School and do not operate under the System or the Proprietary Marks;
- (e) We may sell and distribute, directly or indirectly, through any channels of distribution, including through electronic channels such as the internet, the Courses, and other products or services (including products and services that are the same or similar to those offered by Schools), from any location or to any student or customer, so long as those sales are not conducted from a Bach to Rock School operated from a location inside the Development Area; and
- (f) We may create, place, and/or distribute, or authorize others to create place and/or distribute, any advertising and promotional materials which may appear in any media, and/or be received by prospective students or customers located within the Development Area.

As described above, you will receive a Development Area with certain territorial protections, and we have reserved certain rights concerning operations in the Development Area. Therefore, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

While we expect you to advertise and promote your School, you may not engage in any of the sales activities described above (in provisions (a)–(e)), such as promoting sales, providing products or services, or conducting business through alternate channels of distribution (which may include the internet), without our prior written consent.

To the extent we may accept students located in, or orders for services, Courses, or products from customers located in, your Development Area or Territory, we are not under any obligation to pay for, or compensate you for, any such students or orders.

The continuation of your territorial exclusivity in the Development Area does not depend on the achievement of any particular sales volume, market penetration, or other contingency, except satisfaction of your Development Schedule. If you default under the Area Development Agreement, we reserve the right to undertake certain actions in lieu of termination of the Area Development Agreement, including modifying the Development Area.

**Options and First-Refusal Rights**

Neither your Franchise Agreement nor your Area Development Agreement grants you any options, rights of first refusal, or similar rights to acquire additional franchises at any location beyond those stated in the Development Schedule.

**Sales of Products or Services under a Different Trademark**

Neither we nor any affiliate has established or has any present plan to establish other franchises or company-owned outlets or other channels of distribution selling or leasing similar products or services under a different trademark.

**ITEM 13. TRADEMARKS**

**Principal Trademarks**

We grant you the right to use certain Proprietary Marks under the Franchise Agreement, including the principal marks shown below. MMH owns the following registrations recorded with the U.S. Patent and Trademark Office (the “USPTO”) on its Principal Register:

<u>Service Mark and/or Trademark</u>	<u>Registration #</u>	<u>Registration Date</u>
B2R and design	3584462	March 3, 2009
Rock City	4048671	November 1, 2011
Beat Refinery	4061415	November 22, 2011
Bach to Rock	4075640	December 27, 2011
Bach to Rock	4075612	December 27, 2011
Bach to Rock	4085568	January 17, 2012
B2R Bach to Rock America’s Music School and design	4275980	January 15, 2013
Bach to Rock	4355817	June 25, 2013
America’s Music School	4877378	December 29, 2015
B2R Bach to Rock America’s Music School (black version)	5166262	March 21, 2017
B2R Bach to Rock America’s Music School and color design	5170058	March 28, 2017
B2R Bach to Rock America’s Music School and color design	5170059	March 28, 2017

<u>Service Mark and/or Trademark</u>	<u>Registration #</u>	<u>Registration Date</u>
B2R Bach to Rock America’s Music School and color design	5179976	April 11, 2017

MMH has filed all declarations of use and renewals required to maintain these registrations as of the date of this disclosure document.

**Currently Effective Trademark Determinations**

There are no currently effective material determinations of the USPTO Trademark Trial and Appeal Board, the trademark administrator of any state or any court or pending infringement, opposition or cancellation proceedings; nor is there any pending material litigation involving the principal trademarks which affects the ownership, use or licensing of the Proprietary Marks. However, please see the reference below regarding the usage of the same and similar marks.

**Agreements Significantly Limiting Your Rights to Use the Marks**

Our right to use and license others to use the Proprietary Marks is exercised under a trademark license agreement (“the **TM Agreement**”) with MMH. Under the TM Agreement, we are granted the right to use and to permit others to use the Proprietary Marks. The TM Agreement automatically renews each December 31 for additional 1-year renewal terms. If we were ever to lose our right to the Proprietary Marks, MMH is required under the TM Agreement to allow our franchisees to maintain their rights to use the Proprietary Marks in accordance with their franchise agreements. Also, the franchise agreements will be assigned to MMH. Other than the TM Agreement, there are no agreements in effect which significantly limit our rights to use or license the Proprietary Marks in any state in a manner material to the Franchised Business.

**Your Right to Use the Trademarks**

Your right to use the Proprietary Marks is limited to the uses that we authorize under the Franchise Agreement, and any unauthorized use of the Proprietary Marks is prohibited. You may not use any Proprietary Mark: (1) as part of any corporate name or other business name; (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form; (3) for performing or selling any unauthorized services or products; (4) as part of any domain name, electronic address or search engine or in any other manner for a website without our prior written approval; or (5) in any other manner that we do not expressly authorize in writing. You must identify yourself as the independent owner and operator of your business in the manner we specify (such as on invoices, order forms, receipts, and contracts). You must also use the trademark registration notices that we designate, and obtain any assumed business name registrations that applicable law requires. You may not use the trademark “Beat Refinery®” unless you offer a Beat Refinery Optional Program upon our approval.

You must promptly notify us of any unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our right to use and to license others to use, or your right to use, the Proprietary Marks. We and/or our affiliates have the right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We and/or our affiliates have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We and/or our affiliates will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we determine that you have used the Proprietary Marks in compliance

with the Franchise Agreement, we will bear the cost of defense, including the cost of any judgment or settlement, as well as your out of pocket costs (except that you will bear the salary costs of your employees). If we determine that you have not used the Proprietary Marks in compliance with the Franchise Agreement, you must bear the cost of defense, including the cost of any judgment or settlement, and you must promptly reimburse us for those amounts. If there is any litigation due to your use of the Proprietary Marks, you must sign all documents and do all things as may be necessary to carry out a defense or prosecution, including becoming a nominal party to any legal action.

We have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Proprietary Marks and to adopt new Proprietary Marks for use with the System without any liability for any diminishment of the brand. Neither we nor our affiliates will have any obligation to reimburse you for any expenditure you make because of any discontinuance or modification.

No agreement significantly limits our rights to use or license the Proprietary Marks in any state in which we operate or intend to grant franchises in a manner material to the Franchised Business. We are not aware of any superior prior users or rights (except as described below), or infringing users, that could materially affect a franchisee's use of the principal Proprietary Marks in the states or areas where we may grant or intend to grant franchises. Specifically, we are aware of a business that is not affiliated with us called "Bach to Rock Music" that operates in Greenville, Ohio (the "Greenville, Ohio Business"). Its primary business appears to be offering services such as sound system installation and repair, band and orchestra instrument rental, and instrument repair services, although it also appears to provide music lessons. The Greenville, Ohio Business may have been using the "Bach to Rock" or "Bach to Rock Music" name or mark since 1986. If you are considering opening a Bach to Rock School in Ohio or in close proximity to the Greenville, Ohio Business, we will address any potential conflict at that time, and may not permit you to open in close proximity to Greenville, Ohio to reduce potential issues. We are also aware of other users of the same or similar marks in some states. We will address those users and/or marks at such times and in the manner as we deem appropriate, in our sole discretion.

In August 2022, MMH prevailed in litigation before the United States Trademark Trial and Appeal Board, Proceeding No. 91249446 filed July 11, 2019, opposing an application to register the mark BACH N ROLL MUSIC ACADEMY filed by The Piano Studio of Houston, Texas. MMH successfully argued that the BACH N ROLL MUSIC ACADEMY mark is likely to cause confusion with MMH's BACH TO ROCK marks.

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

### **Patents**

No patents (or pending patent applications) are material to the operation of your Franchised Business.

### **Copyrights and Other Intellectual Property Rights**

We and/or our affiliates are the owners or licensees of certain copyrighted or copyrightable works and/or derivative works and/or compilations that may be entitled to copyright or other intellectual property right protection (collectively, the "**Works**") and the copyrights and other intellectual property rights in the Works are valuable property of ours and/or our affiliates and/or our licensors. We will authorize you to use the Works on the condition that you comply with all of the terms and conditions of the Franchise Agreement and our requirements as described in our Manuals. We

and/or our affiliates may create copyrightable or protectable works, and/or acquire or obtain licenses for the right to use such works of others in connection with the operation of a School, including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be part of the Works, as that term is defined in the Franchise Agreement. The Works include, but are not limited to, the curriculum, course materials, textbooks, music, music compositions, the Manuals, advertisements, promotional materials, signs, World Wide Web and other internet sites, and School designs, plans and specifications. The Works may incorporate all or part of the Proprietary Marks or other trade dress used as part of the System. The Franchise Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the School, in compliance with the terms of the Franchise Agreement. If you prepare any adaptation, translation or work derived from the Works that we and/or any of our affiliates own, including, but not limited to course materials, advertisements, promotional materials, or websites, or if you create new works that will or may be used at the School (subject to our approval), whether or not such adaptation or other work was authorized by us, you agree that such material will be our property (or the property of our affiliate) and you hereby assign all your right, title and interest therein to us (or our designee). You must execute any documents, in recordable form, which we deem necessary to reflect or perfect such ownership. You agree that your execution of the Franchise Agreement shall be deemed to be your power of attorney in favor of us to execute all such documents on your behalf to carry out and effectuate the purposes and intent of this provision. You agree to execute any separate power of attorney document that we may request. You must submit all such adaptations, translations or derivative works to us for approval prior to use.

Even if we or our affiliates have not registered certain materials with the U.S. Registrar of Copyrights, we or our affiliates claim copyright protection covering various materials used in our business and the development and operation of Franchised Businesses, including the Works, where appropriate.

We are not aware of any currently effective determinations of the U.S. Copyright Office or any court, nor of any pending litigation or other proceedings, regarding any copyrighted materials used in connection with the Schools that affect the Franchised Business.

We, our affiliates, and you are subject to the rights of composers, lyricists and others who own the copyrights in the music, lyrics and other materials comprising certain of the Works that are used in the Schools. Our affiliate has obtained various and multiple licenses, permissions, and authorizations (“**Copyright Authorizations**”) from the owners of, and from the licensees and agents of the owners of, copyrights, to use (in various manners and forms) music, lyrics, songs, and other copyrighted materials. These Copyright Authorizations grant the right to play, print, record, or otherwise use the copyrighted materials and to permit Schools to use these materials. These Copyright Authorizations vary from copyright owner to copyright owner and vary based on the nature of the copyrighted work and the intended use. For example, some Copyright Authorizations may limit the number of copies of music (notations and/or lyrics) that may be printed, and require a new license when the limit is reached. Some Copyright Authorizations require annual renewals to obtain the right to perform copyrighted music. Each School’s use of these copyrighted works will be subject to these Copyright Authorizations. In order to comply with the Copyright Authorizations, we make certain filings and payments to the owners of, and to the licensees and agents of the owners of, copyrights. We have established a procedure whereby we will make these filings and payments on your behalf. Consequently, you must provide us appropriate reporting on a timely basis and make payments to us based on revenues at your School (and an additional fee if you are offering Beat Refinery) in order that we may comply with the Copyright Authorizations. US copyright law limits our rights to use or allow franchisees to use

the material of composers, lyricists and others who own the copyrights in the music, lyrics and other materials used in the Schools, which is why the Copyright Authorizations are necessary.

Other than the owners or licensees of owners of the copyrighted materials for which we or our affiliate are subject to Copyright Authorization, we do not know of any superior rights, nor do we know of any infringing uses, that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. The Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditure you make because of any discontinuance or modification.

### **Confidential Information**

During and after the term of the Franchise Agreement, you may not communicate, divulge, or use for any purpose other than in the operation of the Franchised Business any confidential information, knowledge, trade secrets or know-how that may be communicated to you or that you may learn by virtue of your relationship with us (“**Confidential Information**”). You may divulge confidential information only to your professional advisers and to your employees who must have access to the information to operate the Franchised Business. In addition, you may disclose Confidential Information if you are compelled to do so pursuant to litigation, a court order, law enforcement or any other proceeding requiring such disclosure, provided that you give us notice of the requirement and a reasonable time to challenge the request and/or seek a protective order. There may also be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals. You must not make any Confidential Information supplied by us available to any unauthorized person. All information that you receive from us is deemed to be Confidential Information, except information that you can demonstrate came to your attention by lawful means before our disclosure, or which, at the time of our disclosure to you, had become a part of the public domain. You must require your employees and any other person or entity to whom you wish to disclose any confidential information to execute agreements that they will maintain the confidentiality of the disclosed information. The agreements must be in a form satisfactory to us and must identify us as a third-party beneficiary with the independent right to enforce the agreements.

### **Confidential Manuals**

We will provide you with electronic access to the Manuals, on loan, for as long as the Franchise Agreement remains in effect. The Manuals remain our property. You must treat the Manuals, training materials, and any other manuals or materials created or approved by us for use with the System as secret and confidential. You must not copy, duplicate, record or otherwise reproduce the Manuals or other materials provided by us, in whole or in part, except in connection with the Franchised Business. We have the right to amend and supplement the Manuals from time to time by letter, electronic mail, bulletin, videotape, audio tapes, software, or other forms of communication. You must comply with each new or changed standard promptly upon receipt of notice from us. If a dispute develops relating to the contents of the Manuals, the electronic depository of the Manuals that we maintain at our headquarters will control.

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

We recommend that you own and operate the Franchised Business as a corporation, partnership or limited liability company, but encourage you to obtain legal and tax advice with respect to this issue. If you are a corporation, partnership, or limited liability company, you must appoint an individual owner as your Operating Principal. The Operating Principal must: own at least 25% of the ownership and voting interests in the franchisee entity, unless you obtain our prior written approval for the Operating Principal to hold a smaller interest; complete our training program; have authority over all business decisions related to the Franchised Business; and have the power to bind you in all dealings with us. We expect that the Operating Principal will supervise the operation of the School on a full-time daily basis. However, there may be situations, subject to our approval, where the Operating Principal will have a less active role in the daily operations, management and oversight of the School, but may be a significant owner of the franchisee entity. You may not change the Operating Principal without our prior approval.

We expect that the Operating Principal will also serve as your Site Director (except where the Operating Principal is a more passive investor in the business, if approved by us). If your Operating Principal will not supervise the Franchised Business as the Site Director on a full-time daily basis, then you must employ a Site Director who has qualifications reasonably acceptable to us to assume those responsibilities.

The Operating Principal and/or your Site Director must spend a minimum number of hours per week or month at the Premises, actively supervising the Franchised Business, as we specify in the Manuals. At all times that the Franchised Business is operating, you must comply with our requirements (which we will specify in the Manuals) for the supervision and operation of the Franchised Business.

The Operating Principal, or if the Operating Principal is not the Site Director, then the Site Director and the Operating Principal must complete our required initial site director training course to our satisfaction. Your Operating Principal and Site Director, and assistant director (if you have one), must sign one of our standard confidentiality and noncompetition agreements, as appropriate.

You will have sole responsibility for all employment decisions and functions related to your Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, record-keeping, supervision, and discipline of employees, notwithstanding any suggestions, advice, guidelines, programs or training that we may offer. You and your managers must comply with all federal, state and local laws and regulations regarding employment-related matters. All personnel decisions must be made by you, and all decisions will be made without any influence or advice from us. All personnel decisions and actions will not be, nor be deemed to be, a decision or action of ours. You must take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum standards that we may periodically establish in the Manuals.

In addition, all persons with 10% or greater ownership interest in the franchisee entity (and their spouses) must sign a personal guarantee on the form attached to the Franchise Agreement and/or Area Development Agreement.

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

### **Approved Goods and Services; Restrictions and Limitations**

You may offer students only the Courses, services and products that we have expressly authorized Franchised Businesses to offer, as we have the right to specify in the Manuals from time to time. We have the right to change the authorized Courses, services and products and we may designate specific classes, programs, courses, services and products as optional or mandatory. We may approve some courses, services and products and other items for certain franchisees and not others based on legitimate business reasons. Currently, the Core Programs include lessons or programs for: early childhood; individual and group lessons for children and adults; band/jam sessions for children and adults; parties for children and adults; and camps for children. We may include programs for senior communities as part of the Core Programs. We may add to, delete or modify the Core Programs from time to time. Currently, we may allow you to offer Beat Refinery and online courses, at our sole option, as Optional Programs. In addition, at the present time, we will allow you to offer AMS Online Classes to your students as an Optional Program.

We reserve the right to establish minimum and maximum prices for the Courses, services and products that we authorize Franchised Businesses to offer, subject to federal and state law. We also reserve the right to limit the number and/or value of free, low-cost or discounted lessons, classes or services that you and/or other franchisees or Schools may offer.

You may operate the Franchised Business only from the Premises, and only in accordance with the requirements of the Franchise Agreement and the procedures and terms and conditions described in the Manuals. You must offer and sell only the Courses, services and products that we authorize and only to students at the Premises. We may permit you to offer some of the Courses at facilities outside of the Premises, but only within the Territory, such as at private and/or public schools, elder care centers, or community centers. We may also permit you to offer some of the Courses online. Any such activity may only be conducted with our prior written consent, and only in compliance with our standards, procedures and rules for such activities, as described in the Manuals from time to time or otherwise in writing. Without our prior written approval: (a) you may not engage in any other type of business or enterprise, whether for profit or not, at the Premises or in conjunction with the Proprietary Marks; (b) you may not offer or sell any other music programs, music classes, or other educational programs at the Premises, in the Territory, or in conjunction with the Proprietary Marks; and/or (c) you may not offer Courses through any other method or avenue of distribution (including, without limitation, by electronic means, such as via the internet), other than in person at the Premises.

We have reserved to ourselves the right to offer certain services and Courses, and/or to offer those services and Courses in certain areas or through certain channels of distribution. You may not engage in any of the activities that we have reserved to ourselves.



## 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 Agreement	Summary (See Notes 1 and 2)
a. Length of the franchise term	2.1	Initial term is 10 years.
b. Renewal or extension of the term	2.2	When the initial term expires, you may renew your Bach to Rock franchise for one additional 5-year term (the "Successor Term"), subject to certain contractual requirements described in "c" below. One of these requirements is to sign our then-current form of franchise agreement.
c. Requirements for you to renew or extend	2.2	<p>To be granted a Successor Term, you must satisfy the conditions in the Franchise Agreement, which include the following:</p> <ul style="list-style-type: none"> <li>• you must provide us with written notice of your intention to exercise the option to obtain a Successor Franchise Agreement;</li> <li>• if we inspect the Franchised Business and give you notice (of at least six months) of any required maintenance, refurbishing, renovating, and upgrading, you must complete all maintenance, refurbishing, renovating, and upgrading no later than 60 days before the expiration of the term;</li> <li>• you must satisfy all monetary obligations owed to us and our affiliates and must not be in default of any provision of your franchise agreement or any other agreement between you, us and our affiliates;</li> <li>• you must execute a Successor Franchise Agreement, the terms of which may be materially different than the terms of your franchise agreement, and these differing terms may include a higher royalty fee and/or advertising contributions or expenditures;</li> <li>• you must pay us a successor franchise fee of 20% of our then-current initial franchise fee;</li> <li>• you must execute a general release;</li> <li>• you must prepare and submit to us a business plan that meets our approval; and</li> <li>• you must meet our then-current requirements for new franchisees.</li> </ul>
d. Termination by you	Not Applicable	Not Applicable

<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary (See Notes 1 and 2)</b>
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	15	We can terminate your franchise only if you default under the Franchise Agreement. Default includes bankruptcy, abandonment, and other grounds; see § 15 of the Franchise Agreement. (Under the U.S. Bankruptcy Code, 11 U.S.C. § 101, et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
g. "Cause" defined-curable defaults	15.3 and 15.4	All other defaults not specified in §§ 15.1 and 15.2 of the Franchise Agreement, including non-payment of monies owed, failure to submit reports, failure to comply with our standards and procedures, etc.
h. "Cause" defined-non-curable defaults	15.1 and 15.2	Non-curable defaults include, among other things: bankruptcy, insolvency, appointment of a receiver, abandonment, conviction of certain crimes, refusal to permit an audit, an understatement of Gross Sales by 2% or more on 3 or more occasions in a 12-month period or by 5% or more for any period of 4 or more consecutive weeks, 3 or more defaults in a 12-month period, a material misrepresentation or omission in your application for a franchise, any forbidden transfer of your rights, and others (but under the U.S. Bankruptcy Code, 11 U.S.C. § 101, et seq., we may be unable to terminate merely because you make a bankruptcy filing).
i. Your obligations on termination/non-renewal	16	Obligations include: Immediately stop operating the Franchised Business; de-identify your Premises; pay all amounts due; return loaned materials; stop using the Proprietary Marks and confidential information; assign us your lease, if we request; sell us your assets (at the lesser of depreciated cost or fair market value), if we request; and others. You must also pay us liquidated damages if your Franchise Agreement is terminated because you defaulted.
j. Assignment of contract by Franchisor	13	There are no restrictions on our right to assign our rights in the Franchise Agreement and/or delegate our performance to a third party.
k. "Transfer" by you-defined	14.1	You must not sell, assign, convey, or otherwise dispose of - voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise - any direct or indirect interest in the Franchise Agreement, the assets of the Franchised Business, or the ownership of the franchisee entity. "Transfer" (as a noun) refers to any of the preceding actions.

Provision	Section in Franchise Agreement	Summary (See Notes 1 and 2)
l. Franchisor's approval of transfer by franchisee	14.2	We have the right to approve Transfers. You may not make any Transfer without our prior written approval.
m. Conditions for Franchisor approval of transfer	14.3	<p>If you satisfy the transfer conditions in the Franchise Agreement, we will not unreasonably withhold our consent to a Transfer. These conditions include the following:</p> <ul style="list-style-type: none"> <li>• we have not exercised our right of first refusal;</li> <li>• all your monetary and other outstanding obligations have been satisfied;</li> <li>• you must not be in default of the Franchise Agreement;</li> <li>• the transferee has demonstrated that its owners meet all of our then-current qualifications to become a Bach to Rock franchisee;</li> <li>• you and your Owners have executed a general release;</li> <li>• the transferee has executed our standard form of Franchise Agreement then offered to new franchisees (the term of which will be the then remaining balance of the term of your Franchise Agreement or for a full 10 year term) and any other ancillary agreements that we may require for the Franchised Business; the terms of these agreements may differ from those of your Franchise Agreement – and the differing terms may include a higher royalty fee, higher advertising contributions or expenditures, and a new and potentially higher Harmony Gateway License Fee;</li> <li>• we are paid a transfer fee. The transfer fee will be ½ of the then-current initial franchise fee prorated for the number of years that you had remaining under your franchise agreement subject to a minimum fee of \$15,000; or ½ of the then-current initial franchise fee if the transferee signs a franchise agreement for a full 10 year term;</li> <li>• you or the transferee must make arrangements to modernize, upgrade, and conform the Franchised Business to our then-current standards and specifications for new Schools in the System;</li> <li>• the transferee must complete all required training then in effect for new franchisees; and</li> <li>• the proposed sale terms and other factors involved in the transfer do not, in our reasonable business judgment, negatively impact the future viability of the Franchised Business.</li> </ul>

Provision	Section in Franchise Agreement	Summary (See Notes 1 and 2)
n. Franchisor's right of first refusal to acquire your business	14.8	We can match any offer if you intend to transfer all or a controlling interest in the franchisee entity. No right of first refusal if proposed transferee is one of certain family members.
o. Franchisor's option to purchase your business	Not Applicable	Not Applicable – But we have the right to purchase your assets when your Franchise Agreement expires or terminates.
p. Death or disability of franchisee	14.6	If you die or become incapacitated, your executor or representative must apply to us in writing for approval to a Transfer within three months after death or the onset of disability. In addition, if the Operating Principal becomes disabled or dies, you have 30 days to retain a replacement to perform his or her obligations under the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	17.1 and 17.3	Includes prohibition on (a) engaging in a <b>“Competitive Business”</b> which is any business that (directly or indirectly) operates, or grants franchises or licenses to operate, a music school or similar business that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools; and (b) diverting business from your Franchised Business to any Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	17.2 and 17.3	Includes a two year prohibition similar to “q” (above) that is located (a) at the Premises, (b) within the Territory, (c) within a five-mile radius of the Premises, or (d) within a five-mile radius of any other School operating under the System.
s. Modification of the agreement	22	Must be in writing signed by both parties.
t. Integration/merger clause	22	Only the final written terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this agreement is intended to disclaim the representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	25.1	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that we can go to court to seek injunctive relief).
v. Choice of forum	25.2, 25.4	If you file suit against us, you must do so in Maryland. The parties waive their right to a jury trial. Subject to applicable state law. (See notes 1 and 2)
w. Choice of law	24	Maryland law applies. Subject to applicable state law. (See notes 1 and 2)

Notes:

- 1) Please refer to the disclosure addenda and contractual amendments appended to this disclosure document (Exhibits I and J) for additional terms that may be required under applicable state law.
- 2) In addition to the provisions noted in the chart above, the Franchise Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial.

<b>Provision</b>	<b>Section in Area Development Agreement</b>	<b>Summary</b>
a. Length of the area development agreement term	4.1	The day the last School required under the Development Schedule opens for business or the last date specified in the Development Schedule.
b. Renewal or extension of the term	Not Applicable, but see 4.2	Not Applicable
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with cause	6, 3.2, 7.2.2	Bankruptcy, insolvency, and other grounds. (Under the U.S. Bankruptcy Code, 11 U.S.C. § 101, et seq., we may be unable to terminate the agreement merely because you make a bankruptcy filing.) Failure to meet the Development Schedule. Attempt to Transfer without complying with the Area Development Agreement.
g. "Cause" defined-curable defaults	6.3	Defaults not specified in 6.1 or 6.2, such as a material failure to comply with the Area Development Agreement, the Franchise Agreement, or other agreements.
h. "Cause" defined-non-curable defaults	6.1, 6.2, 3.2, and 7.2.2	Bankruptcy, insolvency, and other grounds. Failure to meet the Development Schedule. Attempt to Transfer without complying with the Area Development Agreement. Uncured default under the Franchise Agreement. Non-curable defaults under the Franchise Agreement are also non-curable defaults under the Area Development Agreement.
i. Your obligations on termination/non-renewal	6.5	Cease developing or operating new Schools for which a Franchise Agreement has not been executed. See also 6.4 (actions in lieu of termination).

Provision	Section in Area Development Agreement	Summary
j. Assignment of contract by Franchisor	7.1	There are no limits on our right to assign the Area Development Agreement.
k. "Transfer" by you-defined	7.2.1	You must not sell, assign, convey, or otherwise dispose of—voluntarily, involuntarily, directly or indirectly, by operation of law or otherwise—any direct or indirect interest in the Area Development Agreement, the assets of the developer business, or the ownership of the developer. "Transfer" (as a noun) refers to any of the preceding actions.
l. Franchisor's approval of transfer by developer	7.2.2	We have the right to approve Transfers. You may not make any Transfer without our prior written approval.
m. Conditions for Franchisor approval of transfer	7.2.3–7.2.8	<p>If you satisfy the transfer conditions in the Area Development Agreement, we will not unreasonably withhold our consent to a Transfer. These conditions include the following:</p> <ul style="list-style-type: none"> <li>• we have not exercised our right of first refusal;</li> <li>• transfer includes all Franchise Agreements and all Schools operated thereunder and owned by you;</li> <li>• you are in compliance with all terms of the Area Development Agreement and any other agreement with us;</li> <li>• the transferee meets our then-current qualifications to become a Bach to Rock developer;</li> <li>• you and your Owners have executed a general release;</li> <li>• the transferee has executed our standard form of Area Development Agreement then offered to new franchisees, which may contain materially different terms and conditions from the Area Development Agreement you signed (the term of which will be the then remaining balance of the term of your Area Development Agreement), as well as any ancillary agreements we may require;</li> <li>• we are paid a transfer fee. The transfer fee will be \$10,000;</li> <li>• the transferee must complete all required training then in effect;</li> </ul>

Provision	Section in Area Development Agreement	Summary
		<ul style="list-style-type: none"> <li>• if transferee is one of our franchisees, the transferee must not be in default and must have a good record of customer service; and</li> <li>• the proposed sale terms and other factors involved in the transfer do not, in our reasonable business judgment, negatively impact the future viability of any Franchised Business.</li> </ul>
n. Franchisor's right of first refusal to acquire your business	7.3	We can match any offer if you intend to transfer all or a controlling interest in the developer entity. No right of first refusal if proposed transferee is one of certain family members.
o. Franchisor's option to purchase your business	Not Applicable	Not Applicable. But we have the right to purchase your assets when your Franchise Agreement expires or terminates.
p. Death or disability of owner of developer entity	7.2.6	If you die or become incapacitated, your executor or representative must apply to us in writing for approval to a Transfer within three months after death or the onset of disability.
q. Non-competition covenants during the term of the area development agreement	8.1	Includes prohibition on (a) engaging in a <b>“Competitive Business”</b> which is any business that (directly or indirectly) operates, or grants franchises or licenses to operate, a music school or similar business that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools; and (b) diverting business from your Franchised Business to any Competitive Business.
r. Non-competition covenants after the area development agreement is terminated or expires	8.2	Includes a two year prohibition similar to “q” (above) that is located (a) at the Premises of any developed School, (b) within the Development Area, (c) within a five-mile radius of the Premises of any developed School, or (d) within a five-mile radius of any other School operating under the System.
s. Modification of the agreement	14	Must be in writing signed by both parties.
t. Integration/merger clause	14	Only the final written terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and area development agreement may not be

Provision	Section in Area Development Agreement	Summary
		enforceable. Nothing in this agreement is intended to disclaim the representations made in the franchise disclosure document.
u. Dispute resolution by arbitration or mediation	17.1, 17.8	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that we can go to court to seek injunctive relief).
v. Choice of forum	17.2, 17.4	If you file suit against us, you must do so in Maryland. The parties waive their right to a jury trial. Subject to applicable state law. (See notes 1 and 2)
w. Choice of law	16	Maryland law applies. Subject to applicable state law. (See notes 1 and 2)

Notes:

- 1) Please refer to the disclosure addenda and contractual amendments appended to this disclosure document (Exhibits I and J) for additional terms that may be required under applicable state law.
- 2) In addition to the provisions noted in the chart above, the Area Development Agreement contains a number of provisions that may affect your legal rights, including a waiver of jury trial.

**ITEM 18. PUBLIC FIGURES**

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

**ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS**

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

Presented below are Total Sales and Net Sales data, and certain revenue, cost and expense data, for 2022 for all Schools that had been operating for more than one year as of December 31, 2022, and were in operation during all of 2022. Additional information is included in the notes below the chart. Please carefully read all of the information in this Item 19, and all of the notes following the chart, in conjunction with your review of the historical data.

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	Column A Affiliate-Owned 2022 System Average Open 12+ & 24+ Months	Column B Affiliate-Owned 2022 System Average Open 36+ Months	Column C Franchise-Owned 2022 System Average Open 12+ Months	Column D Franchise-Owned 2022 System Average Open 24+ Months	Column E Franchise-Owned 2022 System Average Open 36+ Months
<b>Total Sales</b>	<b>\$570,373</b>	<b>\$606,546</b>	<b>\$515,629</b>	<b>\$523,137</b>	<b>\$551,240</b>
Schools Attaining Average	2 of 10	2 of 8	17 of 38	14 of 33	13 of 28
Median	\$ 459,840	\$ 503,249	\$ 506,916	\$ 508,297	\$ 523,220
Highest Number in Range	\$ 1,152,481	\$ 1,152,481	\$ 1,132,468	\$ 1,132,468	\$ 1,132,468
Lowest Number in Range	\$ 353,220	\$ 353,220	\$ 160,568	\$ 186,789	\$ 186,789
<b>Private Lessons</b>	\$ 392,381	\$ 416,909	\$ 377,860	\$ 388,172	\$ 410,489
Schools Attaining Average	3 of 10	2 of 8	20 of 38	15 of 33	14 of 28
Median	\$ 321,332	\$ 351,917	\$ 380,870	\$ 383,376	\$ 398,577
Highest Number in Range	\$ 850,566	\$ 850,566	\$ 857,062	\$ 857,062	\$ 857,062
Lowest Number in Range	\$ 219,242	\$ 219,242	\$ 95,442	\$ 161,341	\$ 161,341
<b>Band, Group, Early Childhood</b>	\$ 107,009	\$ 109,599	\$ 90,075	\$ 87,410	\$ 91,641
Schools Attaining Average	3 of 10	2 of 8	17 of 38	14 of 33	12 of 28
Median	\$ 92,323	\$ 92,323	\$ 81,313	\$ 77,596	\$ 77,868
Highest Number in Range	\$ 212,790	\$ 212,790	\$ 208,113	\$ 208,113	\$ 208,113
Lowest Number in Range	\$ 70,343	\$ 70,343	\$ 6,332	\$ 6,332	\$ 6,332
<b>Camps</b>	\$ 32,653	\$ 37,302	\$ 26,519	\$ 26,672	\$ 27,335
Schools Attaining Average	4 of 10	4 of 8	17 of 38	14 of 33	13 of 28
Median	\$ 24,390	\$ 34,935	\$ 24,016	\$ 22,476	\$ 20,398
Highest Number in Range	\$ 84,442	\$ 84,442	\$ 73,332	\$ 73,332	\$ 73,332
Lowest Number in Range	\$ 8,613	\$ 10,522	\$ 0	\$ 0	\$ 0
<b>Parties</b>	\$ 4,445	\$ 4,258	\$ 2,744	\$ 2,639	\$ 2,817
Schools Attaining Average	3 of 10	3 of 8	17 of 38	15 of 33	13 of 28
Median	\$ 3,376	\$ 3,376	\$ 2,380	\$ 2,323	\$ 2,579
Highest Number in Range	\$ 14,244	\$ 14,244	\$ 10,529	\$ 10,529	\$ 10,529
Lowest Number in Range	\$ 807	\$ 807	0	0	0

	Column A Affiliate-Owned 2022 System Average Open 12+ & 24+ Months	Column B Affiliate-Owned 2022 System Average Open 36+ Months	Column C Franchise-Owned 2022 System Average Open 12+ Months	Column D Franchise-Owned 2022 System Average Open 24+ Months	Column E Franchise-Owned 2022 System Average Open 36+ Months
<b>DJ</b>	\$ 19,306	\$ 22,653	\$ 19,025	\$ 20,757	\$ 23,039
Schools Attaining Average	3 of 10	3 of 8	6 of 18	5 of 15	5 of 12
Median	\$ 13,727	\$ 16,010	\$ 14,993	\$ 15,870	\$ 19,211
Highest Number in Range	\$ 54,681	\$ 54,681	\$ 49,817	\$ 49,817	\$ 49,817
Lowest Number in Range	\$ 824	\$ 4,528	\$ 3,924	\$ 3,924	\$ 3,924
<b>Other: Retail, Studio, Satellite, Events</b>	\$ 14,578	\$ 15,828	\$ 9,419	\$ 8,809	\$ 9,084
Schools Attaining Average	3 of 10	3 of 8	17 of 38	15 of 33	13 of 28
Median	\$ 10,356	\$ 10,356	\$ 8,219	\$ 7,967	\$ 8,199
Highest Number in Range	\$ 34,687	\$ 34,687	\$ 22,124	\$ 18,822	\$ 18,822
Lowest Number in Range	\$ 5,944	\$ 6,093	\$ 1,382	\$ 1,382	\$ 2,147
<b>Less: Discounts</b>	\$ (17,712)	\$ (17,973)	\$ (23,327)	\$ (23,041)	\$ (25,169)
Schools Attaining Average	4 of 10	3 of 8	15 of 38	13 of 33	12 of 28
Median	\$ (14,327)	\$ (13,526)	\$ (21,574)	\$ (21,181)	\$ (22,259)
Highest Number in Range	\$ (32,938)	\$ (32,938)	\$ (53,809)	\$ (53,809)	\$ (53,809)
Lowest Number in Range	\$ (8,746)	\$ (8,746)	\$ (1,600)	\$ (1,600)	\$ (4,457)
<b>Less: Cost of Goods Sold</b>	\$ (5,489)	\$ (5,852)	\$ (4,077)	\$ (3,943)	\$ (3,982)
Schools Attaining Average	4 of 10	2 of 8	19 of 38	16 of 33	14 of 28
Median	\$ (4,622)	\$ (4,622)	\$ (3,965)	\$ (3,848)	\$ (3,923)
Highest Number in Range	\$ (17,901)	\$ (17,901)	\$ (18,572)	\$ (18,572)	\$ (18,572)
Lowest Number in Range	\$ (1,104)	\$ (1,378)	\$ 1,041	\$ 1,041	\$ 1,041
<b>Net Sales</b>	<b>\$547,173</b>	<b>\$582,721</b>	<b>\$488,225</b>	<b>\$496,153</b>	<b>\$522,089</b>
Schools Attaining Average	2 of 10	2 of 8	16 of 38	14 of 33	13 of 28
Median	\$ 444,394	\$ 488,224	\$ 479,324	\$ 482,782	\$ 501,262
Highest Number in Range	\$ 1,101,642	\$ 1,101,642	\$ 1,065,757	\$ 1,065,757	\$ 1,065,757
Lowest Number in Range	\$ 333,563	\$ 333,563	\$ 149,630	\$ 179,939	\$ 179,939

	Column A Affiliate-Owned 2022 System Average Open 12+ & 24+ Months	Column B Affiliate-Owned 2022 System Average Open 36+ Months	Column C Franchise-Owned 2022 System Average Open 12+ Months	Column D Franchise-Owned 2022 System Average Open 24+ Months	Column E Franchise-Owned 2022 System Average Open 36+ Months
<b>Direct Instructional Costs</b>	<b>\$134,927</b>	<b>\$147,042</b>	<b>\$131,941</b>	<b>\$132,485</b>	<b>\$143,023</b>
Schools Attaining Average	3 of 10	2 of 8	17 of 38	15 of 33	13 of 28
Median	\$ 102,998	\$ 117,969	\$ 124,083	\$ 125,726	\$ 141,548
Highest Number in Range	\$ 309,725	\$ 309,725	\$ 256,999	\$ 256,999	\$ 256,999
Lowest Number in Range	\$ 71,770	\$ 71,770	\$ 49,511	\$ 49,511	\$ 49,511
<b>Salary/Benefits/Taxes</b>	\$ 110,259	\$ 106,420	\$ 110,621	\$ 108,461	\$ 113,653
Schools Attaining Average	4 of 10	2 of 8	17 of 38	14 of 33	12 of 28
Median	\$ 104,739	\$ 101,375	\$ 101,432	\$ 100,271	\$ 101,432
Highest Number in Range	\$ 151,583	\$ 151,583	\$ 238,975	\$ 238,975	\$ 238,975
Lowest Number in Range	\$ 83,195	\$ 83,195	\$ 29,768	\$ 29,768	\$ 29,768
<b>All Other</b>	\$ 46,162	\$ 47,635	\$ 56,318	\$ 56,111	\$ 59,407
Schools Attaining Average	3 of 10	2 of 8	15 of 38	13 of 33	12 of 28
Median	\$ 45,402	\$ 45,402	\$ 52,893	\$ 46,146	\$ 54,922
Highest Number in Range	\$ 73,217	\$ 73,217	\$ 126,769	\$ 126,769	\$ 126,769
Lowest Number in Range	\$ 30,626	\$ 31,283	\$ 31,454	\$ 31,454	\$ 31,930
<b>Total Site G&amp;A</b>	<b>\$156,421</b>	<b>\$154,056</b>	<b>\$166,939</b>	<b>\$164,572</b>	<b>\$173,061</b>
Schools Attaining Average	3 of 10	2 of 8	16 of 38	13 of 33	11 of 28
Median	\$ 148,085	\$ 141,946	\$ 157,806	\$ 152,403	\$ 158,302
Highest Number in Range	\$ 223,260	\$ 223,260	\$ 351,465	\$ 351,465	\$ 351,465
Lowest Number in Range	\$ 126,324	\$ 126,324	\$ 64,708	\$ 64,708	\$ 64,708
<b>Total Marketing</b>	<b>\$39,477</b>	<b>\$40,539</b>	<b>\$25,246</b>	<b>\$23,921</b>	<b>\$25,441</b>
Schools Attaining Average	3 of 10	3 of 8	17 of 38	13 of 33	12 of 28
Median	\$ 37,986	\$ 38,934	\$ 23,187	\$ 22,238	\$ 23,187
Highest Number in Range	\$ 51,708	\$ 51,708	\$ 72,228	\$ 72,228	\$ 72,228
Lowest Number in Range	\$ 33,826	\$ 34,806	\$ 5,151	\$ 5,151	\$ 11,281

## Notes to Chart

General Note: The column headings above state that the figures are “averages.” To be clear, the first dollar figure in each cell, row, or column, that appears in “**bold text**” is the average figure for that cell.

1. The Chart reflects the Total Sales, Net Sales, and certain revenue, cost and expense data in 2022 for all Schools that have been operating for more than one year as of December 31, 2022, and were in operation during all of 2022. The total sample size includes ten affiliate-owned Schools and 38 franchised Schools. As of December 31, 2022, all ten affiliate-owned Schools that are included in this Item 19 were open and operating for more than one year and more than two years (reflected in Column A). Eight (of the ten) affiliate-owned Schools that are included in this Item 19 were open and operating for more than three years (Column B). One affiliate-owned school was acquired from a franchisee during 2022 and is excluded from this Item 19.

In addition, 38 franchised Schools were open and operating for more than one year as of December 31, 2022 (reflected in Column C); 33 (of the 38) franchised Schools were open and operating for more than two years as of December 31, 2022 (reflected in Column D); 28 (of the 38) franchised Schools were open and operating for more than three years as of December 31, 2022 (reflected in Column E). Six new franchised Schools opened for the first time during 2022, and those Schools are excluded from this Item 19.

2. The Schools in the Chart are operated by our affiliates and franchisees. All of the Schools are considered standard Schools and utilize the System, Courses, instructional guides and curriculum. They all offer the same, or essentially the same, Courses, but the actual mix of Courses and number of programs and offerings will vary due to student demand, historical experience, and other factors. All of the Schools in the sample offered some of the Core Courses online. All of the Schools in the sample were permitted to offer the AMS Online Classes, but not all of them chose to do so. Sales from online programs are comingled with in-person sales of the same type (e.g., “Camps” includes both online and in-person camps). (To the extent that a School offers the Beat Refinery Optional Program, the revenues and costs for this program have been included in the figures in the chart above, under the line item “DJ”.) The size of the Schools varies from 2,010 square feet to 5,637 square feet.
3. “Total Sales” represents the actual total sales for each School in the sample for the period January 1, 2022 to December 31, 2022. Ten of the affiliate-owned Schools and 18 of the franchised Schools in the sample offered the Beat Refinery program, and the revenues from Beat Refinery are indicated in the line item designated “DJ.” All of the Schools in the sample offered some of the Core Courses online. All of the Schools in the sample were permitted to offer the AMS Online Classes, but not all of them chose to do so. “Total Sales” includes all revenue from the sale of all Courses, services and products offered to customers and clients at or from the School or online. The Total Sales data figures are compiled by our affiliates that operate the Schools, or by our franchisees, and they are reported to us. We have not audited or verified the reports, nor have our affiliates or our franchisees confirmed that their reports are prepared in accordance with generally accepted accounting principles. The Total Sales of each School is subdivided into six major subcategories of revenue: private lessons; band, group and early childhood classes; camps; parties; DJ (Beat Refinery); and other revenue sources. These subcategories include sales for which customers do not pay for the services or products such as donations and free lessons.

4. “Net Sales” represents the actual net sales for each School in the sample for the period of January 1, 2022 to December 31, 2022. Ten of the affiliate-owned Schools and 18 of the franchised Schools in the sample offered the Beat Refinery program, and the revenues from Beat Refinery are indicated in the line item designated “DJ.” All of the Schools in the sample offered some of the Core Courses online. All of the Schools in the sample were permitted to offer the AMS Online Classes, but not all of them chose to do so. Revenues from online programs are comingled with in-person sales of the same type (e.g., “Camps” includes both online and in-person camps). “Net Sales” includes all revenue from the sale of all Courses, services and products offered to customers and clients at or from the School or online, less Discounts and Costs of Goods Sold. The Net Sales data figures are compiled by our affiliates that operate the Schools, or by our franchisees, and they are reported to us. We have not audited or verified the reports, nor have our affiliates or our franchisees confirmed that their reports are prepared in accordance with generally accepted accounting principles. As is evident from the chart generally, the net sales of Schools that have been open longer tend to be greater than the Schools with a shorter operating history.
5. “Schools Attaining Average” means the number of Schools within the sample, and within the specific time period identified (e.g., “24+ months”) that attained or exceeded the “Average” for that time period.
6. “Median” means the data point that is in the center of all data points used in the sample, with an equal number above and below the mid-point. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two. In the event the number of data points is an odd number, the median is the center number.
7. “Highest Number in Range” means the highest number in a given range of numbers.
8. “Lowest Number in Range” means the lowest number in a given range of numbers.
9. “Discounts” reflect promotional discounts, sibling discounts, employee discounts, donations, free lessons and similar reductions.
10. “Cost of Goods Sold” includes the costs and expenses related to retail items (e.g., guitar picks, drum sticks, guitar strings) and curriculum materials (e.g., books).
11. “Direct Instructional Costs” includes costs and expenses related to the provision of classes, Courses and programs, including salaries, wages and benefits for teachers and other instructional staff who teach or otherwise provide instructional programming. Instructional Costs do not include the salaries of the site director, assistant director, or any manager, except to the extent a portion of their time is used in teaching or delivering instructional programs or services. Also included in Instructional Costs are the costs for instructional materials used in the Courses, or provided to students.
12. “Total Site G&A” includes the salaries, wages, overtime, commissions, taxes, benefits and bonuses paid to the schools’ administrative staff such as the site director, assistant director, administrative assistant and music director. (If the franchisee is acting as the Site Director, assistant site director, administrative assistant and/or music director, salaries, wages, overtime, commissions, taxes, benefits and bonuses may or may not be included. We do not receive that data from our franchisees.) It also includes monthly Harmony Gateway license fees, copyright fees, equipment repair, telephone, ISP, postage, office supplies,

meals and entertainment, minor equipment purchases and repairs, insurance, credit card fees, bad debt, travel and lodging, and training costs associated with operating the school. It does not include rent, building services, facilities repair/maintenance, utilities or real estate taxes.

13. "Marketing" includes the 2% National Brand Fund contribution (which each affiliate-owned School is required to pay) plus the cost of paid media, design, and production. It includes advertising, marketing, promotional programs, campaigns, and media; developing, creating, planning and purchasing advertising campaigns in various media; purchasing media space or time (including all associated fees and expenses); developing and implementing direct mail advertising; conducting and administering promotions, contests, giveaways, public relations events, community involvement activities, etc.; purchasing promotional items; developing point-of-purchase (POP) materials, designs and photographs; conducting and administering visual merchandising, and other merchandising programs; conducting market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs, and customer and student retention programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, print ads, outdoor ads, direct mail, press releases, contests, Battles of the Band, and Music Showcase recitals. Affiliate-owned marketing costs are not incurred on a per site basis. Instead, the costs are allocated based on the number of affiliate-owned locations.
14. The cost and expense data does not reflect all of the costs of sales, costs of goods, operating expenses or other costs or expenses that must be deducted from gross revenue or net sales to obtain a net income or net profit figure. Examples of costs that are not included are: rent and other occupancy costs; utilities, equipment lease costs; debt service and financing costs; business and regulatory fees and licenses; recruitment expenses; and bookkeeping, accounting, legal and other professional services. In addition, a franchisee will have royalty payments (7%) and/or contributions to the Regional Fund or Cooperative, if established. Examples of costs that are included are: National Brand Fund contributions, Harmony Gateway license fees, copyright fees, salary, wages, taxes and benefits for managers, site directors, assistant directors and non-instructional staff; music, audio, video and instrumental equipment, telephone and internet service; advertising and marketing costs; voluntary employee benefits, such as health, vacation or pension plan contributions; insurance; and ongoing and supplemental training expenses. Your costs will vary from those of the Schools in the chart, and costs will likely vary from School to School, and from franchisee to franchisee. For example, your labor costs and management costs will vary based on geography, demographics, economics, and market conditions, as well as items about which you and other business owners have wide discretion, such as whether to provide certain employee benefits (e.g., vacation, health care, and pension or retirement benefits), the type of benefits provided and the scope or value of those benefits, and whether the franchisee owner will pay himself/herself any compensation.

We are not aware of any material differences, except as described above, between the affiliate-owned and franchised Schools and the franchises being offered in this disclosure document.

Federal and state franchise laws permit us to include in Item 19 either (a) historic financial performance representation about the franchise system's existing outlets or a subset of those outlets, or (b) a forecast of the prospective franchisee's future financial performance. The information in this Item 19 and the Chart above reflects historical data

for the Total Sales, Net Sales, and certain costs and expenses of ten affiliate-owned and 38 franchised Bach to Rock Schools, and is not a forecast of future financial performance or a projection.

You are strongly advised to perform an independent investigation of this opportunity to determine whether or not the franchise may be profitable and to consult your attorney, accountant, and other professional advisors before entering into a Franchise Agreement. You should construct your own pro forma cash flow statement, balance sheet, and statement of operations, and make your own financial projections regarding sales, revenues, costs, customer base, and business development for your own Bach to Rock School.

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

The operating data in the charts were prepared from internal operating records provided to us by our affiliates and franchisees.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

\* \* \*

Other than the preceding financial performance representations in this Item 19, AMS does not make any financial performance representations. We 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 our management by contacting Brian Gross, our President, America's Music School LLC, 4819 St. Elmo Avenue, Bethesda, Maryland, 20814, 855-227-7570, the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table 1: Systemwide Outlet Summary For Years 2020, 2021 and 2022 (notes 1-3)				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	31	35	+4
	2021	35	39	+4
	2022	39	44	+5
Company-Owned	2020	8	10	+2
	2021	10	10	+0
	2022	10	11	+1
Total Outlets	2020	39	45	+6
	2021	45	49	+4
	2022	49	55	+6

State	Year	Number Of Transfers
California	2020	0
	2021	0
	2022	1
Florida	2020	0
	2021	1
	2022	0
North Carolina	2020	0
	2021	0
	2022	1
Texas	2020	0
	2021	0
	2022	1
Washington	2020	0
	2021	0
	2022	0
TOTAL OUTLETS	2020	0
	2021	1
	2022	3

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets At End of The Year
AZ	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
CA	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	1	0	0	0	0	5
CT	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
FL	2020	3	0	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
GA	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3



Table 3:  
Status of Franchised Outlets for Years 2020, 2021 and 2022 (notes 1-3)

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets At End Of The Year
IN	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
	2022	3	0	0	0	0	0	3
KS	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
MA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	1	0	0
MD	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
MN	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	1	0	0	0	0	2
NC	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
NJ	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
NY	2020	4	0	0	0	1	0	3
	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
OH	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
OR	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
PA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
SC	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
TN	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2

**Table 3:**  
Status of Franchised Outlets for Years 2020, 2021 and 2022 (notes 1-3)

State	Year	Outlets At Start Of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired By Franchisor	Ceased Operations Other Reasons	Outlets At End Of The Year
TX	2020	2	2	0	0	0	0	4
	2021	4	1	0	0	0	1	4
	2022	4	1	0	0	0	0	5
VA	2020	3	1	0	0	0	0	4
	2021	4	0	0	0	0	0	4
	2022	4	0	0	0	0	0	4
WA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Total	2020	31	5	0	0	1	0	35
	2021	35	5	0	0	0	1	39
	2022	39	6	0	0	1	0	44

**Table 4:**  
Status Of Company-Owned Outlets for Years 2020, 2021 and 2022 (notes 1-3)

State	Year	Outlets At Start Of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets At End Of The Year
Illinois	2020	2	1	0	0	0	3
	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
Maryland	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2	0	0	0	0	2
Massachusetts	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	1	0	0	1
New York	2020	0	0	1	0	0	1
	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
Virginia	2020	4	0	0	0	0	4
	2021	4	0	0	0	0	4
	2022	4	0	0	0	0	4
Total	2020	8	1	1	0	0	10
	2021	10	0	0	0	0	10
	2022	10	0	1	0	0	11

Table 5: Projected Openings for 2023			
State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets In The Next Fiscal Year*	Projected New Company-Owned Outlets In The Next Year
Minnesota	1	1	0
New Jersey	1	1	0
Pennsylvania	1	1	0
Massachusetts	0	0	1
Virginia	1	1	0
Total	4	4	1

\*The above estimates relate to opening Schools. We do, however, expect that we may sign Franchise Agreements with franchisees during this period.

Notes to Tables 1 through 4:

1. All numbers are as of the fiscal year end. Each fiscal year ends on December 31.
2. We, as franchisor, do not have any “company-owned” outlets or Schools. The “Company-Owned” outlets in the charts refer to Schools owned and operated by our affiliates.
3. States not listed had no activity during the relevant time frame.

\*\*\*\*\*

Exhibit G lists the names, addresses, and telephone numbers of our franchisees, as of the end of our fiscal year. Corresponding information on developers is also listed in Exhibit G (if any). Our affiliate-owned Schools are also identified in Exhibit G.

Exhibit H lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of franchisees who have had a franchise agreement terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this disclosure document. Corresponding information on developers is also listed in Exhibit H (if any). If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers while you are a franchisee and when you leave the franchise system.

Confidentiality Clauses. In our last three fiscal years (which end on December 31<sup>st</sup> of each year), no franchisees entered any confidentiality agreements that restrict their ability to speak openly about their experience with our franchise system.

Trademark-Specific Franchisee Organizations. There are no trademark-specific franchisee organizations.

Incentive Program. We will pay franchisees a finder’s fee if a franchisee refers to us a potential franchise candidate that signs a franchise agreement and pays the franchise fee within 9 months of the referral, so long as the referring franchisee is still part of our franchise system at the time

of the signing. We will also extend this to any employee of a franchisee (as well as our employees and the employees of our affiliates); the employee needs to be employed by the referring franchisee (or us or our affiliates) at the time of the signing to earn the incentive.

## **ITEM 21. FINANCIAL STATEMENTS**

Attached to this disclosure document as Exhibit E are the following financial statements for America's Music School LLC:

Audited financial statements of America's Music School LLC, for the fiscal year ended December 31, 2022, December 31, 2021, and December 31, 2020.

## **ITEM 22. CONTRACTS**

The following agreements are attached to this disclosure document:

- Franchise Agreement – Exhibit A
- Area Development Agreement – Exhibit B
- Harmony Gateway License Agreement – Exhibit C
- General Release – Exhibit L

## **ITEM 23. RECEIPTS**

The last two pages of the disclosure document (following the exhibits and attachments) are documents acknowledging receipt of the disclosure document by you (one copy for you and one to be signed for us).

**Exhibit A to the Franchise Disclosure Document  
FRANCHISE AGREEMENT**



## **BACH TO ROCK FRANCHISE AGREEMENT**

**Between**

**America's Music School LLC**

**Franchisor**

**and**

---

**Franchisee**

# Bach to Rock Franchise Agreement

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Appendix A –	Territory, Premises and Contract Data
Appendix B –	List of Owners and Ownership Interests
Appendix C –	Personal Guarantee
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Appendix E –	Site Selection Addendum
Appendix F –	Lease Rider Terms
Appendix G –	Non-Disclosure and Non-Competition Agreement for Owners (and Spouses), Officers and Directors
Appendix H –	Non-Disclosure and Non-Competition Agreement for Employees
Appendix I –	Harmony Gateway License Agreement

# Bach to Rock Franchise Agreement

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into on this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between:

- America’s Music School LLC, a Maryland limited liability company whose principal place of business is 4819 St. Elmo Avenue, Bethesda, Maryland 20814 (“**Franchisor**” or “**we,**” “**us**” or “**our**”); and
- \_\_\_\_\_ a [resident of] [corporation organized in] [limited liability company organized in] \_\_\_\_\_ and having offices at \_\_\_\_\_ (“**Franchisee**” or “**you**”).

In this Agreement, “**we,**” “**us**” and “**our**” refers to America’s Music School LLC, the Franchisor. “**You**” and “**your**” refers to the Franchisee. “**Owners**” means the person(s) listed on Appendix B and all other persons whom we may subsequently approve to acquire an interest in Franchisee. “**Operating Principal**” means the person designated as the Operating Principal on Appendix B and who meets the criteria in Section 6.5 of this Agreement.

## RECITALS

A. We and our affiliates are in the business of operating and franchising others to operate “Bach to Rock” music education centers (“**Bach to Rock Schools**” or the “**Schools**”). Bach to Rock Schools are music schools that utilize a distinctive teaching method based on the principle that music instruction is most effective when conducted in a socially interactive environment. The Bach to Rock Schools offer a diverse variety of classes and programs for children and adults, including group classes, private lessons, band sessions, early childhood classes, and special events programming, utilizing the music curriculum developed by us or our affiliates. Each Bach to Rock School offers certain mandatory programs and classes, and may offer certain optional programs and classes.

B. We and our affiliates have developed a distinctive set of specifications and operating procedures (collectively, the “**System**”) for the Schools. The distinguishing characteristics of the System include: a distinctive teaching method and curriculum; mandatory group and private music lessons and programs (“**Core Programs**”), optional group and private music lessons and programs (“**Optional Programs**”), and other courses of instruction and programs (collectively, “**Courses**”); standards and specifications for School layout, design and equipment; standards and specifications for operation and administration of the Schools; procedures for management and scheduling at the Schools; a proprietary and specialized information technology and database system, currently identified as “Harmony Gateway”; training and assistance regarding the teaching methods, management and administration of the Schools; advertising and marketing programs; student development and service techniques and programs; and confidential operating manuals that include mandatory and suggested specifications, standards, policies, procedures and guidelines for operating Bach to Rock Schools, implementing the System, and teaching and conducting Courses (such specifications, standards, guidelines, policies, programs, techniques and the like are referred to herein as the “**Manuals**”), all of which may be changed, improved, further developed, and/or discontinued by us or our affiliates from time to time.

C. We identify the Schools operating under the System by means of the names and marks “BACH TO ROCK,” “AMERICA’S MUSIC SCHOOL,” “B2R and design,” and certain other trademarks, service marks, trade names, signs, logos, and other indicia of origin (collectively, the “**Proprietary Marks**”). We may designate other trade names, service marks, and trademarks as Proprietary Marks (and also periodically delete old names and marks).



D. We and our affiliates continue to develop, use and control the use of such Proprietary Marks in order to identify for the public the source of Courses, services and products marketed under the Proprietary Marks and the System, and to represent the System's high standards of quality, appearance and service.

E. You understand the importance of our high standards of teaching quality, appearance, and service and the necessity of operating your Franchised Business (defined below) in accordance with this Agreement and our standards, specifications and procedures.

F. You desire to enter into the business of operating a Bach to Rock School under the System and the Proprietary Marks, and you wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance that we provide.

NOW, THEREFORE, the parties, who each intend to be legally bound by this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, agree as follows:

## 1. RIGHTS GRANTED

### 1.1. Grant of Franchise.

1.1.1. We grant you the right and license, and you accept the obligation, to use the Proprietary Marks and the System to operate one Bach to Rock School (the "**School**" or "**Franchised Business**") at the Premises, in accordance with the terms of this Agreement. The term "**Premises**" means the location shown in Appendix A. You must lease, sublease, or acquire a site for the School, subject to our written consent according to the Site Selection Addendum attached as Appendix E (the "**Site Selection Addendum**").

1.1.2. Your rights under this Agreement are limited to those granted in Section 1.1.1. You may not operate the Franchised Business at any location other than the Premises, except as described in Section 1.2 below; you may not sublicense either the Proprietary Marks or the System to anyone else; and you may not use the Proprietary Marks or the System in any manner except as expressly authorized under this Agreement.

1.2. **Activities of the Franchised Business.** You may operate the Franchised Business only from the Premises, and only in accordance with the requirements of this Agreement and the procedures and terms and conditions set forth in the Manuals. You must offer and sell only the Courses, services and products that we authorize and only to students at the Premises. We may permit you to offer some of the Courses at facilities outside of the Premises, but only within the Territory, such as at private and/or public schools, elder care centers, or community centers. We may also permit you to offer some of the Core Programs online, from the Premises or other locations. Any such activities may only be conducted with our prior written consent, and only in compliance with our standards, procedures and rules for such activities, as set forth in the Manuals from time to time or otherwise communicated to you in writing or through electronic or other formats. Without our prior written approval: (a) you may not engage in any other type of business or enterprise, whether for profit or not, at the Premises or in conjunction with the Proprietary Marks; (b) you may not offer or sell any other music programs, music classes, or other educational programs at the Premises, within the Territory (defined below), or in conjunction with the Proprietary Marks; and (c) you may not offer Courses through any other method or avenue of distribution, other than in person at the Premises, including, without limitation, by electronic means, such as via the internet. You may, however, offer your students the opportunity to participate in certain online programs that we or our affiliates have developed ("**AMS Online Classes**").

1.3. **Territory; Our Reserved Rights.** During the term of this Agreement, if you are in compliance with the terms and conditions of this Agreement, we promise that we will not establish nor license or franchise any other person or entity to establish another Bach to Rock School at any location within the geographic area described in Appendix A (the "**Territory**"), except as otherwise provided in this

Agreement. We retain all other rights, and may, among other things, on any terms and conditions we deem advisable, and without granting you any rights therein:

**1.3.1.** establish, and license others to establish, Schools at any location outside the Territory notwithstanding their proximity to the Franchised Business or Territory or their actual or threatened impact on sales at your Franchised Business;

**1.3.2.** establish, and license others to establish, businesses under other systems or other proprietary marks, which businesses may offer or sell products and services that may be similar to, or different from, the Courses, products and services offered from the Franchised Business, and which businesses may be located within or outside the Territory, notwithstanding such businesses' proximity to the Franchised Business or Territory or their actual or threatened impact on sales at the Franchised Business;

**1.3.3.** establish and license others to establish businesses under the Proprietary Marks, if such businesses offer classes, products and/or services that are not offered at your School and/or are not part of the System, which businesses may be located within or outside of the Territory, notwithstanding such businesses' proximity to the Franchised Business or Territory, or their actual or threatened impact on sales at the Franchised Business;

**1.3.4.** acquire, or be acquired by, a company, entity, or business that operates and/or licenses music schools and/or other businesses that offer or sell some or all of the same products or services as those offered at Bach to Rock Schools, and continue to operate and/or license those businesses, whether such businesses are located within or outside of the Territory, notwithstanding such businesses' actual or threatened impact on sales at the Franchised Business, so long as such businesses that are in your Territory are not converted to a Bach to Rock School and do not operate under the System or the Proprietary Marks;

**1.3.5.** sell and distribute, directly or indirectly, through any channels of distribution, including through electronic channels such as the internet, the Courses, and other products or services (including products and services that are the same or similar to those offered by Schools), from any location or to any student or customer, so long as those sales are not conducted from a Bach to Rock School operated from a location inside the Territory; and

**1.3.6.** create, place, and/or distribute, or authorize others to create place and/or distribute, any advertising and promotional materials which may appear in any media, and/or be received by prospective students or customers located within the Territory.

**1.4. Limitations.** You agree not to engage in any of the sales activities that we have reserved to ourselves in Sections 1.3.1 through 1.3.5 above, except that you may, upon our prior written approval, offer some of the Core Programs online, from the Premises or other locations.

## **2. TERM; SUCCESSOR FRANCHISE AGREEMENTS**

**2.1. Term.** The term of this Agreement commences on the Effective Date and expires ten (10) years from the Effective Date (the "**Term**"), unless it is terminated earlier as provided in other sections of this Agreement.

**2.2. Successor Franchise Agreements.** When this Agreement expires, you will have the option to continue the franchise relationship with us for one (1) additional successor term of five (5) years. We may require you to satisfy any or all of the following as a condition of continuing the franchise relationship with us for the successor term:

**2.2.1.** You must give us written notice of your desire to exercise your option not more than twelve (12) months and not less than nine (9) months before this Agreement expires (and not less than three (3) months before you must exercise any option to renew your lease for the Premises).

**2.2.2.** You must execute the standard form of Bach to Rock Franchise Agreement that we are then offering to new franchisees (or the standard form that we most recently offered to new franchisees, if we are not at that time actively offering new franchises) (the "**Successor Franchise Agreement**"). The terms of the Successor Franchise Agreement may be substantially different from the terms of this Agreement and may require the payment of different fees.

**2.2.3.** You must pay all amounts owed to us, to our affiliates, and to your major suppliers; you must not be in default of this Agreement or any other agreement with us, our affiliates, or your suppliers; and you must have substantially and timely complied with all of your obligations throughout the term of each such agreement.

**2.2.4.** Notwithstanding Section 6.13, if we inspect your Franchised Business and give you notice at least six (6) months before the end of the Term of any required maintenance, refurbishing, renovating, and upgrading, then you must complete all such required maintenance, refurbishing, renovating, and upgrading to our reasonable satisfaction no later than sixty (60) days before expiration of the Term.

**2.2.5.** You must pay us a successor franchise fee in the amount equal to twenty percent (20%) of our then-current initial franchise fee.

**2.2.6.** You and all of your Owners must execute and deliver to us a general release, in a form we require, of any and all claims against us, our affiliates, and our past, present and future officers, directors, members, shareholders and employees arising out of or relating to your Franchised Business.

**2.2.7.** You, the Operating Principal, and/or your designated employees must successfully complete any additional or refresher training courses that we may require.

**2.2.8.** You must prepare and submit to us a business plan that meets our approval.

**2.2.9.** You must meet our then-current requirements for new franchisees.

### **3. FEES**

**3.1. Initial Franchise Fee.** Your initial franchise fee ("**Initial Franchise Fee**") is the amount set forth on Appendix A, which you must pay in full when you sign this Agreement. The Initial Franchise Fee is paid in consideration of the rights granted in Section 1 and is fully earned at the time paid. You acknowledge that we have no obligation to refund the Initial Franchise Fee in whole or in part for any reason.

Your initial Harmony Gateway License Fee is the amount set forth on Appendix A, which you must pay in full when you sign the Harmony Gateway License Agreement. The initial Harmony Gateway License fee is paid in consideration of the rights granted in the Harmony Gateway License Agreement and is fully earned at the time paid. You acknowledge that we have no obligation to refund the initial Harmony Gateway License fee in whole or in part for any reason.

#### **3.2. Royalty**

**3.2.1.** You must pay us a royalty fee ("**Royalty**") as a percentage of your Gross Sales (as defined in Section 3.2.3 below). The Royalty will be equal to seven percent (7%) of your Gross Sales. The Royalty is in consideration of your right to use the Proprietary Marks and the System in accordance with this Agreement, and is not in exchange for any specific services we render.

**3.2.2.** You must calculate and pay the Royalty monthly, based on your Gross Sales for the previous month.

**3.2.3.** “**Gross Sales**” means all revenue from the sale of all Courses, programs, services and products (whether such courses, programs, services or products are permitted or not) and all other income of every kind and nature related to, derived from, or originating from the Franchised Business, including proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of collection in the case of credit; provided, however, that “Gross Sales” does not include any sales for which customers do not pay for the services or products (such as donations and free lessons), customer refunds, sales taxes or other taxes collected from customers and actually transmitted to the appropriate taxing authorities, or sales of equipment not in the ordinary course of business (such as sales of obsolete instruments or audio equipment). We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Sales” as circumstances, business practices, and technology change. For example, and by way of illustration and not limitation, in the event new technologies and practices, such as “Groupon” and other “deal-of-the-day” discounts, generate revenue for the School that may not be associated with a particular sale of products, we may establish policies to identify which revenues are, and are not, part of Gross Sales.

**3.3. Advertising Contributions.** During any Period (defined in Section 8.2 below) that the National Brand Fund (as defined in Section 9.3 below) is in effect, you must make a contribution as described in Section 9.2 below, in such amounts as we may require under Section 9.2. Additionally, during any Period that a Regional Fund (as defined in Section 9.4 below) for the area in which your Franchised Business is located is in effect, you must make a contribution as described in Section 9.2 below in such amounts as we require under Section 9.2. Required contributions to the National Brand Fund and Regional Fund are referred to as “**Advertising Contributions.**”

**3.4. Due Date for Payment.** Your Royalty payments and Advertising Contributions are due by the tenth (10<sup>th</sup>) day of each month for the previous month. You must pay all other amounts due to us as specified in this Agreement or, if no time is specified, such amounts are due upon receipt of an invoice from us.

**3.5. Technology Fee.** You must pay us the annual, monthly and/or periodic technology license fee(s) and maintenance fee(s) that we charge for your use of our required proprietary technology system, Harmony Gateway. The current technology fees and due dates for payment are set forth in Appendix A. We may modify the fees during the Term, and you must pay us the revised fees. However, we will not modify your technology fee unless the change is made for other similarly-situated franchisees or users of the Harmony Gateway system or other technology. As described in Section 10 below, we may modify the technology requirements from time to time and you must comply with all new or modified requirements.

**3.6 AMS Online Classes Fee.** You must pay us the fee(s) that we designate if your students participate in online classes that we or our affiliates may offer from time to time (“AMS Online Classes”). The current fees are based on the cost of the teacher divided by the number of registered students, and are due one week after the start of the class. We may modify the fees or the timing or manner of payment of these fees during the Term, and you must pay us the revised fees at the time and in the manner we designate. However, we will not modify the fees for participation in AMS Online Classes unless the change is made for other similarly-situated franchisees or users of AMS Online Classes.

**3.7 Method of Payment.** You must make all payments to us by the method or methods that we specify from time to time. We require payment via wire transfer to our bank account or electronic debit from your bank account, and you must maintain a sufficient balance in your operating account to meet the payment requirements. You must furnish us and your bank with all authorizations necessary to effect payment by the methods we specify. Our current form of electronic funds transfer authorization is attached to this Agreement as Appendix D. You may not, under any circumstances, set off, deduct or otherwise withhold any Royalty fees, Advertising Contributions, late fees, interest charges, or any other monies payable under this Agreement on grounds of our alleged non-performance of any obligations.

**3.8. Delinquency.** If any Royalties or other amounts owed to us are not paid in full by the due date, we have the right to charge you a late payment fee of one hundred dollars (\$100) for each failure to pay each fee on time, and interest on the overdue amount at the rate of one and one-half percent (1.5%) per month (or the maximum rate permitted by applicable law, if less than one and one-half percent (1.5%)) from the date such amount was due until paid in full. Unpaid interest charges will compound annually.

**3.9. Taxes.** You are responsible for all taxes levied or assessed on you or the Franchised Business in connection with your activities under this Agreement, including, without limitation, income taxes, sales taxes and unemployment taxes, and all other indebtedness of any kind incurred by you in the conduct of the business franchised under this Agreement. If you are required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to us, then, to the extent that we are not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by you shall be increased by such amount as is necessary to make the actual amount received (after such withholding of taxes) equal to the amount that we would have received had no tax payment been required, provided that such shortfall is not caused by our negligence in filing the claims, or for reasons that can be solely attributable to us.

**3.10. Obligations Absolute.** You agree that your obligations to pay us (as well as our affiliates) under this Agreement or any other agreement in connection with the Franchised Business are absolute and unconditional, and not subject to abatement or setoff for past or future claims that you may assert.

#### **4. THE PREMISES, PREPARATION, AND OPENING DEADLINE**

**4.1. Site Selection and Approval.** You are responsible, at your own expense, for finding and then acquiring a suitable site at which to develop and operate the School (the “**Premises**”). As set forth in Section 1.1.1 above, if you do not own, lease, or sublease a site for the Premises that we have approved at the time you signed this Agreement, you must sign a Site Selection Addendum, in the form included as Appendix E of this Agreement.

**4.2. Location Development and Preparation.** We will provide, at no charge, our prototypical conceptual schematic designs and other specifications for the construction and/or build-out of a Bach to Rock School, improvement of the site, and for the layout of fixtures, furnishings, equipment, and signs. From time to time, we may develop and provide additional materials (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of the School. To the extent we develop these items, we will make them available to you as part of our Manuals or otherwise communicate them to you in writing or through electronic or other formats. We are not required to provide on-site assistance, but we will provide reasonable telephone support during business hours regarding the construction and development of your School. You must, at your own expense, prepare the site and complete all construction, furnishing, remodeling, decorating and equipping of your Franchised Business as required by this Agreement.

**4.2.1. General Requirements:** You agree that you will do all of the following things:

(a) make sure that you have obtained all necessary zoning permits as well as all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

(b) buy or lease equipment, products and other materials as required under this Agreement and specified in the Manuals (as well as the other specifications that we provide in writing or through electronic or other formats);

(c) in accordance with Section 4.2.2 below, prepare all plans and complete construction, or remodeling, of the Franchised Business and complete installation of all equipment in compliance with plans and specifications for the Franchised Business that we have approved, as well as all applicable federal, state and local laws, codes and regulations (including, without limitation, the

applicable provisions of the ADA (defined below), zoning requirements, and permitting requirements), ordinances and building codes;

(d) purchase and install at the Premises all interior and exterior signage from such suppliers that we may designate. From time to time, we have the right to require that you purchase and install replacement or additional signage;

(e) obtain all customary contractors' sworn statements and partial and final waivers of liens for construction, remodeling, decorating and installation services;

(f) obtain and maintain in force during the entire period of construction the insurance required under this Agreement or as otherwise specified in the Manuals;

(g) satisfy all of our pre-opening requirements, whether set out in this Agreement, the Manuals, or as we may otherwise reasonably specify;

(h) obtain a Certificate of Occupancy; and

(i) within thirty (30) days after the School opening, provide us a full written breakdown of all costs associated with the development of your Franchised Business, using any forms that we may reasonably require.

**4.2.2. Design and Construction Requirements.** Before starting and during any construction or renovation of the Premises, you must, at your own expense, satisfy all of the following requirements:

(a) You must employ the services of a qualified, licensed architect or engineer to prepare, for our approval, preliminary space plans and specifications for site improvement and construction of the Franchised Business based upon the prototype conceptual schematic design and specifications we furnished to you. We reserve the right to require you to use an architect previously approved by us. We will not unreasonably withhold our approval of special plans and specifications, prepared at your expense, when the Premises will not accommodate our standard plans and specifications, provided that such plans and specifications conform to our general design criteria. You will be responsible for the design and layout that your architect or engineer prepares. If we express an opinion about the plans or indicate our approval, it will be merely for the purpose of acknowledging that your plans are generally consistent with a space designed to deliver Bach to Rock services. We will not be in a position to provide any assurances, and therefore cannot be deemed to have given any information about, whether your plans satisfy any federal, state, and local laws, codes and regulations (including, without limitation, the Americans with Disabilities Act ("ADA")). You and your contractors, architects, and landlord are responsible for compliance with the ADA and similar state laws.

(b) After obtaining any required governmental approvals and clearances, you must submit to us, for our approval, final plans for construction based upon the preliminary plans and specifications. Once approved by us, such final plans may not be changed or modified without our prior written consent.

(c) You must employ a qualified, licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and complete all improvements.

(d) Your architect or engineer must also comply with all applicable zoning, signage, soundproofing, space capacity, and parking requirements.

(e) Within ten (10) days after commencing construction, you must notify us, either in writing or by email according to the procedures we specify in our Manuals, of the date you began construction.

**4.2.3. Architectural Review; Fee.** In the event you employ an architect that has not been previously approved by us, or who, in our sole judgment, does not have sufficient knowledge and experience in providing architectural and design services to Bach to Rock franchisees and operators, we may impose an “Architectural Plans Processing Fee” of two thousand five hundred dollars (\$2,500) which you must pay to us and which shall be used by us to defray a portion of our cost in having your plans reviewed by our architect. Such fee will not be applicable if you retain and utilize one of our designated or approved architects.

**4.2.4. Lease Review; Fee.** In the event you employ an attorney or other advisor that has not been previously approved by us, or who, in our sole judgment, does not have sufficient knowledge and experience in providing franchise-specific real estate legal services to Bach to Rock franchisees and operators, we may impose a “Lease Processing Fee” of two thousand five hundred dollars (\$2,500) which you must pay to us, and which shall be used by us to defray a portion of our cost in having your lease reviewed by us or our designee. Such fee will not be applicable if you retain and utilize one of our designated or approved attorneys.

**4.2.5 Completion Certification.** We may require that you provide us a written certification from your registered architect that the Franchised Business has been constructed in accordance with approved plans and specifications.

**4.2.6. Approval to Open.** Before you can open for business, you must satisfy all of our pre-opening requirements, whether they are set out in this Agreement, the Manuals, or as we may otherwise specify, and you must obtain our written approval prior to opening the Franchised Business. If, after we have scheduled our training staff to provide the opening training at your Premises as described in Section 5.2, you postpone your opening, you must reimburse us for the additional costs or expenses that we incur as a result of your postponing the opening and opening training.

**4.3. Our Review.** Any reviews that we conduct under this Section 4, including of the site location, of the preliminary site plans, of the final site plans, or other reviews, are only for our benefit. You acknowledge that our review and approval of a site, lease, sublease, or of preliminary design plans or final plans for construction for a Franchised Business, which is intended only to evaluate inclusion of the terms in the lease rider, do not constitute a recommendation, endorsement, or guarantee of the suitability of that location or plans, or the terms of the lease, sublease, or purchase agreement. You agree that you will take all steps necessary to determine for yourself whether a particular location or plans, or the terms of any lease, sublease, or purchase agreement for the site, are beneficial and acceptable to you.

**4.4. Opening Deadline.** You must begin operating the Franchised Business by the opening deadline specified in Appendix A. Time is of the essence.

**4.5. Relocation and other Uses of the Premises.** You may not relocate the Franchised Business from the Premises without our prior written consent. You may only use the Premises for the purpose of operating your Franchised Business and for no other purpose. You may not sublet or otherwise allow any other party to operate any enterprise at your Premises without our prior written approval, which shall not be unreasonably withheld.

## **5. TRAINING**

### **5.1. Initial Training Program**

**5.1.1.** We will provide an initial training program consisting of a “Franchisee” training component and a “Site Director” training component. The initial training program will consist of in-person classroom training, direct observation of a School, remote phone and web based sessions, and assigned reading and research activities for you to complete. One or two persons who you designate (and who we find acceptable) to provide managerial responsibilities (each a “**Manager Trainee**”) must successfully attend (at the same time, if applicable) and successfully complete the franchisee training component (if

applicable, we may designate portions of the training program that each person must attend and successfully complete). The Manager Trainee(s) must also attend the site director training component; one Manager Trainee must be your “**Site Director**” who will work full time and be responsible for general oversight and day-to-day administration of the School and for all teaching, instructional and programming issues. If your Operating Principal (who meets the criteria in Section 6.5 below) will also serve as your Site Director, he/she will be the only Manager Trainee at the site director training session. If your Operating Principal will be a more passive investor and you will hire a Site Director, your Operating Principal and Site Director will be the two Manager Trainees at the site director training session. Your Operating Principal will serve as your Site Director, unless we mutually agree otherwise. You may request that additional managers attend the portions of the initial training that are designed for managers, subject to the availability and space capacity of our training sessions. All trainees must be persons that we find acceptable at all times to serve in their respective management capacities.

**5.1.2.** We have the right to determine whether a person has or has not successfully completed training. If you (or your personnel) fail to complete initial training to our satisfaction, we may permit you (or them) to repeat the course or allow you to send a substitute to the next available scheduled training session; however, we will have no obligation to extend the opening deadline in Section 4 for this purpose. Failure to complete the initial training program constitutes grounds for termination, as provided in Section 15 of this Agreement. Each person who successfully completes initial training will be referred to as a “**Highly Trained Person**”).

**5.1.3.** We have the right to eliminate or reduce the duration or content of the training program for any trainee who has prior experience with our concept or in similar businesses. We also may allow you to train certain of your managers (which may include Highly Trained Persons) and successors in those positions at your location if we determine that you are capable of providing training to our standards.

**5.1.4** If you (or, if applicable, the Operating Principal) cease active management of or employment at the Franchised Business, you must enroll a qualified replacement (who we find reasonably acceptable) in our initial training program not more than thirty (30) days after the end of the former person’s full time employment and/or management responsibilities. Your Operating Principal must train any new or replacement Site Director unless we do so, at your request or if we choose to do so. If we train a replacement Site Director, you must pay our then-current training fees and expenses.

**5.2. Opening Assistance.** In addition to the initial training program described in Section 5.1 above, we provide opening assistance training at your Premises at no cost to you. The opening assistance will commence three (3) days prior to your scheduled opening. The Operating Principal and, if applicable, the other Manager Trainee, and such of your other employees as we designate, must attend the opening assistance component of training.

**5.3. Additional Training by Us.** We may require each Highly Trained Person and/or other designated persons to successfully complete additional training courses during the Term of this Agreement, including if you are permitted to offer any Optional Programs or if you are in default under this Agreement or another agreement with us. Additional training will be conducted at a location that we specify (which may include an annual conference for franchisees in the System). We may also offer optional training programs. You may also request that we provide additional training at the location of your Franchised Business, and we will provide such training if we determine that we are able to do so. We may charge you our then-current training fee and our out-of-pocket expenses for all additional training programs, whether mandatory or optional, or whether you request or we require such training, which fee will be as set forth in the Manuals or otherwise communicated to you in writing or through electronic or other formats.

**5.4. Training by You.** We have the right to specify training programs related to the System that you must conduct for your employees at your School using approved training materials, or at locations that we will provide at our specified training Schools, or other locations that we specify in writing. For any training of your personnel that we conduct, you are responsible for expenses incurred while they attend training, including salaries, benefits, travel, lodging, meals, and other related expenses. We reserve the right to charge you for training additional personnel.



**5.5. Training Materials and Methods.** All training materials that we provide to you remain our property. We have the right to provide training programs in person, on tape, via the internet or other electronic means, or by other means and media, as we determine.

**5.6. Expenses.** We will provide instructors, facilities, and materials for the initial training program at no charge, provided that all of your personnel are trained during the same training session. We reserve the right to charge a reasonable fee for re-training persons who are repeating the course or replacing a person who did not pass. For all training, including initial training, you are responsible for any travel expenses, living expenses, wages, and other expenses incurred by your trainees.

## **6. OPERATIONS**

**6.1. Compliance with Standards.** You agree to comply with all mandatory standards, specifications and procedures (the “**System Standards**”) set forth from time to time in our Manuals. The System Standards include, without limitation, required and suggested specifications, policies, procedures, guidelines and rules regarding School operations, administration, budgets, recordkeeping and reporting, Courses, teaching, training, sales, advertising and marketing programs, recommended (but not required) staffing levels, student and customer service standards, use and display of Proprietary Marks, and other aspects related to the development, equipping, opening and operation of Bach to Rock Schools. You acknowledge that all of the System Standards are important to us and our other franchisees. However, you acknowledge that we have the right to vary the standards and specifications, in our reasonable judgment, to accommodate circumstances of individual franchisees.

**6.2. Products and Services You May Offer.** You may offer students only the Courses, services and products that we have expressly authorized Franchised Businesses to offer, as we have the right to specify in the Manuals from time to time. We have the right to change the authorized Courses, services and products, and we may designate specific classes, programs, courses, services and products as optional or mandatory. You acknowledge that we may approve some courses, services, products, and other items for certain franchisees and not others based on legitimate business reasons. Currently, we have three Optional Programs; one is the “**Beat Refinery**” DJ program, and two are online programs (which include the AMS Online Classes and any online classes we may permit you to provide). You acknowledge and agree that you may not offer the Beat Refinery Optional Program or any online course Optional Program (with the exception of AMS Online Classes, which you may offer without our approval) unless we specifically approve in writing.

**6.3. Bach to Rock Curriculum.** We and/or our affiliates have developed the curriculum and may continue to develop additional courses and elements of, and/or refine, our curriculum. The Courses and curriculum include proprietary materials and/or specialized instructional techniques and materials. In order to maintain the high standards of quality and consistency in the teaching of Courses and delivery of services, and to protect the proprietary nature of these Courses and curriculum, you must use only the curriculum and Course materials that we specify and require, as set forth in the Manuals. Certain elements of the curriculum and/or Course materials will be provided to you as part of the franchise granted, and some elements of the curriculum and/or Course materials you must purchase from sources that we designate. Some Course materials may be obtained through third parties not designated or approved by us if the materials satisfy our specifications. We hereby grant you a license to use the curriculum during the term of this Agreement. This license is a non-exclusive, non-transferable license.

### **6.4. Sourcing of Other Products, Equipment and Supplies.**

**6.4.1.** Without limiting Section 6.3 above, we have the right to require that all of the curriculum and course materials, including books, CDs and software, equipment, supplies, and materials, and other items, products and services used or offered for sale at your Franchised Business: (a) meet specifications that we establish from time to time; and/or (b) be purchased only from suppliers that we have expressly approved; and/or (c) be purchased only from a limited number of suppliers or a single source (which may include us or our affiliates or a buying cooperative that we organize). To the extent that we establish specifications, require approval of suppliers, or designate specific suppliers for particular items,

we will provide our requirements in the Manuals. Notwithstanding the foregoing, we will not require you to purchase equipment and supplies (other than curriculum-related materials) through our preferred network of suppliers, provided that any items you purchase from other sources meet our requirements.

**6.4.2.** If you would like to use or offer items (other than the Bach to Rock curriculum), equipment, supplies, and other materials, products and services that we have not approved, or to purchase from a vendor, supplier, distributor, or other source (together, “**supplier(s)**”) that we have not approved, then you must submit to us a written request for approval. We have the ongoing right to inspect any proposed supplier’s facilities and to test samples of the proposed equipment, products or services. You agree to pay us an amount not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed equipment, product or service, including personnel and travel costs, whether or not we ultimately approve the supplier. We have the right to grant, deny, or revoke approval of equipment, products, services, and suppliers. We will notify you in writing of our decision as soon as practicable following our evaluation. We reserve the right to reinspect the products of any approved supplier and to revoke approval if we find that the supplier fails to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to immediately stop buying products or services from the disapproved supplier and, in the case of revocation based on failure of products to meet our standards, you agree to dispose of your remaining inventory of the disapproved supplier’s products as we direct.

**6.4.3.** If you wish to test market a product, service or other item that we have not approved, then, so long as we have given you our prior written approval, you may do so for so long, and on such terms, that we mutually agree upon (a “**Test**”), and the item so tested, and all associated plans and materials, will become our property. If, following the Test, we determine that we will approve the tested item, then for so long as we deem that item to be an “approved item” under this Agreement, you will have the right to use that item under the terms of this Agreement; and we will have the right to use and market that item as we see fit, including but not limited to use in our own Schools and the Schools of our affiliates as well as Schools of other licensees and franchisees, without compensation to you. You agree to sign such documents (and require your employees and any independent contractors that you have engaged to sign such documents) as we may require in order to implement the provisions of this Section 6.4.3.

**6.4.4.** We and our affiliates have the right to receive, collect and retain payments, manufacturing allowances, marketing allowances, rebates, credits, monies, or benefits (collectively, “**Allowances**”) offered by suppliers to you or to us or our affiliates based upon your and/or other franchisees’ purchases of products and services. These Allowances may be based on individual or network-wide purchases of products and services. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us or our designee to collect and retain any or all such Allowances without restriction (unless otherwise prohibited by the supplier). We may use all amounts so received for any purpose we and our affiliates deem appropriate. As of the Effective Date, our current policy (which may change) is that we will contribute all Allowances we receive, less costs that we incur in connection with establishing and managing such arrangements, to the National Brand Fund or to offset curriculum development or Harmony Gateway development costs.

## **6.5. Operating Principal and Management Supervision**

**6.5.1.** We recommend that you own and operate the Franchised Business as a corporation, partnership or limited liability company, but encourage you to obtain legal and tax advice with respect to this issue. If you are a corporation, partnership or LLC, you must have an individual owner serve as your Operating Principal. The Operating Principal must supervise the operation of the School and must own at least twenty-five percent (25%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written consent for the Operating Principal to hold a smaller interest. The Operating Principal must serve as the Site Director, or the Operating Principal may, subject to our prior consent, have a less active role in the daily operations of the School, and be a more passive investor. But in this latter situation, the Operating Principal must have a significant ownership interest in you. The Operating Principal must successfully complete our training program, must have authority over all business decisions related to the Franchised Business, and must have the power to bind you in all dealings with us. You may not change the Operating Principal without our prior approval.

**6.5.2.** To preserve and protect the brand and the Proprietary Marks, you must take such steps as are necessary to ensure that you and your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum operational standards that we may establish from time to time in the Manuals. To the extent that we may provide suggested or mandatory standards regarding the minimum number of employees, suggested hours of operation, recommended number of hours that the Operating Principal and/or Site Director should devote to the Franchised Business each week, minimum training and experience required of your employees, or similar recommendations, we will provide such guidance through the Manuals or other written materials, telephone conversations and/or virtual or in-person meetings. Any such operating standards are designed solely to meet the anticipated volume of business, preserve excellent customer relations, and protect and promote brand and System. By offering such advice or assistance, it does not mean that we are your employer, or the employer of your employees, and it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. Unless we agree otherwise in writing, before the Operating Principal or any other manager may manage the Franchised Business, he or she must become a Highly Trained Person (as provided in Section 5.1.2).

**6.5.3.** All persons with a ten percent (10%) or greater direct or indirect ownership interest in the Franchisee, along with their spouses, must sign a personal guarantee in the form attached to this Agreement as Appendix C.

**6.6. Image Standards.** You must keep the Premises and equipment used in the Franchised Business and/or by your employees at a standard of appearance and repair equivalent to that of the Bach to Rock Schools operated by our affiliates, in accordance with our standards and specifications, including but not limited to those set out in our Manuals. To promote a consistent brand experience, we reserve the right to require that your employees comply with any dress code or standards that we may require, and/or otherwise identify themselves with the Proprietary Marks at all times in the manner we specify while on a job for the Franchised Business.

**6.7. Employment Responsibilities.** You have sole responsibility for all employment decisions and functions related to your Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, record-keeping, scheduling, supervision, and discipline of employees, notwithstanding any suggestions, advice, guidelines, programs or training that we may offer. You and your managers must comply with all federal, state and local laws and regulations regarding employment-related matters. You acknowledge and agree that all personnel decisions will be made by you, without any influence or advice from us. You must take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum standards that we may establish from time to time in the Manuals. To the extent that we may provide suggested or mandatory standards regarding the minimum number of employees, those standards are designed solely to meet the anticipated volume of business, preserve good customer relations, and to achieve the goals of the System. Further, it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason. If we incur any cost, loss, or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for such loss.

**6.8. Customer Service Program.** You acknowledge that providing superior customer service is a vital component of the System, and a requirement under the System Standards. You must participate in customer service programs that we have the right to specify from time to time in the Manuals. Such programs may include the use of comment cards, independent evaluation services to conduct “secret shopper” quality control, customer satisfaction surveys, or any other quality control or evaluation programs. If you receive an unsatisfactory or failing report in connection with any such program, you must immediately implement any remedial actions we require and pay us all expenses we incurred to have the evaluation service evaluate the Franchised Business, and all expenses we may incur to inspect the Franchised Business thereafter.

**6.9. Inspections.** We have the right, at any time during normal business hours: (i) to conduct inspections of the Franchised Business; (ii) to interview your employees, students, and customers; and (iii)

to review your business records, including those maintained electronically or off premises. We can initiate these actions with or without prior notice to you. You must cooperate with such inspections by giving our representatives unrestricted access and rendering such assistance as our representatives may reasonably request. If we notify you of any deficiencies after the inspection, you must promptly take steps to correct them. If you fail to correct any deficiencies within a reasonable time, we have the right to correct such deficiencies and to invoice you for our expenses. Inspections shall be conducted in such a manner that they do not materially interfere with the conduct of your business.

#### **6.10. Compliance with Laws; Compliance with Copyrights and Licenses.**

**6.10.1.** You agree to operate the Franchised Business in full compliance with all applicable municipal, county, state, and federal laws, rules, regulations, and ordinances including, without limitation, laws and regulations regarding teaching and the operation of schools of this nature. You have sole responsibility for compliance with all laws despite any information or advice that we may provide. (To the extent that the requirements of those laws are in conflict with the terms of this Agreement, the Manuals, or our other instructions, you must: (a) comply with those laws; and (b) immediately give us written notice of the conflict.)

**6.10.2.** You must comply with all copyright laws and you must not use copyrighted materials including music, lyrics, scores, and/or instructional materials in any form or medium, without first obtaining all necessary copyright approvals, licenses and/or waivers from the relevant copyright owners and/or their agents or licensees. You must promptly pay all required license fees to owners or agents or licensees of owners of copyrighted music, lyrics or other materials, including payments in connection with any multiple party or collective copyrights fee payment program that we may implement. Currently, in order to comply with copyright laws, we make certain filings and payments to the owners of and licensees and agents of the owners of copyrights. We have established a procedure whereby we will make such filings and payments on your behalf. Consequently, you will provide us appropriate reporting on a timely basis and make payments to us based on usage and/or revenues at your School, as we determine.

**6.11. Maintenance of Premises; Compliance with Lease.** You must at all times maintain the Franchised Business in a high degree of sanitation, repair, and condition, and must make such additions, alterations, repairs, and replacements (but no others without our prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting and/or replacement of obsolete signs, furnishings, equipment, and decor as we may reasonably direct. We will be entitled to recover from you any amounts we pay to your Lessor to cure your defaults under your lease (including interest) and our reasonable collection costs, including reasonable attorneys' fees and expenses.

**6.12. Ongoing Upgrades and Refurbishments.** Throughout the term of this Agreement, you must maintain all of the fixtures, furnishings, equipment, decor, and signs that we prescribe from time to time in the Manuals or that are otherwise communicated to you in writing or through electronic or other formats. If we determine that additional or replacement equipment is needed because of a change in curriculum or programs offered, a change in technology, customer concerns, or safety considerations, or because of any other reason, you agree that you will install the additional equipment or replacement equipment within the reasonable time we specify.

**6.13. Five-Year Refurbishment and Renovations.** At our request, but not more often than once every five (5) years (and not before the fifth year after you begin operating), unless sooner required by your lease, as well as prior to any grant of a Successor Franchise Agreement (regardless of the timing of any previous refurbishments), you must refurbish the Premises at your expense, up to fifteen thousand dollars (\$15,000) per refurbishment. However, such expense limitation is not applicable to refurbishments and renovations under Section 2.2.4. We may require that you refurbish your Premises and School to conform to the design, signage, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Schools. Such refurbishment may include structural changes, installation of new equipment and signs, remodeling, redecoration, and modifications to existing improvements, and must be completed pursuant to such standards, specifications, and deadlines as we may reasonably specify.

## 6.14. Insurance.

**6.14.1. Types and Amounts of Coverage.** Throughout the entire Term, you must maintain such types of insurance, in such amounts, as we may require. Such insurance is in addition to any other insurance that may be required by applicable law, your landlord, or otherwise. Policies that we require must be written by an insurance company reasonably satisfactory to us with an A.M. Best rating of "A" or better, must name us and our affiliates as additional insured parties on all applicable policies, and which shall apply on a primary and non-contributory basis. Subrogation shall be waived on each applicable policy where allowed by law. All policies must be written on an "occurrence" basis (unless otherwise specified in this Agreement or in the Manuals). At a minimum, such policies must include the following:

(a) comprehensive general liability insurance, and products and completed-operations coverage, including bodily injury, property damage, personal and advertising injury (extending coverage to all your independent contractors and subcontractors) in the amount of one million dollars (\$1,000,000) per occurrence with a self-insured retention of not more than ten thousand dollars (\$10,000), combined with a general aggregate of two million dollars (\$2,000,000);

(b) workers' compensation coverage and unemployment insurance as required by statute or rule of the state in which the Franchised Business is located, and employer's liability insurance in the amount of at least \$500,000/\$500,000/\$500,000, as well as such other insurance as may be required by applicable statutes and regulations;

(c) building, personal property and leasehold improvements insurance if applicable, under an all risk/all perils property form on a replacement cost basis in an amount equal to one hundred percent (100%) of the values of these items, as well as flood coverage if the Premises are located in a special flood hazard area, earthquake coverage if the Premises are located in a moderate (zone 3) to very high (zone 1) hazard quake zone, and loss of business income for at least 6 months; deductibles shall not exceed one thousand dollars (\$1,000), except with respect to flood and earthquake coverage which may be higher;

(d) owned (if applicable), non-owned and hired automobile liability insurance for an amount not less than one million dollars (\$1,000,000) combined single limit;

(e) a "crime policy" in the amount of one-hundred thousand dollars (\$100,000) (written on a loss discovered basis) covering 1<sup>st</sup> and 3<sup>rd</sup> party protection, including but not limited to theft, forgery and damage to money, securities and other property;

(f) abuse and molestation coverage in the amount of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) aggregate;

(g) umbrella/excess liability coverage of not less than two million dollars (\$2,000,000) per occurrence on a follow-form or broader basis to the underlying general liability, abuse and molestation, employer's liability, and auto liability policies; and

(h) such other insurance, in such amounts, as we reasonably require for our and your protection.

The insurance policies must provide that even if you do not comply with the contract, or engage in other conduct, the insurance coverage will not be voided or otherwise affect the coverage afforded to us and our affiliates.

At any time, we may adjust the amounts of coverage required under such insurance policies and require different or additional kinds of insurance, including excess liability insurance.

**6.14.2. Evidence of Insurance.** By the dates specified below, an approved insurance company must issue a certificate of insurance, endorsement, insurance declaration, and/or other document that we may request (collectively, “**certificates**”) showing compliance with the insurance requirements in this Section 6.14 and you must furnish us with a paid receipt showing the certificate number: (a) thirty (30) days before beginning construction of the Premises; (b) if the Premises are constructed and presently owned or leased by you, ten (10) days from the Agreement Date; or (c) if the Premises are not presently owned or leased, ten (10) days after ownership of the Premises is conveyed to you or you sign a lease for the Premises. The coverage set forth in the policy or policies may not be canceled, or not renewed, or materially altered without at least thirty (30) days prior notice to you and us. The certificate shall include such notices and provisions as provided for in this Agreement and in the Manuals, and as required or permitted by law. You shall obtain such endorsements added to the policies to carry out the requirements in this Agreement. Upon our request, you must supply us with copies of all insurance policies and proof of payment. Every year, you must send us current certificates of insurance and, if we so request, copies of all insurance policies, endorsements, and riders. Also, your employees must be covered by your workers’ compensation insurance policy prior to commencing training with us, and you must provide evidence of such coverage if requested by us.

**6.14.3. Requirements for Construction and Renovation.** In connection with any construction, renovation, refurbishment, or remodeling of the Premises, you must cause the general contractor to maintain commercial general liability insurance. Such insurance must be in the amount of at least one million dollars (\$1,000,000) per occurrence with a two million dollar (\$2,000,000) general aggregate coverage with a five million dollar (\$5,000,000) umbrella policy that covers general liability and automobile liability. The policies must name us and our affiliates, and our and our affiliates’ officers, directors, agents, employees and members, as additional named insured parties, as our respective interests may appear. You must also cause the general contractor to maintain workers’ compensation and employer’s liability insurance as may be required by law.

**6.14.4. Our Right to Participate in Claims Procedure.** We, or our insurer, may participate in discussions with your insurance company or any claimant (in conjunction with your insurance company) regarding any claim.

**6.14.5. Waiver of Subrogation.** To the extent this Section 6.14 may be effective without invalidating, or making it impossible to secure, insurance coverage from responsible insurance companies that are doing business in your state (even though an extra premium may result), with respect to any loss covered by insurance you then carry, your insurance company(ies) will not have any right of subrogation against our insurance company.

**6.14.6. Effect of Our Insurance.** Your required insurance policies shall be written on a primary and non-contributory basis in favor of us and our affiliates. Any insurance that we maintain does not in any way limit or affect your obligation to obtain and maintain the foregoing policy or policies in the amounts specified in this Section. Our performance of your obligations will not relieve you of liability under the indemnity provisions set forth in this Agreement.

**6.14.7. Your Failure to Maintain Insurance.** If, for any reason, you fail to procure or maintain the insurance required by this Agreement (as we may revise from time to time), we have the right (but not the duty) to procure such insurance. If we do so, we may charge the cost of such insurance, plus interest at the contract interest rate, to you. Upon demand, you must immediately pay us such charges, together with a reasonable fee for our expenses in so acting.

**6.14.8. Group Insurance.** We may make available to you insurance coverage through group or master policies we arrange (such as relating to property and casualty, workers’ compensation, liability and health, life and disability insurance).

**6.15. Vendors.** You agree to promptly pay, when due, all trade creditors and vendors (including but not limited to any that are affiliated with us) that supply goods and/or services to you in connection with operating your Franchised Business.

**6.16 Prices.** With respect to the sale of all classes, courses, lessons, services and products, you will have sole discretion as to the prices to be charged to students and customers; provided, however, that, subject to compliance with applicable federal and state laws, we may set minimum or maximum prices on such classes, courses, lessons, services and products, including, without limitation, limits on the number and/or value of free, low-cost, or discounted lessons, classes or services that you and/or other franchisees or schools may offer. If we have imposed such a minimum or maximum price or other restrictions on a particular class, course, lesson, service or product, you may not charge a price for such class, course, lesson, service or product that is less than the minimum price, or greater than the maximum price, set by us.

**6.17. General Advice.** We will make available to you information about new developments, techniques, and improvements in the areas of operations, management, and marketing, if you are in good standing, to the same extent as we make the information available to other Bach to Rock franchisees in good standing. We may fulfill our obligation in this section through the distribution of printed or filmed material, an extranet or other electronic forum, meetings or seminars, individual or group counseling, training programs, telephone communications, or other forms of communications.

**6.18. Special Assistance.** If you request, and we can reasonably accommodate such request, we will furnish non-routine guidance and assistance to deal with your unusual or unique operating problems at reasonable per diem fees and charges that we periodically establish, as well as our out-of-pocket expenses.

**6.19. Credit Cards and Other Methods of Payment.** At all times, you must maintain credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, and electronic-funds-transfer systems that we designate as mandatory, and you must not use any such services or providers that we have not approved in writing or for which we have revoked our approval. We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. You must comply with all of our credit-card policies, including minimum purchase requirements for a customer's use of a credit card as prescribed in the Manuals. You must comply with the Payment Card Industry Data Security Standards ("**PCI DSS**") as they may be revised and modified by the Payment Card Industry Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or such successor or replacement organization and/or in accordance with other standards as we may specify, and the Fair and Accurate Credit Transactions Act ("**FACTA**"). You must also upgrade periodically your POS System (as defined in Section 10.6 below) and related software, at your expense, to maintain compliance with PCI DSS, FACTA, and all related laws and regulations.

**6.20. Conferences.** We may conduct annual conferences or conventions, which may include training sessions. We may require your Operating Principal, Site Director and/or Assistant Director and other designated employees to attend the conferences. You will be solely responsible for all costs incurred by you and your employees in attending any conferences or conventions.

**6.21. Certification of Performance.** We may request that you execute a certificate (the "**Certification of Performance**"), in a form we provide, no sooner than ninety (90) days after the opening of your School, to confirm that we have performed our preopening obligations under this Agreement. If we make this request, you must execute and deliver the Certification of Performance to us within three (3) business days of our request, unless you reasonably believe that we have not performed all our preopening obligations under this Agreement. In the latter case, you must, within the three-day period, provide us with written notice specifically describing the obligations that we have not performed, and we will have a reasonable time to perform any such obligations. Not later than three (3) business days after we complete all the obligations specifically described in your notice, you must execute and deliver the Certification of Performance to us, even if we performed such obligations after the time performance was due under this Agreement. The term "**preopening obligations**" means such of our obligations to you under this Agreement that must be performed before the Opening Date for the Franchised Business.

**6.22. Franchisee Advisory Council.** We have the right to create a “Franchisee Advisory Council,” or similar advisory group, for the purpose of fostering communication among and between franchisees and us and our affiliates, as well as to establish, modify or discuss various policies applicable to Bach to Rock Schools operating under the System. If and when we create a Franchisee Advisory Council, we have the right to require that you participate in such Franchisee Advisory Council meetings and programs as we may designate. You will be responsible for any costs and expenses that you incur in participating in the Franchisee Advisory Council including, without limitation, the costs of transportation, lodging, and meals.

**6.23. Your School as Training Location.** You agree that you will permit your Franchised Business to serve as a training facility for other franchisees if we request to do so in the future. It is our intention and policy as of the Effective Date that we will provide compensation to you for the time that we actually use your Franchised Business to train other franchisees. The compensation will be determined according to our then-current policy. As of the Effective Date, our policy is to pay you three hundred and fifty dollars (\$350) per day that we use your Franchised Business as a training facility for other franchisees. We may from time to time revise our policy and compensation structure. Any use of your Franchised Business for training shall be conducted in such a manner as not to materially interfere with the conduct of your business.

**6.24. System Modifications.** You acknowledge and agree that from time to time hereafter we may change or modify the System as we deem appropriate, including, without limitation, to reflect the changing market and/or to meet new and changing consumer demands, and that variations and additions to the System may be required from time to time to preserve and enhance the public image of the System and operations of Bach to Rock Schools. Our changes to the System may include, without limitation, the adoption and use of new or modified courses, products, services, equipment and furnishings and new techniques and methodologies relating to the delivery and teaching of courses, products and services, and new trademarks, service marks and copyrighted materials. Notwithstanding the provisions and limitations of Sections 6.12 and 6.13, you must, upon reasonable notice, accept, implement, use and display in the operation of the School any such changes in the System, as if they were part of this Agreement at the time of execution hereof, at your sole expense. Additionally, we reserve the right, in our sole discretion, to vary the standards throughout the System, as well as the services and assistance that we may provide to some franchisees based upon the peculiarities of a particular site or circumstance, existing business practices, or other factors that we deem to be important to the operation of any Bach to Rock School or the System. You will have no recourse against us on account of any variation to any franchisee and will not be entitled to require us to provide you with a like or similar variation hereunder.

## **7. PROPRIETARY MARKS, COPYRIGHTS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

**7.1. Your Right to Use the Proprietary Marks.** We or our affiliates are the owners of all right, title, and interest in and to the Proprietary Marks. Your right to use the Proprietary Marks applies only to the Franchised Business operated from the Premises (or as otherwise permitted pursuant to this Agreement) as expressly provided in this Agreement. During the Term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest, or aid in contesting, the validity or ownership of the Proprietary Marks or take any action detrimental to our or our affiliate’s rights in the Proprietary Marks.

**7.2. Your Acknowledgments.** You acknowledge that: (a) the Proprietary Marks serve to identify our services and the businesses operating under the System; (b) your use of the Proprietary Marks under this Agreement does not give you any ownership interest in them; and (c) all goodwill associated with and identified by the Proprietary Marks inures exclusively to our and our affiliates’ benefit and is our and our affiliates’ property. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill associated with your activities as a franchisee under this Agreement.



**7.3. Limitations on Use of the Proprietary Marks.** You agree:

**7.3.1.** To use only the Proprietary Marks we designate, and only in the manner we authorize;

**7.3.2.** To use the Proprietary Marks only for the operation of the Franchised Business and only at the Premises, or in advertising we have approved for the business conducted at the Premises, or at any approved off-site programs or courses or in connection with any approved online courses;

**7.3.3.** To operate and advertise the Franchised Business only under the name “Bach to Rock,” and any other mark we may authorize, without prefix or suffix (but you may only use the name “Beat Refinery” if we so approve your offering this Optional Program);

**7.3.4.** To ensure that the Proprietary Marks are used together with the symbols (such as “®”, “™”, or “SM”) that we require from time to time;

**7.3.5.** To permit us or our representatives to inspect your operations to ensure that you are properly using the Proprietary Marks;

**7.3.6.** To use the Proprietary Marks to promote and to offer for sale only the courses, products and services that we have approved, and not use any Proprietary Marks in association with any courses, products or services that we have not approved or any courses, products or services of others;

**7.3.7.** Not to use or permit the use or display of the Proprietary Marks as part of any internet domain name or website, or any other electronic identifier (including but not limited to email addresses, account names in a social media site, and the like) of you or the Franchised Business in any forum or medium;

**7.3.8.** Not to use the Proprietary Marks to incur any obligation or indebtedness on our or our affiliates' behalf;

**7.3.9.** Not to use any of the Proprietary Marks as part of your corporate or legal name;

**7.3.10.** That your use of the Proprietary Marks does not give you any ownership or other interest in or to the Proprietary Marks (except the license granted by this Agreement);

**7.3.11.** To accept the validity of the Proprietary Marks as they exist now and in the future and agree that you will not contest the validity of any of the Proprietary Marks at any time;

**7.3.12.** Not to use the Proprietary Marks in any illegal or improper manner, and not to use the Proprietary Marks in any manner that will or may cause the Proprietary Marks or the network of Bach to Rock Schools to be subject to any ill repute or negative publicity; and

**7.3.13.** To comply with our instructions in filing and maintaining trade name or fictitious name registrations, and sign any documents we deem necessary to obtain protection of the Proprietary Marks or to maintain their continued validity and enforceability.

**7.4. Changes to the Proprietary Marks.** We and/or our affiliates have the right, upon reasonable notice, to change, discontinue, or substitute for any of the Proprietary Marks and to adopt new Proprietary Marks for use with the System without any liability for any diminishment of the brand. You agree to implement any such change at your own expense within the time we reasonably specify.

**7.5. Third-Party Challenges.** The parties agree as follows:

**7.5.1.** You agree to promptly notify us if you learn of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any known challenge to our or our affiliates' ownership of, or your right to use, the Proprietary Marks.

**7.5.2.** You understand and agree that we and our affiliates will have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of such a matter. You also understand and agree that we and our affiliates have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

**7.5.3.** If you have used the Proprietary Marks in accordance with this Agreement and our other written instructions, then we will defend you, at our expense, against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use of those marks. If you have used the Proprietary Marks but not in accordance with this Agreement and our other written instructions, then we will still defend you, but at your expense, against such third party claims, suits, or demands; and you agree to pay all of our expenses (including but not limited to attorney's fees and any settlements or judgments) when we ask that you do so. In any case, though, you will be responsible for your staff's payroll and related costs.

**7.5.4.** If we or our affiliates undertake the defense or prosecution of any litigation relating to the Proprietary Marks, you agree to execute any and all documents and do the things that our counsel deems necessary to carry out such defense or prosecution (including, but not limited to, becoming a nominal party to any legal action).

**7.6. Copyrights and Other Intellectual Property Rights.** You acknowledge and agree that we and/or our affiliates and/or our licensors are the owners of certain copyrighted or copyrightable works and/or derivative works and/or compilations that may be entitled to copyright or other intellectual property right protection (collectively, the "**Works**") and that the copyrights and other intellectual property rights in the Works are valuable property of ours and/or our affiliates and/or our licensors. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 7.6 and the requirements as set forth in our Manuals. You acknowledge and agree that we and/or our affiliates may create copyrightable or protectable works, and/or acquire or obtain licenses for the right to use such works of others, in connection with the operation of a School, including, but not limited to, all categories of works eligible for protection under the United States copyright law, all of which will be deemed to be part of the Works, as that term is defined herein. The Works include, but are not limited to, the curriculum, course materials, textbooks, music, music compositions, the Manuals, advertisements, promotional materials, signs, World Wide Web and other internet sites, and School designs, plans and specifications. The Works may incorporate all or part of the Proprietary Marks or other trade dress used as part of the System. You acknowledge that this Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the School, in compliance with the terms of this Agreement. If you prepare any adaptation, translation or work derived from the Works that we and/or any of our affiliates own, including, but not limited to, course materials, advertisements, promotional materials, or websites, or if you create new works that will or may be used at the School (subject to our approval), whether or not such adaptation or other work was authorized by us, you agree that such material will be our property (or the property of our affiliate) and you hereby assign all your right, title and interest therein to us (or our designee). You agree to execute any documents, in recordable form, which we deem necessary to reflect or perfect such ownership. You agree that your execution of this Agreement shall be deemed to be your power of attorney in favor of us to execute all such documents on your behalf to carry out and effectuate the purposes and intent of this provision. Notwithstanding the foregoing, in this connection, you agree to execute any separate power of attorney document that we may request. You must submit all such adaptations, translations or derivative works to us for approval prior to use.

## **8. BUSINESS RECORDS AND REPORTING**

**8.1. Business Records.** You agree to keep complete and accurate books, records, and accounts of all business conducted under this Agreement, in the form and manner prescribed in the

Manuals or other written instructions. You must prepare annual budgets in the form and at such times as we may specify in the Manuals. You must prepare and maintain all books and records required under this Agreement and as prescribed by us during each fiscal year during the term of this Agreement, and you must preserve all of your books and records in at least electronic form for at least five (5) years (or a longer period if required by law) from the date of preparation. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by us or our designee without special hardware or software.

## **8.2. Reports and Financial Statements.**

**8.2.1.** Your fiscal year and accounting periods for reporting and payment purposes must be the same as ours. Currently, we designate a fiscal year as January to December with twelve (12) calendar months, and each month is a “**Period.**”

**8.2.2.** You agree to submit financial and operational reports and records and documents to us at the times and in the manner specified in the Manuals or other written instructions. You agree to submit (a) within twenty (20) days after the end of each calendar month, a balance sheet and income statement for the previous month, (b) if we so request, within thirty (30) days after the end of each calendar quarter, a balance sheet and income statement and such other data and reports as we may require for the recently concluded quarter, and (c) within ninety (90) days of the end of each fiscal year, an annual balance sheet and income statement and such other data and reports as we may require for the recently concluded year. Upon our request, each such annual financial statement must be prepared by an independent certified public accountant acceptable to us (subject to Section 8.4 below) and use our chart of accounts and format. You or the Operating Principal must certify that the monthly income statements and balance sheets are correct and complete and that they have been prepared in accordance with generally accepted accounting principles in the U.S. You must also submit to us a complete photocopy of the Franchised Business’ annual federal and state income tax returns when you file such reports with the appropriate tax authorities, and such additional information or reports as we may require regarding state monthly sales income tax returns that you are required to prepare and file. If the financial and operational reports and records and documents are not provided to us at the times and in the manner specified in the Manuals or other written instructions, we have the right to charge you up to one thousand dollars (\$1,000) for each failure to report on time and/or in the manner specified.

**8.2.3.** If we request in writing, you agree that your financial institution is authorized to send us a monthly statement of all activity in the designated account (and such other reports of the activity in the operating account as we reasonably request) at the same time as it sends such statements to you. You also agree to sign such documents as your financial institution may require in order to implement this provision.

**8.2.4.** If you maintain other accounts of any type for the Franchised Business, you agree to provide us with a written description of those accounts and copies of the monthly statements for all such accounts and the details of all deposits to, and withdrawals from, those accounts.

**8.2.5.** We may use all such financial information, data, and reports, and any other information that you provide or that we collect, in any manner that we choose, including, without limitation, providing financial and operating reports to franchisees and operators operating under the System, preparing franchise disclosure documents, providing information to prospective franchisees, and in complying with government regulations.

**8.3. Examination and Audit Rights.** We have the right, both during and after the Term of this Agreement, to inspect, copy and audit your books and records, your federal, state and local tax returns, and any other forms, reports, information or data that we may reasonably designate. We will provide you ten (10) days’ written notice before conducting an in-person financial examination or audit. We may conduct the examination or audit at our offices or those of a third party, in which case we may require you to send us your records. If the examination or audit reveals an understatement of Gross Sales, you must immediately pay us any Royalty fees, Advertising Contributions, or other amounts owing, plus late fees and

interest as provided in Section 3.8. If Gross Sales have been understated by more than 2% for the period covered by the examination or audit, you must also: (1) reimburse us for the full reasonable cost of the examination or audit, including travel, lodging, meals, and wages of our representatives and the legal and accounting fees of any attorneys or independent accountants we use for the examination or audit, and (2) at our request, thereafter provide us with periodic audited financial statements. If you have understated Gross Sales by two percent (2%) or more on three (3) or more occasions in any twelve-month period, or by five percent (5%) or more for any period of four (or more) consecutive weeks, we have the right to terminate this Agreement with no opportunity for cure. The foregoing remedies are in addition any other remedies and rights available to us under this Agreement or applicable law.

**8.4. Accounting and Back-office.** We have the right to require that you use an independent bookkeeper and/or independent accounting firm and/or services and programs that we designate in writing for all such requirements of your Franchised Business. If we make such a designation, you agree to promptly work and cooperate with the designated bookkeeper and/or accountant. You must pay the designated service or company the fees and costs charged by the service or company, use the online, electronic, and paper reporting systems specified by the service or company, and submit to us reports that we require under this Agreement or in the Manuals. You agree to provide to the service or company complete and accurate information that we or the service or company require, and agree that we will have full access to the data and information that you provide to the accounting or bookkeeping service or company or through the designated program. We also have the right to require you to use accounting, recordkeeping and bookkeeping software and programs that we designate, including, without limitation, the Harmony Gateway system, and to record data and prepare reports that we specify.

**8.5. Governing Documents.** If you are a corporation, partnership, LLC, or LLP, or transfer this Agreement to a corporation, partnership, LLC, or LLP, then, upon our request, you must provide to us a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records. The Owners may not enter into any shareholders' agreement, management agreement, voting trust or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. Throughout the Term of this Agreement, your governing documents (and those of your ultimate parent) must provide that no transfer of any ownership interest may be made except in accordance with Section 14 of this Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

## **9. ADVERTISING AND CREATIVE FUND**

Recognizing the value of advertising and marketing, and the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

**9.1. Advertising and Creative Funds.** We have the right to establish, at any time, the National Brand Fund and Regional Funds, as described in this Section 9.

**9.2. Advertising Obligation.** For each month during the term of this Agreement, you must contribute monies to the National Brand Fund (as described in Section 9.3 below), contribute monies to a Regional Fund (as described in Section 9.4 below), and/or spend amounts on local marketing (as described in Section 9.5 below) which, in the aggregate, must equal not less than six percent (6%) of the Gross Sales of the Franchised Business during the preceding month (the "**Advertising Obligation**").

**9.2.1.** We will specify the respective portions of the Advertising Obligation that you must contribute to the National Brand Fund, contribute to any Regional Fund, and/or spend directly on local advertising and promotion, and we may adjust the respective portions from time to time. As of the Effective Date, you must spend four percent (4%) of Gross Sales on local advertising as required under Section 9.5 below; provided, however, that the local advertising expenditure need not be made every month, but must be made annually, as further described in Section 9.5 below, and you must contribute two percent (2%) of Gross Sales to the National Brand Fund.

**9.2.2.** We have the right, upon written notice to you, to increase the Advertising Obligation to eight percent (8%) of Gross Sales; provided, however, that we will not increase the Advertising Obligation by more than one-half of one percent ( $1/2\%$ ) in any calendar year.

**9.2.3.** For all company-owned or affiliate-owned Schools, we or our affiliates will contribute to the National Brand Fund and/or a Regional Fund on the same basis as franchisees; provided, however that moneys that we or our affiliates spend on activities, materials or products to advertise and promote the System and Schools (which may include costs for our Website and online advertising (other than advertising primarily targeted toward the sale of franchises)) will be credited towards our or our affiliates' contribution obligations.

**9.2.4.** The Advertising Obligation will be in addition to any advertising, marketing, or promotional payments, contributions, or actions required under your lease for the School.

### **9.3. Bach to Rock National Brand Fund**

**9.3.1.** We have established, and maintain and administer, a system-wide advertising, marketing, promotional, and creative fund ("**National Brand Fund**") for the "Bach to Rock" brand and Schools. You must contribute each month to the National Brand Fund in the amount specified in Section 9.2 above.

**9.3.2.** We have the right to determine the proper operation and other decisions of the National Brand Fund. We may use your contributions to and any earnings on contributions to the National Brand Fund for any costs associated with advertising, marketing, public relations, and/or promotional programs and materials, and any other activities we believe would benefit the "Bach to Rock" brand and the network of Bach to Rock Schools generally. The National Brand Fund may be used for a variety of purposes and purchases, including, without limitation, hiring and/or retaining internal and/or third parties to develop and create advertising, marketing, promotional, social media and/or public relations materials, programs, campaigns, and media; developing, creating, planning and purchasing advertising campaigns in various media; purchasing media space or time (including all associated fees and expenses); developing and implementing direct mail advertising; employing advertising and/or public relations agencies; conducting and administering promotions, contests, giveaways, public relations events, community involvement activities, etc.; purchasing promotional items; developing new or modified trade dress and marks; developing point-of-purchase (POP) materials, designs and photographs; conducting and administering visual and other merchandising programs; administering regional and multi-regional marketing and advertising programs; conducting market research and customer satisfaction surveys; developing and implementing customer loyalty and gift card programs and customer and student retention programs; the creative development of, and actual production associated with, print/radio/television/outdoor/electronic ads, direct mail, press releases, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; creating, maintaining and developing one or more websites or social media platforms devoted to the System, the Proprietary Marks and/or the Bach to Rock brand (but not the costs for activities principally directed toward soliciting or promoting the sale of new franchises); developing and implementing training programs for students and student retention, and for customer service; and providing promotional and other marketing materials and services to the Schools operated under the System. The National Brand Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services or improvements approved in advance by us, which products, services or improvements we will have the right to determine will promote general public awareness and favorable support for the System; and providing promotional and other marketing materials and services to our franchisees, and any other activities which we believe will enhance the image of the System. We have the right to direct all marketing programs, with the final decision over creative concepts, materials, and media used in the programs and their placement. We do not guarantee that you will benefit from the National Brand Fund in proportion to your contributions to the National Brand Fund.

**9.3.3.** We will deposit all contributions to the National Brand Fund in an account separate from our other funds and will not use them to defray any of our general operating expenses, except for reasonable administrative costs and overhead we incur in activities reasonably related to the administration of the National Brand Fund or the management of National Brand Fund-supported programs (including full or partial salaries of our personnel who devote full- or part-time services to National Brand Fund activities).

**9.3.4.** We may make, or refrain from making, any expenditures for advertising and promotional activities. In any calendar year, we may spend more or less than that year's aggregate Advertising Contributions to the National Brand Fund. We may have the National Brand Fund borrow from us or other lenders to cover any National Brand Fund deficits. We may have the National Brand Fund invest any surplus for the National Brand Fund's future use.

**9.3.5.** We will make available to you, at a reasonable cost, any promotional materials produced with National Brand Fund monies, and we will deposit the proceeds of those sales into the National Brand Fund account. We are not required to have an independent audit of the National Brand Fund completed. We will make available, and will provide electronically or in writing, an unaudited statement of contributions and expenditures for the National Brand Fund sixty (60) days after the close of our fiscal year to franchisees that make a written request for a copy.

**9.3.6.** With respect to maintaining, operating, or administering the National Brand Fund, we are not a trustee or fiduciary and assume no other direct or indirect liability or obligation to you.

**9.3.7.** At any time, we may stop collecting and disbursing advertising contributions and terminate the National Brand Fund. It will not be terminated, however, until all monies in the Fund have been expended for marketing purposes.

**9.4. Regional Fund.** We have the right to designate any geographical area for purposes of establishing a regional marketing or cooperative fund ("**Regional Fund**"). If we have established a Regional Fund for the geographic area in which your Franchised Business is located by the time you commence operations hereunder, you must immediately become a member of such Regional Fund. If we establish a Regional Fund for the geographic area in which your Franchised Business is located during the Term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to be a member of more than one Regional Fund. The following provisions will apply to each such Regional Fund:

**9.4.1.** Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, that we have approved in advance in writing.

**9.4.2.** Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in local marketing and promotion.

**9.4.3.** To the extent the Regional Fund is permitted or wishes to develop advertising, marketing, or promotional plans or materials, such advertising, marketing, or promotional plans or materials may not be used by a Regional Fund or furnished to its members without obtaining our prior approval pursuant to the procedures and terms as set forth in Section 9.7 below.

**9.4.4.** You must contribute each Period (commencing from the time we establish the Regional Fund) to the Regional Fund as provided in Section 9.2, and submit with such contributions such statements or reports as we, or the Regional Fund with our prior written approval, may require. If we request, you must submit your Regional Fund contribution and reports to the Regional Fund directly to us for distribution to the Regional Fund.

**9.4.5.** Unless we designate otherwise in writing when we establish a Regional Fund, we will administer the Regional Fund in the same manner as described in Section 9.3 regarding the National Brand Fund.

**9.4.6.** Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing and/or promotional purposes.

**9.5. Local Marketing.** Beginning on the Opening Date and continuing during the Term of this Agreement, you must spend on local marketing of the Franchised Business amounts as required under Section 9.2 above. You must make these local marketing expenditures on a quarterly basis, based upon your Gross Sales calculated for the current year on an annual basis. Local marketing expenditures do not include the Grand Opening Advertising Program required under Section 9.6 below. Upon our request, you agree to submit to us, for our approval, an annual proposal and quarterly proposals detailing your plan for implementing your local marketing budget. At our request, you must submit appropriate documentation to verify compliance with the minimum spending obligation. All local advertising, marketing, and promotions by you must be in such media and of such types and format as we may approve; must be conducted in a dignified manner; and must conform to such standards and requirements as we may specify. You must not use any advertising, marketing materials or promotional plans unless and until you have received written approval from us, pursuant to the procedures and terms set forth in Section 9.7 below. We have the right to periodically designate in the Manuals the types of expenditures that will or will not count toward the minimum annual spending requirement. You must advertise the Franchised Business in all major directories in your Territory, including local online directories or online user guides, as we specify in the Manuals or other written instructions. If you advertise jointly with other franchisees, your share of the cost will count toward your local spending requirement under this Section.

**9.6. Initial Advertising Campaign.** You must conduct a Grand Opening Advertising Program for the Franchised Business during the period from sixty (60) days prior to opening the School and up to ninety (90) days after the Opening Date, spending an amount not less than twenty-five thousand dollars (\$25,000). You must obtain our prior written approval as provided in Section 9.7 below before implementing any advertising plans and/or making any use or placement of advertising and promotional materials as part of the Grand Opening Advertising Program. You acknowledge that the Grand Opening Advertising Program may not be sufficient in all cases to develop adequate exposure to the services offered by your Franchised Business, and that it may be necessary for you to supplement the Grand Opening Advertising Program with additional advertising and promotional expenditures and efforts. You acknowledge that your expenditures for the Grand Opening Advertising Program are in addition to local marketing expenditures required pursuant to section 9.5 above. If you offer a Beat Refinery Optional Program upon our approval, you must conduct an opening launch program for Beat Refinery, and you must spend not less than two thousand five hundred dollars (\$2,500) for such launch in addition to the twenty-five thousand dollars (\$25,000) specified above.

**9.7. Advertising and Public Relations Approval.** You agree to conduct all advertising and public relations in a dignified manner and to conform to the standards and requirements we specify from time to time in the Manuals or other written materials. We will make available to you approved advertising, public relations and promotional materials, including signs, posters, collaterals, press releases, etc. that we have prepared. We will have the final decision on all creative development of advertising, public relations and promotional messages. You must submit to us in writing, for our approval before your use, all proposed plans, promotional materials, press releases and advertising that we did not prepare or approve in the previous year. If you do not receive our written disapproval within fourteen (14) days from the date we receive the material, the material is deemed approved. We reserve the right to require you to discontinue the use of any advertising, public relations or marketing materials.

**9.8. Special Campaigns and Promotions.** We may establish, and modify from time to time, social media campaigns, programs and policies, and/or other forms of special advertising campaigns and

promotional events, including, for example, our current “Battle of the Bands” and “Classical Recital” programs. You agree to participate in and comply with mandatory promotional activities and campaigns that we may prescribe from time to time for Franchised Businesses generally or in specific geographic areas or for specific types of venues. You agree to bear your own costs of participating in such promotions. Any costs you incur to participate in such promotions will count toward your local advertising obligation under section 9.2.1. Without limiting the foregoing, these campaigns and programs may include:

**9.8.1.** online social media efforts and/or activities and events conducted through other media or in person.

**9.8.2.** local, area-wide, regional or national band and music competitions and performances which one or more Bach to Rock Schools sponsor, host, promote or conduct.

**9.8.3.** programs and services for frequent students and/or loyalty programs, which may include providing discounts or complimentary services, classes or equipment. You agree to comply with all requirements that we or any designated third-party service provider may establish to carry out such programs, including, without limitation, payment of any fees, and purchasing and using additional equipment and services, which may include, without limitation, software, interface connections, and electronic funds transfer.

**9.8.4.** optional or mandatory programs for customer gift cards or certificates (together “**Gift Cards**”). You agree to participate in any mandatory program, and to comply with any policies or requirements that we may specify in the Manuals or otherwise in writing. Our requirements may include: selling or otherwise issuing only those Gift Cards that have been prepared using the standard form of Gift Card that we have designated or approved in writing; honoring all Gift Cards that are in the form that we have approved (including Gift Cards issued by another School); and procedures for selling, issuing, and redeeming (without any offset against any Royalty fees) Gift Cards, including procedures for requesting reimbursements and making timely payment to us, other operators of Schools, or a third-party service provider for Gift Cards issued from your School that are honored by us or other School operators.

## **10. TECHNOLOGY**

**10.1. Computer System.** We have the right to specify or require that certain brands, types, makes, and/or models of communications equipment, computer systems, and hardware be used by, between, or among Franchised Businesses, and between and among your Franchised Business and us, our designee and/or you, including without limitation: (a) back office, data, audio, video, voice storage, retrieval, and transmission systems; (b) point of sale systems (defined below); (c) physical, electronic, and other security systems; (d) printers and other peripheral devices; (e) archival back-up systems; and (f) internet access mode (e.g., form of telecommunications connection) and speed (collectively, the “**Computer System**”). Our proprietary Harmony Gateway system is part of the required Computer System. You must sign the Harmony Gateway License Agreement attached to this Agreement as Appendix I.

**10.1.1.** We have the right, but not the obligation, to develop or have developed for us, or to designate:

(a) computer software programs and accounting system software that you must install and use in connection with the Computer System (“**Required Software**”);

(b) updates, supplements, modifications, or enhancements to the Required Software and Computer System, which you must install and use;

(c) the tangible media upon which you must record or receive data;

(d) the database file structure of your Computer System;



(e) an intranet for informational assistance, which may include, without limitation, the Manuals, other training assistance materials, and management reporting solutions; and

(f) answering service requirements and/or system-wide phone order processing of all orders.

**10.1.2.** You agree to install and use the Computer System and Required Software in the manner that we require.

**10.1.3.** You agree to implement and periodically upgrade and make other changes to the Computer System and Required Software as we may reasonably request in writing (collectively, “**Computer Upgrades**”).

**10.1.4.** You agree to comply with the specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You also agree to afford us unimpeded access to your Computer System and Required Software in the manner, form, and at the times that we request.

**10.2. Ownership of Data.** To the extent that you collect information from customers and potential customers in connection with the Franchised Business (“**Customer Data**”), you agree that all Customer Data is deemed to be owned exclusively by us, and you also agree to provide the Customer Data to us at any time that we request you to do so. You have a royalty-free non-exclusive right to use Customer Data while this Agreement or a Successor Franchise Agreement is in effect, but only in connection with operating the Franchised Business and only in accordance with the policies that we establish from time to time (which may include, without limitation, limitations or restrictions on the types of data that you may collect and/or use). You may not sell, transfer, or use Customer Data for any purpose other than operating the Franchised Business and marketing Bach to Rock courses, products and services. However, if you Transfer the Franchised Business (as provided in Section 14.3 below), as part of the Transfer, you may Transfer use of the Customer Data to the buyer for value.

**10.3. Data Collection.** We have the right to specify, from time to time, in the Manuals or otherwise in writing, the information, including Customer Data, that you must collect and maintain on the Computer System, and you agree to provide us with the reports that we may reasonably request from the data so collected and maintained. You agree to enter into the Computer System, on a daily basis, or at such other intervals that we may require, all information and materials that we may require in connection with the Franchised Business, and to display such information and materials in the manner we may prescribe, including, without limitation, to employees of the Franchised Business.

**10.4. Privacy Laws.** You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information (“**Privacy Laws**”).

**10.4.1.** You agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you must: (i) comply with the requirements of applicable law; (ii) immediately give us written notice of said conflict; and (iii) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law.

**10.4.2.** You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy.

**10.5. Website.** We or our affiliates will maintain a website for the benefit of ourselves and the Schools. You agree not to establish a website or permit any other party to establish a website that relates in any manner to your Franchised Business or refers to the Proprietary Marks, except as we may designate or approve in writing. We have the right, but not the obligation, to provide one or more references to or

webpage(s) for your Franchised Business, as we may periodically designate, within our website. (The term “**website**” means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the internet, World Wide Web, social networking sites (including but not limited to Facebook, Twitter, LinkedIn, Instagram etc.), blogs, vlogs, and other applications, etc.). If we ever do approve in writing a request for you to use a separate website (although we are not required to permit you do so), then we have the right to require that you comply with the standards, specifications, conditions, and requirements relating to such websites that we may periodically prescribe in the Manuals or otherwise in writing. We may from time to time establish policies regarding social media as we determine appropriate for the System. Any use of social media using the Proprietary Marks is considered advertising, and you must comply with our social media and advertising policies, including approval requirements. We may modify these policies as we determine appropriate, including as available technologies and advertising methods change.

**10.6. Point-of-Sale Systems.** You must record all sales in computer-based point-of-sale systems that we have the right to designate or approve in the Manuals or otherwise communicate to you in writing or through electronic or other formats (“**Point-of-Sale Systems**” or “**POS Systems**”). The POS System is deemed to be part of your Computer System. You must utilize computer-based point-of-sale equipment which is fully compatible with any program or system which we have the right to designate and you must record all Gross Sales and all revenue information on such equipment.

**10.7. Gift Cards.** You must sell or honor gift cards only in accordance with our written standards. You must not sell, issue, or redeem gift certificates or gift cards other than gift cards we have approved in writing. Future gift card programs may require that you purchase and install software, hardware, and other items needed to sell and process gift cards, as we may specify in writing in the Manuals or otherwise. You may also be required to pay fees to a third-party vendor to administer the gift card program.

**10.8. Electronic Use of the Proprietary Marks.** You agree not to use or permit the use or display of the Proprietary Marks as part of any internet domain name or website, or any other electronic identifier (including but not limited to email addresses, account names in a social media site, and the like) of you or the Franchised Business in any forum or medium. We reserve, maintain, and control all rights with respect to the metaverse.

**10.9. Use of Email and Other Electronic Communications.** You agree not to use or permit the use or display of the Proprietary Marks as part of any email address. You must use, and only use, the email address and other identifiers we designate in connection with the business of the Franchised Business. You agree not to transmit or cause any other party to transmit advertisements or solicitations by telephone, text, or email or other electronic media without first obtaining our written consent as to: (a) the content of such communications; and (b) your plan for transmitting such communications. Our review of your advertisements or solicitations, or of your plan for transmitting such advertisements or solicitations, is only for our benefit and our review will pertain only to whether the proposed communications comply with our specifications. You agree that you will be solely responsible for complying with any laws pertaining to sending such communications, including but not limited to the Controlling the Assault of Non-Solicited Pornography and Proprietary Marketing Act of 2003 (known as the “**CAN-SPAM Act of 2003**”) and the Telephone Consumer Protection Act of 1991.

**10.10. Changes to Technology.** Because changes to technology are dynamic and not predictable within the term of this Agreement, and in order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree: (a) that we will have the right to establish, in writing, reasonable new standards to address new technologies, and to implement those changes in technology into the System; and (b) to abide by our reasonable new standards as if this Section 10 were periodically revised for that purpose.

**10.11. Email Communication.** You agree that exchanging information with us by email is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon each other’s use of email for communicating as part of the economic bargain underlying this Agreement. To facilitate the use of email to exchange information, you authorize the transmission of email by us and

our employees, vendors, and affiliates (on matters pertaining to the business contemplated hereunder) (together, "**Official Senders**") to you and your employees during the term of this Agreement.

**10.11.1.** In order to implement the terms of this Section 10.11, you agree that: (a) you will cause your officers, directors, and employees (as a condition of their employment or position with you) to give their consent (in an email, electronically, or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of emails to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive emails, from Official Senders during the time that such person works for or is affiliated with you; and (b) you will not opt-out, or otherwise ask to no longer receive emails, from Official Senders during the term of this Agreement.

**10.11.2.** The consent given in this Section 10.11 will not apply to the provision of notices under this Agreement by either party using email (unless the parties otherwise agree in a pen-and-paper writing signed by both parties).

## **11. OPERATING MANUALS**

We will provide you electronic access to the Manuals, on loan, to use for as long as this Agreement or a Successor Franchise Agreement remains in effect. We reserve the right to establish terms of use for this electronic access to the Manuals. You acknowledge that we own the copyright in the Manuals and that the Manuals remain our property. You agree to treat the Manuals, training materials, and any other manuals or materials created or approved by us for use with the System as secret and confidential. You agree not to copy, duplicate, record or otherwise reproduce the Manuals or other materials provided by us, in whole or in part. We have the right to amend and supplement the Manuals from time to time by letter, email, bulletin, videotape, audio tape software or any other form of communication. You agree to comply with each new or changed mandatory standard promptly upon receipt of notice from us. If a dispute develops relating to the contents of the Manuals, the electronic depository of the Manuals (including all changes and supplements that we may periodically issue as described above) maintained at our headquarters will control.

## **12. CONFIDENTIAL INFORMATION**

During and after the term of this Agreement, you may not communicate, divulge, or use for any purpose other than the operation of the Franchised Business any confidential information, knowledge, trade secrets or know-how that may be communicated to you or that you may learn by virtue of your relationship with us and the System ("**Confidential Information**"). You specifically understand and agree that you will come into possession of certain of our trade secrets concerning the manner in which we conduct business including, but not necessarily limited to: methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; software; curriculum and lesson plans; and other materials clearly marked or labeled as trade secrets. You agree that the foregoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to us. You agree that we derive independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by, another person. You agree to take reasonable measures to keep such information secret. Indeed, you may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate the Franchised Business. In addition, (1) you may disclose Confidential Information if you are compelled to do so pursuant to litigation, a court order, law enforcement or any other proceeding requiring such disclosure, provided that you give us notice of the requirement and a reasonable time to challenge the request and/or to seek a protective order, and (2) there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

You must not make any Confidential Information supplied by us available to any unauthorized person. All information that you receive from us is deemed to be Confidential Information for purposes of

this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain, other than through your act or omission. You must require your Owners and their spouses, your officers, directors and employees, and any other person or entity to whom you wish to disclose any Confidential Information, to execute (and deliver to us upon our request) agreements, in the form provided in Appendices G and H (as appropriate) to this Agreement or as we may otherwise require in writing, stating that, among other things, they will maintain the confidentiality of the disclosed information. If you do not obtain execution of the agreements containing the covenants required by this Section 12 and, upon our request, deliver those signed agreements to us, that will constitute a default under Section 15.2.12 below. You acknowledge and agree that any failure to comply with the requirements of this Section 12 will cause irreparable injury to us, and you agree to pay all court costs and reasonable attorneys' fees we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 12.

### **13. TRANSFERS BY US**

We have the unrestricted right to transfer or assign all or any part of our rights and/or our obligations under this Agreement to any person or legal entity without your consent. You agree that we will have no liability after the effective date of transfer or assignment for the performance of, or for any failure to perform, any obligations we have transferred. We also have the absolute right to delegate the performance of any of our duties or obligations or assign any of our benefits under this Agreement to third parties that are not parties to an agreement with you.

### **14. TRANSFERS BY YOU**

**14.1. Definition of Transfer.** In this Agreement, “**Transfer**” as a verb means to sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the rights and/or obligations under this Agreement, all or substantially all of the assets of the Franchised Business, and/or any direct or indirect interest in the ownership of Franchisee (if the Franchisee is a corporation, partnership, or limited liability company). “**Transfer**” as a noun means any such sale, assignment, etc., referred to above.

**14.2. No Transfer Without Our Prior Written Consent.** Neither you nor any of the Owners may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. We have the right to withhold our consent, but we will not unreasonably withhold our consent. We may condition our consent on your satisfaction of the conditions described in Sections 14.3 through 14.8. We have the right to communicate with and counsel both you and the proposed transferee on any aspect of a proposed Transfer. The Transfer may not take place until at least sixty (60) days after we receive written notice of, and request for consent to, the proposed Transfer, along with all of the proposed transfer information that we may require, or as specified in the Manuals or otherwise communicated to you in writing or through electronic or other formats. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we approve the Transfer. We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 14, and may do so in the Manuals or otherwise in writing or through electronic or other formats. We may, but are not obligated to, provide additional details regarding the transfer conditions required for our consent.

**14.3. Transfer of Entire Business.** For a proposed Transfer of the Franchised Business, or all or substantially all of the assets of the Franchised Business, or the lease for the Franchised Business, or this Agreement (or if Franchisee is a corporation or other entity, a Transfer of ownership interests that would result in a change of control of Franchisee), the following conditions apply (unless waived by us):

**14.3.1.** You must be in compliance with all obligations to us under this Agreement and any other agreement you have with us or our affiliates as of the date of the request for our approval of the Transfer, or you must make arrangements satisfactory to us to come into compliance by the date of the Transfer.

**14.3.2.** The proposed transferee must complete all of the following requirements:

(a) Demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Bach to Rock franchisee, and, at our request, the proposed transferee must travel (at his or her expense) to our principal office for an interview.

(b) Sign our then-current standard form of franchise agreement (or the standard form most recently offered to new franchisees, if we are not then offering franchises to new franchisees), and such other ancillary agreements we require for new Franchised Businesses. The new franchise agreement may materially differ from the terms of this Agreement, and the new ancillary agreements may materially differ from the forms of those agreements that you entered previously (such as additional or higher fees, which includes, but is not limited to, a new and potentially higher Harmony Gateway License Fee). The term of the new franchise agreement to be signed with the transferee will be for the remaining portion of the term that you had under this Agreement as of the date of the transfer (or may, if we and the transferee agree, be for a full ten (10) year term). Section 14.3.4 specifies the applicable Transfer Fee.

(c) Successfully complete our then-current training requirements.

(d) If the proposed transferee is one of our other franchisees, he or she must not be in default under his or her agreements with us and must have a good record of customer service and compliance with our operating standards.

(e) If the transferee is a corporation or other entity, the owner or owners of a beneficial interest of ten percent (10%) or more in the transferee (along with their spouses) must execute our then-current form of personal guarantee.

**14.3.3.** You or the transferee must make arrangements to modernize, upgrade, and conform the Franchised Business, at your and/or the transferee's expense, to our then-current standards and specifications for new Franchised Businesses.

**14.3.4.** Except as provided below in this Section and in Sections 14.4 and 14.5, we must be paid, either by you or the transferee, a transfer fee ("**Transfer Fee**"), which will be equal to one-half ( $\frac{1}{2}$ ) of the then-current franchise fee, pro-rated for the number of years that you had remaining under this Agreement at the time of the Transfer, subject to a minimum fee of \$15,000; or one-half ( $\frac{1}{2}$ ) of the then-current initial franchise fee if the transferee signs our then-current franchise agreement for a full ten (10) year term. For illustration purposes only, if our then-current franchise fee is forty thousand dollars (\$40,000), a Transfer of a Franchise Agreement with eight (8) years remaining in the ten (10)-year term at the time of the Transfer would be subject to a Transfer Fee equal to eight tenths ( $\frac{8}{10}$ ) of twenty thousand dollars (\$20,000), or sixteen thousand dollars (\$16,000). The payment of the Transfer Fee is in place of any initial franchise fee due under the Franchise Agreement the transferee will enter under Section 14.3.2 above. One-half ( $\frac{1}{2}$ ) of the Transfer Fee shall be paid at the time you submit your request to us for consideration of the proposed transfer, and such amount shall be non-refundable. The balance of the Transfer Fee shall be paid at the time the transfer is consummated or closes. If the transfer is not consummated after we have provided our approval for the proposed transfer, then we have the right to require that you or the proposed transferee reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incurred in connection with the proposed transfer.

**14.3.5.** You and all Owners must execute a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, members, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer.

**14.3.6.** The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of the Franchised Business.

**14.3.7** Any purchase and sale agreement between the transferor and transferee shall provide for and require that the Franchised Business shall continue to operate without interruption during the Transfer.

**14.4. Transfer of a Partial Ownership Interest.** For any proposal to admit a new Owner, to remove an existing Owner, or to change the distribution of ownership shown on Appendix B, or for any other transaction that amounts to the Transfer of a partial interest in the Franchised Business or the Franchisee, you must provide us thirty (30) days' prior written notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. We will have the right to require reimbursement of any out-of-pocket expenses that we incur in reviewing the proposed Transfer. We will have a reasonable time (not less than thirty (30) days) after we have received all requested information to evaluate the proposed Transfer. You must satisfy the conditions in Sections 8.5, 14.3.2(a), 14.3.2(d), 14.3.5, 14.3.6, and 14.3.7 in connection with any such transfer. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions. You acknowledge that any proposed new owner must submit a personal application, and if the Owner will have or own a ten percent (10%) or greater interest in the franchisee entity, the owner and his/her spouse must execute a personal guarantee in the same form signed by the original Owners or our then-current form of personal guarantee, as well as the current form of Exhibit G.

**14.5. Transfer to a Corporation or Other Entity for Convenience.** We will consent to the assignment of this Agreement to a corporation, partnership or limited liability company that you form for the convenience of ownership, provided that: (a) the entity has and will have no other business besides operating a Franchised Business (b) you satisfy the conditions in Sections 8.5, 14.3.1, 14.3.2(e), 14.3.5, and 14.3.7 above; and (c) the Owners hold equity interests in the new entity in the same proportion shown on Appendix B. There is no Transfer Fee for a Transfer to an entity for convenience of ownership, but we will have the right to require reimbursement of any out-of-pocket expenses that we incur in reviewing the proposed Transfer.

**14.6. Transfer upon Death or Incapacity.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 14.2 through 14.8, as applicable. In addition, if the deceased or incapacitated person is the Operating Principal, you must within thirty (30) days thereafter hire and retain a replacement who is satisfactory to us to perform such obligations. If a satisfactory replacement is not retained, we will have the right (but not the obligation) to take over operation of the Franchised Business, or to hire and retain a replacement on your behalf, until the Transfer is completed and to charge a reasonable management fee for these services. For purposes of this Section, "incapacity" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (i) for a period of thirty (30) or more consecutive days; or (ii) for sixty (60) or more total days during a calendar year. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 14.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this Section 14.6 within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 15.2 below.

**14.7. Non-Conforming Transfers.** Any purported Transfer that is not in compliance with this Section 14 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

**14.8. Our Right of First Refusal.** We have the right, exercisable within thirty (30) days after receipt of the notice specified in Section 14.2 or Section 14.4, to send written notice to you that we intend to purchase the interest proposed to be Transferred if such interest is all of the interest in, or a controlling

interest in, the franchisee entity. We may assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to a Transfer under Section 14.5 or a Transfer to your parents, spouse, son, daughter, or mother or father in-law (including Transfers to your parents, spouse, son, daughter, or mother or father in-law as a result of death or incapacity as described in Section 14.6).

**14.8.1.** If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third party. Closing on our purchase must occur by the later of (a) ninety (90) days after the date of our notice to the seller electing to purchase the interest, or (b) the closing date as proposed in the third party's purchase offer. If we cannot reasonably be expected to furnish the same consideration as the third party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser and the appraiser's determination will be final. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

**14.8.2.** If a Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraiser's determination of fair market value.

**14.8.3.** If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with Sections 14.2 through 14.6 above. Closing of the Transfer must occur within sixty (60) calendar days of our election not to exercise our rights (or such longer period as applicable law may require); otherwise the third party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

## **15. TERMINATION**

**15.1. Termination By Us Without Notice.** You will be in default under this Agreement and all rights granted by this Agreement will automatically terminate without notice to you if you become insolvent or make an assignment for the benefit of your creditors; if a receiver is appointed; if execution is levied against your business assets; if you file a petition in bankruptcy or if a petition is filed against you and you do not oppose it; or if suit to foreclose any lien or mortgage or bankruptcy is instituted against you and not dismissed within sixty (60) days.

**15.2. Termination By Us Without A Cure Period.** We may terminate this Agreement by written notice to you, without giving you an opportunity to cure, upon the occurrence of any of the following events:

**15.2.1.** You, the Operating Principal, and/or your personnel fail to complete training under Section 5.1 to our satisfaction.

**15.2.2.** You fail to open for business by the opening deadline specified in Appendix A, or if you fail to identify a suitable site for the School, and have such site approved by us, within the time frames specified in the Site Selection Addendum in Appendix E.

**15.2.3.** You disclose the contents of the Manuals or other trade secrets or Confidential Information contrary to Sections 11 and 12 of this Agreement.

**15.2.4.** You refuse to permit, or try to hinder, an examination or audit of your books and records or of the Franchised Business as provided in this Agreement.

**15.2.5.** We discover that you made any material misrepresentation or omitted a material fact in connection with your application to us for the franchise, or you submitted to us any report or statement that you knew or should have known to be false or misleading.

**15.2.6.** You understate to us your Gross Sales by two percent (2%) or more on three or more occasions in any twelve-month period, or by five percent (5%) or more for any period of four or more consecutive weeks.

**15.2.7.** You or any Owner, officer or director is accused of, indicted for, or convicted of a crime that we reasonably believe is likely to harm the reputation of the Bach to Rock concept.

**15.2.8.** Any Transfer occurs that does not comply with Section 14, including a failure to transfer to a qualified successor after death or disability within the time allowed by Section 14.6.

**15.2.9.** You are in default three (3) or more times under the circumstances described in Sections 15.3 and/or 15.4 within any twelve (12) month period, whether or not the defaults are similar and whether or not they are cured.

**15.2.10.** After curing a default pursuant to Sections 15.3 or 15.4, you commit the same default within twelve (12) months, whether or not the second default is cured.

**15.2.11.** Any condition exists with respect to the Franchised Business that, in our reasonable judgment, seriously jeopardizes public health or safety, and you have not remedied that condition immediately upon notice from us or from a governmental or public official.

**15.2.12.** You fail to comply with the covenants in Section 17 below or fail to timely obtain execution of the covenants required under Section 12 above and Section 17.3 below.

**15.2.13.** You fail to obtain or maintain required insurance.

**15.2.14.** You cease to operate the Franchised Business for more than four (4) consecutive days or any fourteen (14) days in any calendar year unless we approved a temporary closing or we determine that the failure to operate was beyond your control; you otherwise abandon the Franchised Business; or you lose the right to possess the Premises or you otherwise forfeit the right to do or transact business as required under this Agreement. If, however, through no fault of you, the Premises are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within ninety (90) days thereafter, you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the Premises, and we will not unreasonably withhold our approval.

**15.2.15.** You or your Owners commit any act of fraud.

**15.2.16.** You transfer or attempt to transfer (by assignment, sublease or otherwise) the lease for all or a portion of the Premises without our prior written consent.

**15.2.17.** You amend or attempt to amend the lease for the Premises without our prior written consent (which consent we will not unreasonably withhold or delay).

**15.3. Termination by Us Following Expiration of Cure Period for Monetary Default.** You will be in default under this Agreement if you fail, refuse, or neglect to pay when due (including if we are not able to collect payments by electronic funds transfer pursuant to Section 3.7 due to insufficient funds in your account(s), closure of your account(s), or any other reason resulting in the nonpayment) any monies owing to us, our affiliates, or any lender that has provided financing to you under this Agreement or any other agreement, or to your landlord and/or any supplier of goods or services to your Franchised Business. You will have seven (7) days after written notice of such default from us within which to remedy the default. You may avoid termination by curing the default to our satisfaction within the seven-day period (or such



longer period as applicable law may require). If you do not cure the default within such seven-day period (or such longer period as applicable law may require), this Agreement will terminate automatically and without further notice, effective immediately upon the expiration of the specified time period.

**15.4. Termination by Us Following Expiration of Cure Period.** For any default not covered under Sections 15.1, 15.2, or 15.3 above, you will have thirty (30) days after written notice of default from us within which to remedy the default. You may avoid termination by curing the default to our satisfaction within the thirty (30) day period (or such longer period as applicable law may require). If you do not cure the default within the specified time, this Agreement will terminate automatically and without further notice, effective immediately upon the expiration of the specified time period. Any failure to comply with this Agreement, as amended or reasonably supplemented by the Manuals or otherwise in writing, not covered by Sections 15.1, 15.2, or 15.3 above constitutes a default, including, but not limited to, the following:

**15.4.1.** You fail, refuse, or neglect to submit to us the financial and other reports and information required under this Agreement.

**15.4.2.** You fail to comply with any of the mandatory standards or procedures prescribed by us in this Agreement, the Manuals or otherwise in writing.

**15.4.3.** You fail, refuse, or neglect to obtain our prior written approval or consent as required by this Agreement (other than a failure to obtain consent to a proposed Transfer, for which we may terminate without a cure period as provided in Section 15.2).

**15.4.4.** For a period of fourteen (14) days, you allow a continued violation of any law, ordinance, rule or regulation of a governmental agency, including the failure to maintain or procure any required licenses, permits, or certifications, in the absence of a good faith dispute over its application or legality and without promptly resorting to an appropriate administrative or judicial forum for relief.

**15.4.5.** You misuse or make any unauthorized use of the Proprietary Marks or otherwise materially impair our goodwill or rights in the Proprietary Marks.

**15.5. Cross-Default.** Any default by you (including for this purpose your Owners and affiliates) under any other agreement with us or under your lease or sublease for the Premises will constitute a default under this Agreement, subject to the same provisions for notice and cure, if any, as may be applicable to the default under the other agreement.

## **16. OBLIGATIONS ON TERMINATION OR EXPIRATION**

**16.1. Obligations.** Upon termination or expiration of this Agreement for any reason, unless we direct you otherwise:

**16.1.1.** You agree to promptly pay all sums owing to us, our affiliates and suppliers, including, but not limited to, Royalty payments, contributions to the National Brand Fund, and/or other fees, damages, expenses, and attorney's fees incurred as a result of your default.

**16.1.2.** You agree to cease using any and all aspects of the curriculum and Course materials. You must, within five (5) days of termination, at our option, either return all used and unused Course materials to us or you must destroy all such materials and certify to us in writing that all such materials have been destroyed.

**16.1.3.** You agree to stop making any use of the confidential methods, procedures, and techniques associated with the System, and stop providing courses or any teaching or music instruction. You also agree to immediately relinquish your access to the Manuals and deliver to us any and all training materials, marketing materials, records, files, forms, instructions, signs, equipment, correspondence, Customer Data, and other property in your possession or control that contain Confidential Information or

that bear the Proprietary Marks and you agree not to retain any unauthorized copies of these materials. You also must deliver to us all customer information that you have compiled.

**16.1.4.** You agree to immediately cease to use, by advertising or in any other manner, the names "Bach to Rock," "America's Music School," "B2R," all other Proprietary Marks, and all other distinctive forms, slogans, signs, symbols, domain names, websites, email addresses, and any other identifiers (whether or not we have authorized their use) that you used in connection with the Franchised Business or that are otherwise associated with the Proprietary Marks, System, and/or us. If you subsequently begin to operate another business, you agree that you will not use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks that you used either in connection with the Franchised Business or its promotion which is likely to cause confusion, mistake or deception, or which is likely to dilute our affiliate's exclusive rights in and to the Proprietary Marks, nor will you use any trade dress or designation of origin or description or representation which falsely suggests or represents an association or connection with us.

**16.1.5.** You agree to promptly take such action as may be necessary to cancel any assumed name registration or equivalent registration containing the names "Bach to Rock" or any other Proprietary Marks.

**16.1.6** You will, at our option, assign to us any interest which you have in the lease or sublease for the Premises.

(a) If we do not elect or are unable to exercise our option to acquire the lease or sublease for the Premises, you must make such modifications or alterations to the premises operated thereunder (including, without limitation, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the Premises from that of other Bach to Rock Schools under the System, and such specific additional changes as we may reasonably request for that purpose. In addition, you must stop making any use of any telephone number and/or any domain name, website, email address, and any other identifier (whether or not we have authorized its use) that you used in connection with the Franchised Business, and you must promptly execute such documents or take such steps necessary to remove references to the Franchised Business from all trade or business telephone directories, including physical and online "yellow" and "white" pages, or at our request transfer the references to us.

(b) If you fail or refuse to comply with the requirements of this Section 16.1.6, we will have the right to enter upon the Premises, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your expense, which you agree to pay upon demand.

(c) In the event we cure any defaults under your lease or sublease for the Premises, we will be entitled to recover from you any amounts we pay to the lessor or sublessor to cure your defaults (including interest) and our reasonable collection costs, including reasonable attorneys' fees and expenses.

**16.2. Purchase of Assets.** You agree that, at our option, you will sell to us any or all of your assets used to operate the Franchised Business (including equipment, fixtures, furnishings, supplies, and inventory) that we ask in writing to purchase.

**16.2.1.** The purchase price for such items will be equal to your depreciated cost (determined below) or fair market value, whichever is less. The cost will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment that is five (5) or more years old, the parties agree that fair market value will be deemed to be ten percent (10%) of the equipment's original cost. The fair market value of tangible assets must be determined without reference to goodwill, going-concern value, or other intangibles.

**16.2.2.** We may exercise this option by delivering a notice of intent to purchase to you within thirty (30) days after the expiration or termination of this Agreement. During that thirty (30) day period, you agree not to dispose of, transfer, or otherwise hinder our ability to exercise our rights with respect to your assets.

**16.2.3.** If we exercise our option to purchase, we may set off all amounts due to us under this Agreement and the cost of the appraisal (if any), against any payment due to you.

**16.3. Right to Enter and Continue Operations.** In order to preserve the goodwill of the System following termination, including the ability to continue to provide services to students who have previously paid for services that have not been rendered, we (or our designee) have the right to enter the Premises (without liability to you, your Owners, or otherwise) for the purpose of continuing the Franchised Business operation. You must reimburse us for any and all direct and indirect costs and expenses that we may incur in operating the Franchised Business and/or providing classes or services to existing students following termination.

#### **16.4. Liquidated Damages.**

**16.4.1.** If this Agreement is terminated due to your default, you must, upon written demand from us, pay us a lump-sum payment in an amount calculated as follows: (a) the average of your Royalty fees and Advertising Contributions due for the last thirty-six (36) months before our delivery of notice of default (or, if lesser, the months you had been operating before our delivery of notice of default), (b) multiplied by the lesser of twenty-four (24) or the number of months remaining in the term of this Agreement.

**16.4.2.** The payments called for in this Section 16.4 constitute liquidated damages for causing the premature termination of this Agreement and are not a penalty. A precise calculation of the full extent of damages that we will incur if this Agreement terminates because you default cannot be reasonably determined. Nevertheless, the parties agree that the lump-sum payment provided under this Section 16.4 is reasonable in light of the damages for premature termination that may reasonably be expected to occur in such event.

**16.4.3.** The amounts contemplated under this Section 16.4 are not a penalty and the payment is intended by the parties only as a compensatory remedy for past breaches and not as a preventative remedy to deter future breaches. The sum contemplated in this Section 16.4 does not represent a price for the privilege of not performing nor does the payment represent an alternative manner of performance. Accordingly, as a purely liquidated damages provision, this Section does not preclude, and is not inconsistent with, a court granting us specific performance or any other equitable remedies, such as an injunction, to prevent future breaches. Our rights to liquidated damages and specific performance or any other equitable relief are not mutually exclusive.

**16.5. Enforcement Costs.** You agree to pay all damages, costs, and expenses, including, but not limited to, reasonable attorneys' fees, that we incur (even if after the expiration or termination of this Agreement) in enforcing this Section 16 or Section 17.2 below.

### **17. RESTRICTIONS ON COMPETITION**

**17.1. During the Term.** You acknowledge that this Agreement will give you access to valuable and Confidential Information regarding the System, including our business development strategy and the operational, teaching, sales, promotional and marketing methods of Bach to Rock Schools. You agree that during the term of this Agreement, you will not, without our prior written consent, either directly or indirectly through any other person or entity:

**17.1.1.** Own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that operates, or grants franchises or licenses

to operate, a music school, or a similar business that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools (“**Competitive Business**”);

**17.1.2.** Divert or attempt to divert any business or customer, or potential business or customer, to any Competitive Business

**17.1.3** In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize our business or that of our affiliates or any of our franchisees.

**17.2. After Termination, Expiration, or Transfer.** For two (2) years after the expiration or termination of this Agreement or an approved Transfer to a new franchisee, you may not directly or indirectly own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in, any Competitive Business that is, or intends to operate: (a) at the Premises; (b) within the Territory; (c) within a five (5) mile radius of the Premises; or (d) within a five (5) mile radius of any other Schools operating or under construction to operate under the System as of the time that the obligations under this Section 17.2 commence, except as permitted by any franchise agreements that remain in effect between you and us. You agree that the length of time in this Section 17.2 will be tolled for any period during which you are in breach of the covenants set forth in this Section 17.2, or any other period during which we seek to enforce this Agreement.

**17.3. Owners and Employees.** You will cause the Owners (and their spouses) to personally bind themselves to this Section 17 by signing this Agreement and/or the attached Guarantee. With respect to the Owners (and their spouses), the time period in Section 17.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first. You must also require and obtain execution of covenants similar to those set forth in Section 12 above, and this Section 17 (as modified to apply to an individual), from any or all of the following persons: your officers, directors, and employees. (These persons and the Owners (and their spouses) are each a “**Restricted Party**.”) The covenants required by this Section 17.3 must be in the form provided in Appendix G to this Agreement for Owners (and their spouses), officers and directors. The covenants required by this Section 17.3 must be in the form provided in Appendix H for employees (which Appendix H may be updated from time to time in the Manuals). Failure by Franchisee to obtain execution of a covenant required by this Section 17.3 will constitute a default under Section 15.2.12 above.

**17.4. Indirect Violations Prohibited.** You may not attempt to circumvent the restrictions in Sections 17.1 and 17.2 by engaging in prohibited activity indirectly through any other person or entity (including through a spouse, parent, sibling, or child).

**17.5. Restriction on Transfer of Premises.** For a period of two (2) years following the expiration, termination or Transfer of this Agreement or an approved Transfer to a new franchisee, you further covenant and agree that you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Premises to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at the Premises. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Premises, must include, among the terms of such transaction, restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Premises for this two (2) year period, and you must take all steps necessary to ensure that these restrictive covenants become a matter of public record.

**17.6. Enforcement.** You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 17. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 17, including reasonable attorneys’ fees. You acknowledge that a violation of the terms of this Section 17 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 17. Such injunctive relief will be in addition to any other remedies that we may have.

**17.7. Severability.** If any restriction in this Section 17 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

**17.8. Survival.** The terms of this Section 17 will survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 17 will be construed as independent of any other provision of this Agreement.

## **18. RELATIONSHIP OF THE PARTIES**

This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee, or servant of each other for any purpose. You are not authorized to, and agree that you will not, make any contract, agreement, warranty, or representation on our behalf, or create any obligation, express or implied, on our behalf. During the term of this Agreement, you agree to hold yourself out to the public and to your employees as an independent contractor operating the Franchised Business under license from us, and you agree to disclose your status as independent contractor in all business dealings and exhibit a notice to that effect (the location and content of which we reserve the right to specify) prominently at the Premises and on all promotional materials, invoices and stationery.

## **19. INDEMNIFICATION**

You agree to hold harmless, defend, and indemnify us and our past, present and future affiliates, officers, directors, interest holders, members, shareholders, agents, attorneys, consultants, and employees against any claims, losses, costs, expenses (including, but not limited to, reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), costs of investigation, settlement costs, and interest), liabilities and damages (collectively in this Section 19, "**Claims**") arising directly or indirectly from, as a result of, or in connection with this Agreement, your operation of the School, your and/or your employees' actions or inactions, any claim that we are a joint employer with you for any reason, your activities under this Agreement, and/or your breach of this Agreement, including, without limitation, those alleged to be caused by our negligence unless (and then only to the extent that) the Claims are determined to be caused solely by our gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction (including, but not limited to, Claims brought by you). In the event we incur any costs or expenses, including, without limitation, legal fees (including, but not limited to, attorneys' fees, costs, and expenses, and interest on such fees, costs, and expenses), travel expenses, and other charges in connection with any proceeding involving you in which we are not a party, you must reimburse us for all such costs and expenses promptly upon presentation of invoices. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees under this Section, if you do not assume the active defense of the matter within a reasonable time, we will have the right, but not the obligation, to: (i) choose counsel; (ii) direct and control the handling of the matter; and (iii) settle any claim against the indemnitees. This Section will survive the expiration or termination of this Agreement, and applies to Claims even if they exceed the limits of your insurance coverage. You acknowledge and agree that your indemnification, defense and hold harmless obligations under this Section 19 shall survive the termination or expiration of this Agreement.

## **20. CONSENTS AND WAIVERS**

**20.1. Consent.** Whenever our prior written consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

**20.2. Waivers.** No delay or failure to exercise any right under this Agreement or to insist upon your strict compliance with any obligation or condition, and no custom or practice that differs from the terms of this Agreement, will constitute a waiver of our right to enforce the contract provision or to demand your strict compliance with the terms of this Agreement. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. In addition, our acceptance of any payments or partial payments due to us under this Agreement shall not be deemed to be a waiver by us of any preceding or succeeding breach by you of any terms, provisions, covenants, or conditions of this agreements, or other amounts due.

## **21. NOTICES**

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent via a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or sent by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Appendix A, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

## **22. ENTIRE AGREEMENT AND AMENDMENTS**

This Agreement, the exhibits and the documents referred to herein constitute the entire, full and complete agreement between you and us with respect to the Franchised Business and supersede all prior negotiations, representations, correspondence, and agreements concerning the same subject matter. There have been no other representations that have induced you to execute this Agreement. There are no other oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us relating to the subject matter of this Agreement, the franchise relationship, or the Franchised Business. However, nothing in this Franchise Agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.

Any amendment to this Agreement will not be binding on either party unless that amendment is in writing and signed by both parties.

## **23. SEVERABILITY AND SURVIVAL**

**23.1. Clauses are Severable.** Each provision of this Agreement is severable from the others. If for any reason any provision is determined by a court to be invalid, the invalidity will not impair the operation of the remaining provisions of this Agreement. The latter will continue to be given full force and effect and bind us and you.

**23.2. Survival of Clauses.** Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer.

**23.3. Force Majeure.** If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure which cannot be overcome by reasonable commercial measures, then the parties will be relieved of their respective obligations (but only to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure will give prompt written notice of the circumstances of such Force Majeure event to the other party by describing the nature of the event and an estimate as to its duration, if possible. As used in this Agreement, the term “**Force Majeure**” means any act of God, strike, lock out or other industrial disturbance, terrorist act, war (declared or undeclared), riot, epidemic, fire or other catastrophe, or act of any government. However, your inability to obtain financing or make payments (regardless of the reason) does not constitute a “Force Majeure.”

**23.4. Recitals and Captions.** The parties agree to incorporate by reference, and include in the text of this Agreement, the information in the recital paragraphs. The parties also agree that all of the captions in this Agreement are meant only for the convenience of the parties, and none of the captions will be deemed to affect the meaning or construction of any provision of this Agreement.

**23.5. No Third Party Rights.** Except as otherwise stated in this Agreement, nothing in this Agreement is intended (nor will be deemed) to confer upon any party any rights or remedies under or by reason of this Agreement, except for you, us, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Sections 13 and 14 above.

## **24. GOVERNING LAW**

Subject to our rights under federal trademark laws, this Agreement and the relationship between the parties shall be governed by and will be construed exclusively in accordance with the procedural and substantive laws of the State of Maryland (without regard to its conflict of law principles), and if the School is located outside of Maryland, then such covenants shall be interpreted and construed under the substantive laws of the state in which the School is located (without regard to its conflict of law principles). Nothing in this Section 24 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust consumer protection or similar law, rule or regulation of the State of Maryland to which this Agreement would not otherwise be subject. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. You waive, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

## **25. DISPUTES**

**25.1. Submission to Mediation.** Except as otherwise provided in Section 25.8 below, any controversy or claim arising between us will first be submitted to non-binding mediation administered by an established, neutral mediation service with experience in franchise disputes. Both parties must sign a confidentiality agreement before participating in any mediation proceeding. The mediation will take place in a city within 30 miles of where our principal offices are located at the time the demand for mediation is filed. Once either party has submitted a dispute to mediation, the obligation to attend will be binding on both parties. Each party will bear its own costs with respect to the mediation. The fee for the mediation, however, will be split equally.

**25.2. Forum for Litigation.** To the extent that any dispute cannot be resolved by mediation, you and we agree that all claims brought by you against us in any court, whether federal or state, shall be brought only within such state and in the judicial district in which we have our principal place of business at the time the action is commenced. We also have the right (in addition to filing in such federal or state courts in the jurisdiction where we have our principal place of business) to file any suit against you in the federal and state courts where you reside or where the School is located. The parties waive all rights to challenge personal jurisdiction and venue for the purpose of carrying out this provision.

**25.3. Mutual Waiver of Class Actions.** **ANY LAWSUIT, CLAIM, COUNTERCLAIM, OR OTHER ACTION MUST BE CONDUCTED ONLY ON AN INDIVIDUAL BASIS, AND MUST NOT BE AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION. YOU HEREBY AGREE NOT TO SEEK JOINDER OF ANY OF YOUR CLAIMS WITH THOSE OF ANY OTHER PARTY.**

**25.4. Mutual Waiver of Jury Trial.** **YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY LITIGATION.**

**25.5. Mutual Waiver of Punitive Damages.** **EXCEPT AS PROVIDED IN SECTION 16.4, EACH OF US WAIVES ANY RIGHT TO LOST FUTURE PROFITS OR CLAIM OF PUNITIVE, EXEMPLARY, MULTIPLE, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER IN LITIGATION AND AGREES TO BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED.**

**25.6 Time Period to Bring Claims.** Except as otherwise provided in this Section 25.6, and except for those claims brought under the indemnification (Section 19) or insurance coverage (Section 6) provisions, any and all Claims arising out of or relating to this Agreement, the relationship between you and us, or your operation of the School brought by any party hereto against the other must be commenced before the expiration of the earlier of (a) the time period for bringing an action under any applicable state or federal statute of limitations; (b) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged Claim; or (c) two (2) years after the first act or omission giving rise to an alleged Claim; or it is expressly acknowledged and agreed by all parties that such Claims shall be irrevocably barred. Claims attributable to your underreporting of sales, and claims of your failure to pay monies owed and/or to provide indemnification, shall be subject only to the applicable state or federal statute of limitations. As used in this Section 25.6, "Claim" means any allegation, challenge, demand, cause of action, lawsuit, arbitration, dispute, controversy, investigation or administrative proceeding.

**25.7. Remedies Not Exclusive.** Except as provided in Sections 25.1 through 25.4 above, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law.

**25.8. Our Right to Injunctive Relief.** Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us harm. You agree that we will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance.

**25.9. Attorneys' Fees and Costs.** You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees, costs, and expenses, and interest on such fees, costs, and expenses): (a) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners; (b) in connection with claims that we bring relating to the offering of this Franchise Agreement or the franchise relationship; and (c) in the defense of any claim you and/or the Owners assert against us upon which we substantially prevail in court, arbitration, or other formal legal proceedings. For the purposes of this Section 25.9, as well as Section 16.5 and Section 17.6, the word "enforce" includes, but is not limited to, the execution, administration, collection, enforcement, protection, and/or waiver of the terms of this Agreement.

**25.10 Survival.** You acknowledge and agree that this Section 25 shall survive the termination or expiration of this Agreement.

## **26. ACKNOWLEDGMENTS**

**26.1. Independent Investigation.** You and the Owners acknowledge that:

**26.1.1.** You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability.

**26.1.2.** We expressly disclaim the making of, and you acknowledge that you have not received, any representation, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

**26.1.3.** Any financial performance information presented in our Franchise Disclosure Document is not a warranty or guarantee of the results that you will achieve, and your experience is likely to differ.

**26.1.4.** We do not, by virtue of any approvals or advice provided to you, assume responsibility or liability to you or any third party to which we would otherwise not be subject.



**26.1.5.** You have sole and complete responsibility for the choice of the Premises; that we have not (and will not be deemed to have, even by virtue of our approval of the proposed Premises) given any representation, promise, or guarantee of your success at the Premises; and that you will be solely responsible for your own success at the Premises.

**26.1.6.** We make no warranty as to your ability to operate the Franchised Business in the jurisdiction in which the Franchised Business is to be operated. You must seek or obtain advice of counsel specifically with respect to this issue.

**26.2. Receipt of Documents.** You acknowledge that you received a copy of this Agreement, the exhibits hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days before the date when this Agreement was signed, and with sufficient time to review the Agreement with advisors of your choosing. You further acknowledge that you received our franchise disclosure document required by the Federal Trade Commission's Franchise Rule at least fourteen (14) days before the date this Agreement was signed.

**26.3. Terrorism and Money Laundering Activities.** You and the Owners represent and warrant that neither you nor any of the Owners is identified, either by name or by an alias, pseudonym, or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (text currently available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)). Further, you and the Owners represent and warrant that neither you nor any of the Owners has violated, and you and all of the Owners agree not to violate, any law prohibiting corrupt business practices, money laundering, or the aid or support of persons or entities who conspire to commit acts of terror against any person, entity, or government, including acts prohibited by the USA Patriot Act (text currently available at <https://www.gpo.gov/fdsys/pkg/BILLS-107hr3162enr/pdf/BILLS-107hr3162enr.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and you and the Owners shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

**26.4 Personal Obligations of Owners.** The Owners acknowledge that, by signing this Agreement or the Personal Guarantee attached as Appendix C, they are binding themselves as individuals to all of the terms and conditions of this Agreement, including without limitation Section 12, Section 14, Section 17, and Section 25.

**26.5. System Standards.** Although we retain the right to establish and periodically modify System Standards which you have agreed to maintain in the operation of the Franchised Business, you retain the right and sole responsibility for the day to day management and operation of the Franchised Business and the implementation and maintenance of System Standards at the Franchised Business.

**26.6. Franchisor's Reasonable Business Judgment.** Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations if we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product and service quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute judgment for our reasonable business judgment.

**26.7. Other Offers.** You acknowledge and agree that we may modify the offer of our franchises to other franchisees in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that differ from the terms, conditions, and obligations in this Agreement.

**26.8. No Conflicting Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

The parties, intending to be legally bound, have entered into this Agreement on the date first written above.

**WITNESS**

**AMERICA'S MUSIC SCHOOL LLC**

Franchisor

\_\_\_\_\_  
Witness

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

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

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

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Franchisee

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

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

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

**APPENDIX A**

Territory, Premises and Contract Data

1. The Territory (Section 1.3) is: \_\_\_\_\_  
\_\_\_\_\_ (to be completed once Premises known).

2. The Premises (Section 1.1.1) is located at: \_\_\_\_\_. (If the Premises is not known upon execution of the Agreement, this will be completed following the site selection process. See Section 4.1 and Appendix E.) Signing of this Appendix A with the Premises specified shall constitute written approval of the site selected by the Franchisee pursuant to Appendix E, subject, however to Section 4.3 of the Franchise Agreement and paragraph 6 of Appendix E to the Franchise Agreement.

3. The Initial Franchise Fee (Section 3.1) is: \$40,000.

4. Technology, Maintenance and Help Desk Fee (Section 3.5): The current fee for the license and use of the Harmony Gateway system is five thousand dollars (\$5,000) up front and two hundred and ten dollars (\$210) per month (which is due the tenth (10<sup>th</sup>) day of the month for the preceding month commencing upon the opening of the School).

5. Opening Deadline (Section 4.4): nine (9) months after the Agreement Date. Time is of the essence.

6. Addresses for Notices

Franchisor:

America's Music School LLC  
4819 St. Elmo Avenue  
Bethesda, Maryland 20814  
Attention: Brian Gross, President  
Email:Bgross@bachtorock.com

Franchisee:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

**America's Music School LLC**

Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

**APPENDIX B**

List of Owners and Ownership Interests

Effective Date: This Appendix B is current and complete  
as of \_\_\_\_\_, 20\_\_\_\_

Franchisee and Its Owners

1. Form of Franchisee Entity.

(a) Individual Proprietorship. Franchisee's owner(s) (is) (are) as follows:

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

(b) Corporation, Limited Liability Company, or Partnership. The Franchisee entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Franchisee's partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Franchisee's owners, or an owner of one of Franchisee's (direct or indirect) owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name/Address</u>	<u>Percentage/Description of Interest</u>
(a)	_____ _____ _____	_____ _____
(b)	_____ _____ _____	_____ _____
(c)	_____ _____ _____	_____ _____
(d)	_____ _____ _____	_____ _____

3. Identification of each Operating Principal. Franchisee's Operating Principal as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). Franchisee may not change the Operating Principal without Franchisor's prior written consent.

**America's Music School LLC**  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

## APPENDIX C

### Personal Guarantee

As an inducement to America's Music School LLC (the "**Franchisor**") to execute a Bach to Rock Franchise Agreement (the "**Agreement**") with \_\_\_\_\_, [a \_\_\_\_\_ organized under the laws of \_\_\_\_\_,] (the "**Franchisee**"), the undersigned individuals (collectively, the "**Guarantors**") unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns that all of the Franchisee's obligations under the Agreement, and under other agreements or arrangements between the Franchisee and Franchisor, its affiliates, or their successors or assigns, including the Harmony Gateway License Agreement (collectively, the "**Obligations**"), will be punctually paid and performed. The liability of the Guarantors under this Guarantee is joint and several.

#### 1. Guarantee

Upon demand by Franchisor, the Guarantors will immediately satisfy each Obligation. Each Guarantor waives any right to require Franchisor to: (a) proceed against the Franchisee or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Franchisee or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Franchisee or any other Guarantor. Without affecting the liability of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any Obligation, or settle, adjust, or compromise any claims against the Franchisee. The Guarantors waive notice of amendment of the Agreement as well as notice of amendment of the Harmony Gateway License Agreement and notice of demand for contribution or payment by the Franchisee and agree to be bound by any and all such amendments and changes to the Agreement and the Harmony Gateway License Agreement. Each Guarantor also acknowledges that the statements in Section 26.1 and 26.3 of the Agreement are true and accurate as to himself or herself.

#### 2. Indemnity

The Guarantors agree to hold harmless and indemnify Franchisor, its affiliates, and their respective officers, directors, members, shareholders and employees against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees, reasonable costs of investigation and court costs) resulting from, consisting of, or arising out of or in connection with any failure by the Franchisee to perform any Obligation.

#### 3. Duration

Except for those personal obligations described in Section 4 below that will survive the expiration, termination or transfer of rights or ownership of the Franchisee or the Franchise Agreement, this Guarantee with respect to an individual Guarantor will terminate upon one of the following events: (a) termination or expiration of the Agreement, (b) the Guarantor's transfer of all of his/her interest in Franchisee, or (c) the Guarantor's spouse's transfer of all of his/her interest in Franchisee, if the Guarantor does not own an interest in Franchisee. However, all liabilities of the Guarantors arising from events which occurred on or before the effective date of termination, expiration or transfer will remain in full force and effect until satisfied or discharged by the Guarantors. Upon the death of a Guarantor, the estate of the Guarantor will be bound by this Guarantee, but only for defaults and obligations of the Guarantor existing at the time of death; and the obligations of the other Guarantors will continue in full force and effect.

#### 4. Other Personal Obligations

Except as expressly authorized by the Agreement, the Guarantors agree that they will not make any use of the intellectual property rights licensed under the Agreement or any trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of the training they may have

received from Franchisor, their involvement in the business, or their or their spouse's ownership interest in the Franchisee, and Guarantors will not disclose the same to any third party.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete (Section 17 of the Franchise Agreement), confidentiality provisions (Sections 11 and 12 of the Franchise Agreement), proprietary marks provisions (Section 7 of the Franchise Agreement), governing law and dispute resolution provisions (**including the jury trial waiver, limitation on the time for bringing claims, waiver of class actions, and waiver of punitive damages** (Sections 24 and 25 of the Franchise Agreement)), construction and survival (Sections 22 and 23 of the Franchise Agreement), and restrictions on transfers of interest contained in Section 14 of the Agreement (however, the Guarantors understand and acknowledge that this Guarantee does not grant them any right to use the "Bach to Rock" marks or system licensed to Franchisee under the Agreement or the Harmony Gateway License Agreement).

5. Enforcement of Obligations Under This Guarantee

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses (and any interest) whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding.

GUARANTORS:

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

\_\_\_\_\_

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

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

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

\_\_\_\_\_

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

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

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

\_\_\_\_\_

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

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

**APPENDIX D**

EFTA Form

**AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)**

\_\_\_\_\_  
\_\_\_\_\_  
(Name of Person or Legal Entity)  
(ID Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes **AMERICA’S MUSIC SCHOOL LLC**, a Maryland limited liability company (“**Franchisor**”), to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

_____ Depository	_____ Branch	
_____ City	_____ State	_____ Zip Code
_____ Bank Transit/ABA Number	_____ Account Number	

This authority is to remain in full force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination, which notification may not be made by Franchisee until the termination of the Franchise Agreement.

_____ Depositor:	_____ Depository:
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____

Franchisee/Depositor: Please attach to this form a voided check from the Depositor’s checking and/or savings account indicated above.



## APPENDIX E

### Site Selection Addendum

America's Music School LLC ("**we**" or "**us**") and \_\_\_\_\_ ("**you**") have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the "**Addendum Effective Date**") entered into a Bach to Rock Franchise Agreement ("**Franchise Agreement**") and desire to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties hereto agree as follows:

### AGREEMENT

1. **General Procedures and Broker Requirements.** After you and we sign this Addendum, we will provide you with our real estate guidelines (which are part of our Manuals), which will describe our procedures and policies regarding the selection and leasing of locations, including our minimum standards for a location for Bach to Rock Schools. You agree that you will not contact any potential lessors regarding the development of a School or engage any real estate brokers before you and we begin activities under this Addendum. We suggest you engage a qualified commercial real estate broker who has adequate experience with retail leasing opportunities and who is reasonably acceptable to us.

2. **Time to Locate Site and Site Selection Area:**

2.1 Within one hundred eighty days (180) days after the Addendum Effective Date (the "**Search Period**"), you must acquire or lease/sublease, at your expense, commercial real estate that is properly zoned for use as a Bach to Rock School that you will operate under the Franchise Agreement (the "**School**") at a site that we approve as described in this Addendum. This site will be the "**Approved Location**" and will be the "**Premises**" under the Franchise Agreement.

2.2 Any sites that you propose must be within the following area: \_\_\_\_\_

\_\_\_\_\_ (the "**Site Selection Area**").  
The Site Selection Area is described solely for the purpose of selecting a site for the School. We will not establish, nor franchise another to establish, a Bach to Rock School within the Site Selection Area until we approve a location for the School, or until the expiration of the Search Period, whichever event first occurs.

2.3 If you used your best efforts but have not identified a suitable site that we approve by the end of the Search Period, we will have the right to extend the Search Period by up to sixty (60) days. If you fail to acquire or lease or sublease a site for the School within the Search Period (as extended, if we have done so), you will be in default under the Franchise Agreement and this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 15.2 of the Franchise Agreement. If we elect not to terminate this Agreement at such time and we extend the period of time you may search for a site past the Search Period, we may subsequently terminate the Franchise Agreement and this Addendum for your failure to acquire or lease or sublease a site for the School, and/or we reserve the right to make your Site Selection Area available to others (including, without limitation, current franchisees, prospective franchisees, and/or us or any of our affiliates) for the establishment of a Bach to Rock School, and your Site Selection Area will be modified to eliminate any areas that become protected territories for another Bach to Rock School. If we terminate the Franchise Agreement and this Addendum for your failure to acquire, lease or sublease a site for the School, you acknowledge that we have no obligation to refund the Initial Franchise Fee or Harmony Gateway license fee to you.

2.4 You acknowledge and agree that we have no responsibility for, or liability to you for, any site review, analysis, evaluation, or recommended undertaking by or on behalf of any real estate broker or advisor that you use or retain, including brokers or advisors that we approve or recommend.

3. **Site Evaluation Services:** We will, directly or through a designated third party, conduct one on-site evaluation as we deem necessary and appropriate (on our own initiative or at your request) without a

separate charge. If we or our designee conduct any additional on-site evaluations, you must reimburse us or our designee, as applicable, for all reasonable expenses that we or the designee incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals.

4. **Site Selection Package Submission and Approval:** You must submit a site review report and such other information or materials as we may reasonably require (including but not limited to photographs, demographic information, an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site). We will use reasonable efforts to approve or disapprove the proposed site within thirty (30) days after receiving your completed site review report. If we do not approve in writing the proposed site, you must, within thirty (30) days after our disapproval of the proposed site, submit an additional site for our review and approval. We will not unreasonably withhold approval of any site that meets our standards. You may not lease or otherwise acquire the right to occupy the proposed site without our prior written approval.

5. **Lease Responsibilities:** Within ninety (90) days after we approve a site, you must execute a lease or sublease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. In connection with the potential lease or sublease, you must engage, at your expense, a qualified real estate attorney who has adequate experience in negotiating retail leases and who is reasonably acceptable to us. Our approval of any lease is conditioned only upon the inclusion in the lease of the terms included in the Lease Rider attached to the Franchise Agreement as Appendix F (include these terms as an amendment or rider signed with your lease or sublease). Although we may review the lease and advise you, we will not be responsible for review or approval of the Lease for any terms other than those contained in the Lease Rider.

6. **Approved Location:** Upon our approval of a site under Section 4 of this Addendum, and after you secure the site pursuant to Section 5 of this Addendum, we will insert its address into Appendix A of the Franchise Agreement, and it will be the Approved Location. The Territory, as defined under Section 1.3 of the Franchise Agreement, will be the geographic area thereafter described in Appendix A to the Franchise Agreement. You acknowledge and agree that, if we have recommended, approved or given you information regarding a site for the Approved Location, that is not a representation or warranty of any kind, express or implied, of the suitability of the site for a Bach to Rock School or any other purpose. Our recommendation indicates only that we believe that the site meets our then acceptable criteria. Applying criteria that have appeared effective with other sites and premises might not accurately reflect the potential for all sites and premises, and demographic and/or other factors included in or excluded from our criteria could change, altering the potential of a site and premises. The uncertainty and changeable nature of these criteria and factors are beyond our control, and we are not responsible if a site and premises we recommend, suggest and/or approve fails to meet your expectations. In addition, any recommendations, suggestions or approvals of a proposed site are not a warranty, guarantee or representation that the site will achieve any level or amount of sales, revenue or profit as a Bach to Rock School location. You acknowledge and agree that your acceptance of the obligation to develop the School is based on your own independent investigation of the suitability of the site for the School.

7. **Entire Agreement:** This Addendum is an integral part of the Franchise Agreement, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined in this Addendum will have the same meaning as used in the Franchise Agreement. Except as modified or supplemented by this Addendum, you and we ratify and confirm the terms of the Franchise Agreement.

*[Signatures on next page]*

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

**America's Music School LLC**  
Franchisor \_\_\_\_\_

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

## APPENDIX F

### Lease Rider Terms

Notwithstanding anything in the lease to the contrary, the Landlord and Tenant agree as follows (capitalized terms not defined herein having the meanings set forth in the Franchise Agreement between Tenant and America's Music School LLC ("AMS"), Tenant's franchisor):

1. The initial term of the lease, or initial term together with renewal terms, will be for not less than ten (10) years.

2. Landlord consents to Tenant's use and display of the Proprietary Marks and signage as AMS may require from time to time for the Franchised School, subject only to the provisions of applicable law.

3. Tenant will have the right to alter, renovate, add, remodel, modify, and/or change the Premises and/or other improvements upon the Premises as Tenant may deem desirable, provided that if any such alterations, renovations, additions, modifications, remodeling and/or changes to the Premises and/or improvements upon the Premises affect the exterior, structural elements or foundation of the Premises, Tenant must first obtain the consent of Landlord, which consent will not be unreasonably withheld, conditioned or delayed.

4. The Premises will be used solely for the operation of a Bach to Rock School which operates using the Proprietary Marks and System while the Franchise Agreement is in effect and Tenant is in lawful possession of the Premises.

5. Landlord will concurrently provide AMS with a copy of any written notice of deficiency or default under the lease sent to Tenant, and Landlord will provide AMS with written notice specifying any deficiencies or defaults that Tenant does not cure. AMS' address is:

4819 St. Elmo Avenue  
Bethesda, Maryland 20814

6. AMS has the right (but not obligation) to cure any deficiency under the lease within thirty (30) days after the expiration of the period in which Tenant has to cure any such default if Tenant fails to do so, and Landlord will not terminate the lease during that period.

7. Landlord acknowledges that, in the event the Franchise Agreement expires or is terminated: (a) Tenant is obligated under the Franchise Agreement to take certain steps to de-identify the location as a "Bach to Rock" School; and (b) Landlord will cooperate fully with AMS in enforcing such provisions of the Franchise Agreement, including allowing AMS, its employees and agents to enter and remove signs, decor and materials bearing or displaying any Proprietary Marks, designs, or logos, provided that Landlord will not be required to bear any expense thereof.

8. Termination of the Franchise Agreement will constitute a default under the lease.

9. AMS has the right, at AMS's election, to receive an assignment of the leasehold interest upon termination or expiration of the franchise grant. Additionally, Tenant (and any guarantors of the lease) will remain liable to Landlord for all of Tenant's obligations under the lease, notwithstanding any assignment of the Lease to AMS or AMS's assignee.

10. Tenant is restricted from accepting any requirement under the lease that seeks to impose any restrictions (territorial or otherwise) on the development or operation of other Bach to Rock Schools by Tenant, AMS, or any other person or entity.

11. Landlord agrees that Tenant may not assign the lease or sublease all or any part of Tenant's occupancy rights thereunder without AMS's prior written consent.

12. Landlord's consent to an assignment of the lease or subletting of the Premises will not be required in connection with an assignment or subletting to AMS, or any parent, subsidiary or affiliate of AMS or Tenant, or another operator that AMS has approved to be the franchisee for the School.

13. Landlord may not sell or lease or allow the sublease of, space in the building, or on the property, to any person or entity for a music school or similar business. Additionally, Landlord will not sell to any individual or entity that engages in, and will prohibit any other tenant or subtenant in the building, or on the property, from engaging in, activities predominantly related to the offer and sale of music lessons or services similar to those offered by a Bach to Rock School. In the event Landlord does not comply with these restrictions, Tenant will have the right to seek an injunction prohibiting the occupancy by the new competing business or against the existing tenant, as the case may be.

14. Landlord will, upon reasonable request from Tenant's lender, agree to subordinate any interests it may have in Tenant's equipment or other leasehold improvements to Tenant's lender's interests.

15. No amendment may be made to the lease without AMS's prior written consent (which AMS will not unreasonably withhold or delay), and AMS may elect not to be bound by the terms of any amendment to the lease executed without obtaining AMS's prior written approval to such amendment.

## APPENDIX G

### Non-Disclosure and Non-Competition Agreement (Between Franchisee and its Owners (and Spouses), Officers, and Directors)

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT** (“**Agreement**”) is made by and between \_\_\_\_\_ (the “**Franchisee**”), and \_\_\_\_\_, who is an owner, spouse of an owner, officer or director of Franchisee (the “**Member**”), on the date signed by Franchisee, as set forth below.

#### RECITALS:

**WHEREAS**, America's Music School LLC (“**Franchisor**”) has developed a distinctive set of specifications and operating procedures (collectively, the “**System**”) for the operation of “Bach to Rock” Schools (“**Franchised Businesses**”).

**WHEREAS**, Franchisor and Franchisee have executed a Franchise Agreement (“**Franchise Agreement**”) granting Franchisee the right to operate a Franchised Business under the terms and conditions of the Franchise Agreement;

**WHEREAS**, the Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge or use for any purpose other than the operation of the Franchised Business, any confidential information, knowledge, trade secrets or know-how which may be communicated to Member or which Member may learn by virtue of Member's (or Member's spouse's) relationship with Franchisee. All information, knowledge and know-how relating to Franchisor, its business plans, Franchised Businesses, or the System (“**Confidential Information**”) is deemed confidential, except for information that Member can demonstrate came to Member's attention by lawful means prior to disclosure to Member or which, at the time of the disclosure to Member, had become a part of the public domain other than through Member's act or omission. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and/or by virtue of his or her (or his or her spouse's) position with Franchisee, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for him or herself, or through, on behalf of, or in conjunction with any person (including through a spouse, parent, sibling, or child), persons, partnership, corporation, or entity:

(i) Own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that (directly or indirectly) operates, or grants franchises or licenses to operate, music schools or that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools (“**Competitive Business**”);

(ii) Divert or attempt to divert any business or customer, or potential business or customer, of the Franchised Business to any Competitive Business; or

(iii) Induce any person to leave his or her employment with Franchisee or Franchisor.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, and subject to applicable law, Member will not, either directly or indirectly (including through a spouse, parent, sibling, or child), own, manage, engage in, be employed by, advise, make loans to, consult for, or have any other interest in any Competitive Business that is, or intends to operate: (a) at the Premises; (b) within the Territory; (c) within a five (5) mile radius of the Premises; or (d) within a five (5) mile radius of any other Bach to Rock Schools then operating or under construction to operate under the System.

(d) As used in this Agreement, the term "Post-Term Period" will mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer of the Member's interest (or, if the Member is not an owner of the Franchisee but a spouse of the owner, a transfer of the spouse's interest) in the Franchised Business permitted under Section 14 of the Franchise Agreement; (b) expiration or termination of the Franchise Agreement (regardless of the cause for termination); (c) termination of Member's directorship or officership with Franchisee; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any person, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, are held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Franchisee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Definitions. All capitalized terms not defined herein will have the meaning ascribed to them in the Franchise Agreement.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

*[Signatures on next page]*

**IN WITNESS WHEREOF**, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date set forth below.

FRANCHISEE

MEMBER

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

\_\_\_\_\_

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

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

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

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

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

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



## APPENDIX H

### Non-Disclosure and Non-Competition Agreement (Between Franchisee and its Personnel)

#### EMPLOYEE AGREEMENT

**[Note to Franchisee: This document is a sample form only for use with your managers and employees with access to Confidential Information. You may use this form or choose to use your own form of agreement, provided that if you use your own form of agreement it must meet our standards and specifications. If you use this form, you should consult with your attorney to ensure that the terms of this agreement are enforceable within your state and make any necessary modifications. In some states, this agreement may only be enforceable to the extent permitted by state law.]**

THIS EMPLOYEE AGREEMENT IS MADE BY AND BETWEEN \_\_\_\_\_ (THE "FRANCHISEE") AND \_\_\_\_\_ (THE "EMPLOYEE") ON THE DATE SIGNED BY FRANCHISEE, AS SET FORTH BELOW.

1. Franchisee has entered into an agreement with America's Music School LLC (the "Franchisor") giving Franchisee the right to operate a Bach to Rock School pursuant to a distinctive and proprietary set of specifications and operating procedures.
2. Employee by virtue of his/her employment with Franchisee will gain access to certain of Franchisee's and Franchisor's confidential information and acknowledges that both the Franchisee and Franchisor need to protect this information.
3. Employee will, during and after his/her term of employment, hold in confidence and not disclose or use to his/her own advantage or the advantage of others any confidential or proprietary information belonging to the Franchisor or the Franchisee, except on their behalf, without their express written consent.

For the purposes of this paragraph, confidential or proprietary information shall be deemed to include all information which Employee learns or to which he/she has access as a result of his/her employment, such as (a) names or addresses of any customers of the Franchisee or information relating to the services provided to such customers; (b) names or address of any of the employees of the Franchisee or the Franchisor; (c) proprietary, confidential or secret processes, plans, devices, or material relating to the business, products and services, or activities of the Franchisee or Franchisor; (d) proprietary, confidential or secret engineering, development, or research of the Franchisee or Franchisor; (e) financial information relating to the Franchisee or Franchisor; or (f) other proprietary, confidential or secret aspects of the business, products and services or activities of the Franchisee or Franchisor. Excepted from the terms of this paragraph is confidential or proprietary information that (i) is currently in the public domain; (ii) becomes part of the public domain other than through Employee's act or omission; (iii) is revealed to Employee by a third party without restrictions on its disclosure or use; or (iv) is known to Employee before such time as he/she shall have access to it as a result of his/her employment with the Franchisee. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Franchisor's Manuals.

Employee recognizes that the above definition may include within its scope some information, the disclosure of which could not reasonably be expected to cause damage to the Franchisee or Franchisor. Employee understands that it is the intent of the Franchisee and Franchisor to interpret and apply this Employee Agreement reasonably. At any time, should Employee have a question on whether any information within the scope of the above definition might nonetheless be disclosed, Employee will consult with his/her manager.

4. Employee agrees that on leaving the employment of the Franchisee, or at the request of the Franchisee or Franchisor at any time during his/her employment, Employee shall immediately deliver to the Franchisee or Franchisor (or destroy, at the Franchisee's or Franchisor's discretion) all confidential or proprietary information and other such materials in Employee's possession, custody or control.

5. All of Employee's work product created during the course of his/her employment, including but not limited to musical works, arrangements, curricula, trademarks and related writings, shall belong to the Franchisor. Employee agrees to take such actions, both during and subsequent to the time of employment, as the Employee may be directed, and at the Franchisor's expense, in order to assist the Franchisor in the perfection of such ownership. Nothing herein shall give the Franchisor any right, title or interest in any artistic arrangements written or created by Employee outside the scope of his/her employment with the Franchisee, nor in any methodologies the Employee creates outside the scope of his/her employment with the Franchisee for the purposes of teaching the curricula or related concepts to students. For the avoidance of doubt, activities that the Employee engages in while the Employee is in the Franchisee's facilities but is during time that the Employee is not being paid is outside the scope of his/her employment.

Employee has identified on the attached Exhibit A all work product which he/she made, conceived or wrote, in whole or in part, and which relates to the actual or anticipated business of the Franchisee or Franchisor, before he/she entered the employ of the Franchisee.

6. Employee will notify the Franchisee promptly in writing of any and all ideas, inventions, discoveries and improvements, including without limitation, programs, methods and procedures (for the purposes of this paragraph, "Improvements"), whether patentable or not, which are made, discovered, or conceived either solely by Employee or jointly with others, at the Franchisee's expense, or at the Franchisee's request, or as a result of his/her employment with the Franchisee, or based on his/her knowledge or information obtained from the Franchisee or Franchisor, whenever or wherever such Improvements were conceived, and Employee will assign all right, title and interest to them to the Franchisor. Employee will assign to the Franchisor all interest in any patents, patent applications or other intellectual property rights relating to such Improvements and will assist the Franchisor in obtaining, maintaining, and prosecuting such patents, patent applications and intellectual property rights. Employee will assign and does hereby assign to the Franchisor all such Improvements (including, but not limited to all patent rights, copyrights, and rights of authorship therein), free and clear of any liens, claims or encumbrances. Employee will take all steps both during and after his/her employment with the Franchisee (but at the Franchisor's expense) that may be necessary in order to effectuate the assignment to the Franchisor or to enforce any patents, copyrights or any proprietary rights relating to the Improvements and Employee will execute all documents necessary to give to the Franchisor full legal ownership to such Improvements. Employee irrevocably designates and appoints the Franchisor and its duly authorized officers and agents as his/her agent and attorney in fact to act for and on Employee's behalf and stead, to execute and file any application, assignment or other document and to do all other lawfully permitted acts to further the assignment, prosecution and/or issuance of a patent, copyright, mask work and/or trademark with respect to the Improvements and/or other works created by Employee with the same legal force and effect as if executed and filed by Employee.

7. Employee will not, while in the employ of the Franchisee and for a period of one (1) year after termination of his/her employment, interfere with or attempt to disrupt any relationship the Franchisee may have with any student, customer, employee or agent, attempt to induce any person or company to purchase or use products or services marketed in competition with those available from the Franchisee or disparage the Franchisee's or Franchisor's products or services.

8. Employee will not, while in the employ of the Franchisee and for a period of one (1) year after termination of his/her employment, own, manage, engage in, be employed by, advise, consult for, or have any other interest in any business that operates or grants franchises or licenses to operate, music schools or that offers products or services substantially similar to those offered by Bach to Rock schools within a five (5) mile radius of any Bach to Rock school, whether or not owned by the Franchisee.

9. While in the employ of the Franchisee, Employee will notify the Franchisee promptly in writing if Employee becomes involved in any way in any business that is or may be competitive with the Franchisee,

or may affect his/her job performance for the Franchisee. Any such companies described herein with which the Employee is currently involved are listed on Exhibit A.

10. Franchisee and/or Franchisor may from time to time photograph and make audio and video recordings of Employee in the course of Employee's employment. Employee hereby gives permission for Franchisee and/or Franchisor to so photograph and make audio and video recordings of him/her, and use such photographs and audio and video recordings for marketing, promotional and quality assurance purposes. This permission extends to the recording of telephone calls and security camera audio and video surveillance and the use of Employee's name. Employee acknowledges that Franchisor will own all right, title and interest in and to such photographs and audio and video recordings.

11. The Franchisee or Franchisor, as the case may be, shall be entitled to injunctive and/or other equitable relief to prevent a breach of the foregoing provisions and to secure their enforcement, because a breach by Employee of any of the foregoing would cause one or both of them irreparable injury and damage. Employee also agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisee or Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Employee Agreement. Nothing herein shall be construed as prohibiting either the Franchisee or Franchisor from pursuing any other remedies for such breach or threatened breach.

12. Employee hereby acknowledges and agrees that the Franchisor is an intended third-party beneficiary of this Employee Agreement with the right to enforce it, independently or jointly with the Franchisee.

13. In some states, this Employee Agreement may only be enforceable to the extent permitted by state law.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Employee Agreement.

FRANCHISEE

Employee

By: \_\_\_\_\_  
Name and title

\_\_\_\_\_  
Signature

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

\_\_\_\_\_  
Name

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

Exhibit A

All work product which Employee made, conceived, or wrote, in whole or in part, and which relates to the actual or anticipated business of the Franchisee or Franchisor, before Employee entered the employ of the Franchisee:

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All companies with which Employee is currently involved that are or may be competitive with the Franchisee:

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**APPENDIX I**

Harmony Gateway License Agreement

(see attached)

**AMERICA'S MUSIC SCHOOL  
HARMONY GATEWAY LICENSE AGREEMENT**

**THIS HARMONY GATEWAY LICENSE AGREEMENT** ("Agreement") is made by and between America's Music School LLC ("Licensor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Licensee").

**RECITALS**

Pursuant to a certain franchise agreement between Licensor and Licensee entered into on the date hereof (the "Franchise Agreement"), Licensor granted Licensee the right to own and operate a "Bach to Rock" music education center at a location to be determined ("Franchised School").

Licensor owns or has the right to use and license the use of the Software (as defined below) for use in the Franchised School.

Licensee desires to obtain a license, and Licensor desires to grant a license to Licensee, for use of the Software and Documentation (as defined below) in the Franchised School upon the terms and conditions contained in this Agreement.

Licensee has requested to obtain, and Licensor has agreed to provide, support for the Software, on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**ARTICLE 1**

**DEFINITIONS**

**1.1** "**Designated Environment**" means the minimum hardware and software environments described in Exhibit A. Licensor reserves the right to change the Designated Environment at any time and from time to time.

**1.2** "**Confidential Information**" means the Software, Documentation and Specifications, and the terms and conditions of this Agreement, which are each confidential and proprietary to Licensor and/or its licensors.

**1.3** "**Designated Hardware**" means Licensee's hardware used in the Franchised School and meeting the specifications of the Designated Environment set forth in Exhibit A. Licensor shall have no obligation to support or maintain any of the Designated Hardware.

**1.4** "**Documentation**" means the user documentation provided by Licensor for the Software.

**1.5** "**License Fee**" means that fee payable to Licensor for the license granted in Section 2.1 below.

1.6 “**Software**” means the software system known as Harmony Gateway licensed hereunder; such software is described on Exhibit B hereto and consists of (a) third party software licensed to Licensor which Licensor has the right to license to Licensee hereunder for use in the Franchised School in accordance with the terms hereof, and (b) proprietary software owned by Licensor.

1.7 “**Specifications**” means Licensor's current published description (if any) of the Software.

1.8 “**Support Services**” has the meaning ascribed to it in Section 4.1 hereof.

## ARTICLE 2

### SOFTWARE LICENSE

2.1 **License.** Licensor grants Licensee a non-exclusive, non-transferable license to use the Software and Documentation in accordance with the terms and subject to the conditions set forth in this Agreement solely for its internal operations at the Franchised School.

2.2 **Distribution.** Licensee shall not: (a) make available all or part of the Software or Documentation to any third party by assignment, sublicense or by any other means; (b) copy, adapt, reverse engineer, decompile, disassemble, or modify, in whole or in part, any of the Software or Documentation; or (c) use the Software to operate in or as a time-sharing, outsourcing, or service bureau environment, or in any way allow third party access to the Software.

2.3 **Proprietary Rights.** Licensee acknowledges and agrees that the copyright, patent, trade secret, and all other intellectual property rights of whatever nature in the Software, Documentation and Specifications are and shall remain the property of Licensor and/or its licensors, and nothing in this Agreement should be construed as transferring any aspects of such rights to Licensee or any third party.

## ARTICLE 3

### ACCESS TO DATA

Licensee agrees that Licensor and/or its designee shall have the free and unfettered right to retrieve any data, customer information and other information from the Software as Licensor, in its sole discretion, deems appropriate, including electronically polling the daily sales, computer information and other data of the Franchised School, with the cost of the retrieval to be borne by Licensor. Licensee shall comply with all operational requirements with regard to data required by the Franchise Agreement and any manuals that govern the operation of the Franchised School.

## ARTICLE 4

### SUPPORT SERVICES

4.1 **Support Services.** Licensor agrees to provide during the term of this Agreement the support services described in Exhibit C hereof (the “Support Services”).

**4.2 Designated Hardware.** In order to facilitate the Support Services, Licensee agrees to operate the Designated Hardware in accordance with the Licensor's and the manufacturer's instructions.

## ARTICLE 5

### FEES

**5.1 License Fee.** Upon the execution of this Agreement, Licensee shall pay to Licensor an initial up-front fee of \$5,000. In addition, during each month of this Agreement (or portion thereof) commencing upon the opening day of the Franchised School, Licensee shall pay to Licensor without any right of set-off or deduction, a monthly License Fee in the amount of \$210.00. The monthly License Fee shall be payable in arrears on the 10<sup>th</sup> of each month for the previous month. Licensor shall have the right, upon 90 days' prior written notice to Licensee, to increase the monthly License Fee payable by Licensee on any anniversary date of the execution of this Agreement. Each License Fee when paid shall be deemed fully earned by Licensor and shall not be refundable under any circumstances whatsoever. The initial and monthly License Fees described in this section do not include the cost of any parts and/or labor needed to keep the Designated Hardware functional.

**5.2 Taxes.** Licensee shall be responsible for any applicable sales or use taxes or any value added or similar taxes payable with respect to the licensing of the Software, or arising out of or in connection with this Agreement, other than taxes levied or imposed based upon Licensor's income. In the event that Licensor pays any such taxes on behalf of Licensee, Licensor shall invoice Licensee for such taxes and Licensee agrees to pay such taxes within 30 days from the date of invoice.

**5.3 Interest.** If any payments by Licensee due to Licensor are not received by Licensor by the due date, Licensee, in addition to paying the amount owed, shall pay Licensor interest on the amount owed from the date due until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Franchised School is located or 18% per annum, whichever is less.

## ARTICLE 6

### CONFIDENTIALITY

**6.1 Confidential Information.** Licensee agrees that it shall not, without Licensor's prior written consent: (a) modify any Confidential Information; (b) reverse engineer, decompile, decrypt, or disassemble the Confidential Information or attempt to do so; (c) transfer, rent, lease, lend or sublicense any Confidential Information to anyone for any purpose; or (d) reveal or disclose any Confidential Information for any purpose to any other person, firm, corporation or other entity, other than Licensee's employees with a need to know such Confidential Information to perform employment responsibilities consistent with Licensee's rights under this Agreement. Licensee shall safeguard and protect the Confidential Information from theft, piracy or unauthorized access in a manner at least consistent with the protections Licensee uses to protect its own most confidential information. Licensee shall inform its employees of their obligations under this Agreement and shall take such steps as may be reasonable in the circumstances, or as may be reasonably requested by Licensor, to prevent any unauthorized disclosure, copying or use of the Confidential Information.



**6.2 Unauthorized Disclosure.** Licensee shall notify Licensor immediately upon discovery of any prohibited use or disclosure of the Confidential Information, or any other breach of these confidentiality obligations by Licensee, and shall fully cooperate with Licensor to help Licensor regain possession of the Confidential Information and prevent the further prohibited use or disclosure of the Confidential Information.

## **ARTICLE 7**

### **NO WARRANTY**

LICENSOR EXPRESSLY DISCLAIMS, AND LICENSEE HEREBY EXPRESSLY WAIVES, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. LICENSOR DOES NOT WARRANT THAT THE SOFTWARE WILL MEET LICENSEE'S REQUIREMENTS OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ERRORS IN THE SOFTWARE WILL BE CORRECTED. THE ENTIRE RISK OF THE SOFTWARE'S QUALITY AND PERFORMANCE IS WITH LICENSEE. LICENSEE ACKNOWLEDGES AND AGREES THAT IT IS ACCEPTING THE SOFTWARE UNDER THIS LICENSE IN ITS "AS IS" CONDITION.

## **ARTICLE 8**

### **INFRINGEMENT**

**8.1 By Licensor.** Subject to Section 8.2, Licensor will indemnify Licensee against any claim that the Software furnished and used within the scope of this Agreement infringes any U.S. copyright or patent, provided that: (a) Licensor is given prompt notice of the claim; (b) Licensor is given immediate and complete control over the defense and/or settlement of the claim and Licensee fully cooperates with Licensor in such defense and/or settlement; (c) Licensee does not prejudice in any manner Licensor's conduct of such claim; and (d) the alleged infringement is not based upon the use of the Software in a manner prohibited under this Agreement, in a manner for which the Software was not designed, or in a manner not in accordance with the Specifications.

**8.2 Altered Version.** Licensor shall have no liability for any claim of infringement based on the combination, operation or use of the Software with software, hardware or other materials not furnished or approved for use with the Software by Licensor.

**8.3 Injunction.** If a final injunction is obtained against the use of any part of the Software by reason of infringement of a U.S. copyright or patent, Licensor shall have the right, at its option, to: (a) procure for Licensee the right to continue to use the Software; (b) modify the Software so that it becomes non-infringing; or (c) terminate this Agreement without penalty.

**8.4 Liability.** The foregoing states Licensor's entire obligation and liability with respect to the infringement of any property right.

**8.5 By Licensee.** Licensee will indemnify Licensor against any claim (other than a claim indemnified by Licensor pursuant to Section 8.1) for: (a) alleged infringement of any U.S. copyright or patent, arising out of the use of the Software by Licensee in any manner prohibited by this Agreement; or (b) related to or arising out of Licensee's use or misuse of the Software.

## ARTICLE 9

### LIMITATION OF LIABILITY

LICENSOR SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. LICENSOR WILL NOT BE RESPONSIBLE FOR ANY LOSS OF SALES BY LICENSEE DURING THE PERIOD IN WHICH THE SOFTWARE IS INOPERATIVE, NOR WILL LICENSOR BE RESPONSIBLE FOR ANY LOSS OR INACCURACY OF DATA CAUSED BY THE SOFTWARE. IN ANY EVENT, THE LIABILITY OF LICENSOR TO LICENSEE FOR ANY REASON AND UPON ANY CAUSE OF ACTION SHALL BE LIMITED TO THE AMOUNT OF THE MONTHLY LICENSE FEE PAID TO LICENSOR BY LICENSEE UNDER THIS AGREEMENT PURSUANT TO SECTION 5.1 ABOVE MULTIPLIED BY TWELVE. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATIONS, AND OTHER TORTS. BOTH PARTIES UNDERSTAND AND AGREE THAT THE REMEDIES AND LIMITATIONS SET FORTH IN THIS ARTICLE 9 ALLOCATE THE RISKS OF PRODUCT AND SERVICE NONCONFORMITY BETWEEN THE PARTIES AS AUTHORIZED BY THE UNIFORM COMMERCIAL CODE AND OF OTHER APPLICABLE LAWS. THE FEES IN THIS AGREEMENT REFLECT, AND ARE SET IN RELIANCE UPON, THIS ALLOCATION OF RISK AND THE EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES SET FORTH IN THIS AGREEMENT.

## ARTICLE 10

### TERM AND TERMINATION

**10.1 Term.** This Agreement shall be in effect from the date hereof until the expiration or earlier termination of the Franchise Agreement.

**10.2 Cessation of Use.** Upon termination of this Agreement, Licensee shall cease using the Software and Documentation and promptly return all copies of the Documentation and all other Confidential Information in its possession or control. Licensee shall delete all copies of such materials residing in on-line or off-line computer memory, and destroy all copies of such materials that also incorporate Licensee's Confidential Information. Licensor shall be entitled to enter the Franchised School to repossess and remove the Documentation and any other Confidential Information. Licensee shall, within five (5) days from the effective date of the termination, certify to Licensor in writing that all copies of the Documentation have been returned, deleted or destroyed.

## ARTICLE 11

### GENERAL

**11.1 Miscellaneous.** The headings used in this Agreement are for convenience only and are not intended to be used as an aid to interpretation. If any part of this Agreement is held to be illegal or unenforceable, the validity or enforceability of the remainder of this Agreement shall not be affected. This Agreement will be binding upon and inure to the benefit of the parties to this Agreement, their respective successors and permitted assigns; Licensee may not assign its rights or obligations under this Agreement without the prior written consent of Licensor. Failure

by either party to exercise any right or remedy under this Agreement does not signify acceptance of the event giving rise to such right or remedy or a waiver of any right or remedy. This Agreement contains the entire agreement between the parties concerning the grant of the License to Licensee to use the Software and Documentation and supersedes and merges all prior proposals, understandings and all other agreements, oral and written, between the parties relating to this Agreement.

**11.2 Governing Law.** This Agreement and any claim or controversy arising out of, or relating to, the rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

**11.3 Force Majeure.** Licensor shall not be liable for any loss or damage due to delays caused by any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party, or any other cause not within its control.

**11.4 Limitation of Action.** Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

**11.5 Jurisdiction.** The parties agree that, to the extent any disputes cannot be resolved directly between them, Licensee shall file any suit against Licensor only in the federal or state courts in Maryland. Licensor may file suit in the federal or state court located in Maryland, in the jurisdiction where Licensee resides or does business, or in the jurisdiction where the Franchised School is or was located. Licensee consents to the personal jurisdiction of those courts over Licensee and venue in those courts.

**11.6 Costs and Expenses.** Licensee agrees to pay to Licensor on demand any and all costs and expenses incurred by Licensor in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by Licensee to Licensor. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, court costs, expert witness fees and discovery costs, together with interest charges on all of the foregoing.

**11.7 Notice.** No notice, demand, request or other communication to the parties shall be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and is addressed to the parties as follows:

To Licensor:

America's Music School LLC  
4819 St. Elmo Avenue  
Bethesda, MD 20814  
Attention: Brian Gross, President

To Licensee:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Attention: \_\_\_\_\_

Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices shall be effective upon receipt and may be: (a) delivered personally; (b) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (c) sent by reputable overnight courier.

**11.8 Survival.** Section 2.3 and Articles 5, 6, 7, 8, 9, 10 and 11 shall survive the termination of this Agreement for any reason.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed by their authorized representatives.

**America’s Music School LLC**

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

**[INSERT NAME OF LICENSEE]:**

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

## EXHIBIT A

### Designated Environment

Microsoft Windows PC operating systems running Windows 10 or higher. The web browser supported is the current version of Google Chrome.

Recommended hardware:

#### Monitor

Capable of displaying SXGA (1280 x 1024) or better

#### Desktops/Laptops

8 GB Ram or greater

256 GB or greater hard drive

2 Ghz Processor or greater

#### Tablets

iPad running iPadOS 15 or higher

Recommended Internet Connection:

25 Mbps Down /10 Mbps Up or faster

Recommended Local Area Network:

Cat 5e or better network wiring

Network switch capable of 1 Gbps or faster, minimum of 8 ports

Network router with firewall

Enough access points to provide good wireless signal to all classrooms

## **EXHIBIT B**

### **Harmony Gateway**

Harmony Gateway is a web based program that maintains each Franchised School's student records, member records, student and faculty schedules, student curriculum progress and reports, billing and payroll data, and more. Although much of Harmony Gateway is password protected and accessible only to authorized personnel, faculty members have access to those parts of the system pertinent to their needs. These include teaching schedules, curriculum materials and student progress reports. Students and parents may also access parts of this system to check their schedules and the status of their accounts with the Franchised School. Harmony Gateway will be used daily by each Licensee. Sales, student courses, faculty, and payroll data will be collected, generated and stored in Harmony Gateway.

## **EXHIBIT C**

### **Support Services**

Licensors will provide **Full Help Desk Services** during the hours of Monday – Friday, 12 pm to 6 pm EST, and **Emergency Help Desk Services** after these stated hours and on Saturday, Sunday and Holidays. These Help Desk Services include:

#### **Full Help Desk Services: Monday-Friday, 12 pm to 6 pm Eastern Standard Time**

1. Respond to Licensee telephone calls, emails or ticketing system by providing initial diagnostic level one and level two services.
2. Assist Licensee in diagnosing errors, malfunctions and defects via ticketing system, telephone, email or telephone/screen sharing if appropriate.
3. Remediate diagnosed errors, malfunctions or defects via ticketing system, telephone, email or telephone/screen sharing if appropriate.

#### **Emergency Help Desk Services: After Hours, Saturday, Sunday and Holidays**

1. Respond to Licensee pager calls by providing initial telephone and diagnostic level one and level two services.
2. Assist Licensee in diagnosing errors, malfunctions and defects.
3. Remediate diagnosed errors, malfunctions or defects.
4. Determine whether follow up during normal office hours will be required to correct the error, malfunction or defect.

**Exhibit B to the Franchise Disclosure Document  
AREA DEVELOPMENT AGREEMENT**





**BACH TO ROCK**

**AREA DEVELOPMENT AGREEMENT**

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Developer Name

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Development Area

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Date of Agreement

# Bach to Rock Area Development Agreement

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**BACH TO ROCK  
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**” or “**Area Development Agreement**”) is made and entered into on this \_\_\_ day of \_\_\_\_\_, 20\_\_\_ (“**Effective Date**”) by and between:

- America’s Music School LLC, a Maryland limited liability company whose principal place of business is 4819 St. Elmo Avenue, Bethesda, Maryland 20814 (“**Franchisor**” or “**we**,” “**us**” or “**our**”); and
- \_\_\_\_\_ a  
[resident of] [corporation organized in] [limited liability company organized in] \_\_\_\_\_  
\_\_\_\_\_ and having offices at \_\_\_\_\_  
\_\_\_\_\_ (“**Developer**” or “**you**”).

In this Agreement, “**we**,” “**us**” and “**our**” refers to America’s Music School LLC, the Franchisor. “**You**” and “**your**” refers to the Developer. “**Owners**” means the person(s) listed on Exhibit C of the Area Development Agreement and all other persons whom we may subsequently approve to acquire an interest in Developer. “**Operating Principal**” means the person designated as the Operating Principal on Exhibit C of the Area Development Agreement and who meets the criteria in 5.7 of this Agreement.

**BACKGROUND:**

A. We and our affiliates are in the business of operating and franchising others to operate “Bach to Rock” music education centers (“**Bach to Rock Schools**” or the “**Schools**”). Bach to Rock Schools are music schools that utilize a distinctive teaching method based on the principle that music instruction is most effective when conducted in a socially interactive environment. The Bach to Rock Schools offer a diverse variety of classes and programs for children and adults, including group classes, private lessons, band sessions, early childhood classes, and special events programming, utilizing the music curriculum developed by us or our affiliates. Each Bach to Rock School offers certain mandatory programs and classes, and may offer certain optional programs and classes.

B. We and our affiliates have developed a distinctive set of specifications and operating procedures (collectively, the “**System**”) for the Schools. The distinguishing characteristics of the System include: a distinctive teaching method and curriculum; mandatory group and private music lessons and programs (“**Core Programs**”), optional group and private music lessons and programs (“**Optional Programs**”), and other courses of instruction and programs (collectively, “**Courses**”); standards and specifications for School layout, design and equipment; standards and specifications for operation and administration of the Schools; procedures for management and scheduling at the Schools; a proprietary and specialized information technology and database system, currently identified as “Harmony Gateway”; training and assistance regarding the teaching methods, management and administration of the Schools; advertising and marketing programs; student development and service techniques and programs; and confidential operating manuals that include mandatory and suggested specifications, standards, policies, procedures and guidelines for operating Bach to Rock Schools, implementing the System, and teaching and conducting Courses (such specifications, standards, guidelines, policies, programs, techniques and the like are referred to herein as the “**Manuals**”), all of which may be changed, improved and further developed by us or our affiliates from time to time.

C. We identify the Schools operating under the System by means of the names and marks “BACH TO ROCK,” “AMERICA’S MUSIC SCHOOL,” “B2R and design,” and certain other trademarks, service marks, trade names, signs, logos, and other indicia of origin (collectively, the “**Proprietary Marks**”). We may designate other trade names, service marks, and trademarks as Proprietary Marks (and also periodically delete old names and marks).

D. We and our affiliates continue to develop, use and control the use of such Proprietary Marks in order to identify for the public the source of Courses, services and products marketed under the Proprietary Marks and the System, and to represent the System's high standards of quality, appearance and service.

E. You understand the importance of our high standards of teaching quality, appearance, and service and the necessity of operating a Franchised Business (defined below) in accordance with this Agreement and our standards, specifications and procedures.

F. You wish to obtain certain rights to develop Schools; and we wish to enter into this Agreement in order to reflect the understandings and agreements that we have reached with respect to the foregoing points and the other matters that are addressed herein.

NOW, THEREFORE, the parties, who each intend to be legally bound by this Agreement, and for good and valuable consideration, the receipt of which is hereby acknowledged, agree as follows:

## 1. GRANT

**1.1 Grant of Rights.** We hereby grant to you the right, and you accept the obligation, pursuant to the terms and conditions of this Agreement, to develop a specified number of Schools ("**Schools**" or "**Franchised Businesses**") in the Development Area (defined below), as set forth in Paragraph 1 of Exhibit A attached hereto. In this regard, you further agree that:

**1.1.1** The Schools must be developed by you pursuant to the development schedule set forth in Paragraph 3 of Exhibit A attached hereto (the "**Development Schedule**"). If at any time during the term of this Agreement you fail to satisfy the Development Schedule, we will have the right, but not the obligation, to exercise our termination rights and other rights pursuant to Section 6 hereof.

**1.1.2** Each School developed under this Agreement must be established and operated pursuant to a separate Bach to Rock Franchise Agreement (a "**Franchise Agreement**") that must be executed as provided in Section 3.1 below.

**1.1.3** Each School developed under this Agreement must be located within the area that is specified in Paragraph 2 of Exhibit A, attached hereto (the "**Development Area**").

**1.2 Our Restrictions on Development.** If you are in compliance with your obligations under this Agreement and all of the Franchise Agreements between you (including any affiliate of yours that we may approve as provided in this Agreement) and us, then we will not establish, nor license anyone other than you to establish, a School in the Development Area until the earlier of (a) the termination or expiration of this Agreement, (b) the opening of the last required Franchised Business under the Development Schedule, or (c) the last date specified in the Development Schedule, except as otherwise provided under Section 1.3 below.

**1.3 Reservation of Rights.** Except as otherwise specifically provided under Section 1.2 above, we retain all other rights, and therefore we have the right (among others) on any terms and conditions we deem advisable, and without granting you any rights therein, to:

**1.3.1** establish, and license others to establish, Schools at any location outside the Development Area notwithstanding their proximity to any Franchised Business developed or operated pursuant to this Agreement or the Development Area or their actual or threatened impact on sales at any such Franchised Business;

**1.3.2** establish, and license others to establish, businesses under other systems or other proprietary marks, which businesses may offer or sell products and services that may be similar to, or different from, the Courses, products and services offered from any Franchised Business developed or

operated pursuant to this Agreement, and which businesses may be located within or outside the Development Area, notwithstanding such businesses' proximity to any Franchised Business or the Development Area or their actual or threatened impact on sales at any such Franchised Business;

**1.3.3** establish and license others to establish businesses under the Proprietary Marks, if such businesses offer classes, products and/or services that are not offered at your Schools and/or are not part of the System, which businesses may be located within or outside of the Development Area, notwithstanding such businesses' proximity to any Franchised Business developed or operated pursuant to this Agreement or the Development Area, or their actual or threatened impact on sales at any Franchised Business;

**1.3.4** acquire, or be acquired by, a company, entity, or business that operates and/or licenses music schools and/or other businesses that offer or sell some or all of the same products or services as those offered at Bach to Rock Schools, and continue to operate and/or license those businesses, whether such businesses are located within or outside of the Development Area, notwithstanding such businesses' actual or threatened impact on sales at any Franchised Business, so long as such businesses that are in your Development Area are not converted to a Bach to Rock School and do not operate under the System or the Proprietary Marks;

**1.3.5** sell and distribute, directly or indirectly, through any channels of distribution, including through electronic channels such as the internet, the Courses, and other products or services (including products and services that are the same or similar to those offered by Schools), from any location or to any student or customer, so long as those sales are not conducted from a Bach to Rock School operated from a location inside the Development Area; and

**1.3.6** create, place, and/or distribute, or authorize others to create place and/or distribute, any advertising and promotional materials, which may appear in any media and/or be received by prospective students or customers located within the Development Area.

**1.4 Limitations.** You agree not to engage in any of the sales activities that we have reserved to ourselves in Sections 1.3.1 through 1.3.5 above, except that you may, upon our prior written approval, offer some of the Core Programs online, from the Premises or other locations.

**1.5 No Rights in Proprietary Marks.** This Agreement is not a franchise agreement, and does not grant you any right to use in any manner our Proprietary Marks or System.

**1.6 No Sublicensing.** You have no right under this Agreement to license others to use in any manner the Proprietary Marks or System.

## **2. DEVELOPMENT FEE**

**2.1 Development Fee.** In consideration of the development rights granted herein, you must pay to us a "**Development Fee.**" The Development Fee is equal to the greater of (a) twenty thousand dollars (\$20,000) or (b) fifty percent (50%) of the initial franchise fees required for each Franchised Business to be established pursuant to this Agreement. The Development Fee must be paid to us on or before the date of this Agreement. The Development Fee is specified in Exhibit A. In addition, you must sign the first (1<sup>st</sup>) Franchise Agreement required under this Agreement contemporaneously with signing this Agreement, and you must pay us, at that time, the balance of the Initial Franchise Fee due under that Franchise Agreement.

**2.2 Non-Refundability.** The Development Fee will be fully earned when received by us and will be non-refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein.

### **3. DEVELOPMENT OBLIGATIONS**

**3.1 Exercise of Development Obligations; Franchise Agreements.** You must execute a Franchise Agreement for each Franchised Business to be developed hereunder. You must execute the first (1<sup>st</sup>) Franchise Agreement required under this Agreement contemporaneously with the execution of this Agreement. Notwithstanding the foregoing, we, in our sole discretion, may permit one or more of such Franchise Agreements to be executed by entities other than you; provided that (a) you own a controlling ownership interest in the franchisee entity; (b) we approve the ownership structure of, and each owner of twenty-five percent (25%) or more of equity in, the franchisee entity; and (c) you, or your Operating Principal (defined in Section 5.7 below) approved by us, executes a guarantee, guaranteeing to us the timely payment and performance of the franchisee's obligations under the Franchise Agreement. Each School must be located at a site approved by us in writing, within the Development Area, as provided in the Franchise Agreement (the "**Premises**"). The Franchise Agreement for the first (1<sup>st</sup>) Franchised Business developed hereunder will be in the form of the Franchise Agreement attached hereto as Exhibit D, and the Franchise Agreement for each additional Franchised Business developed hereunder will be the form of Franchise Agreement being offered generally by us at the time each such Franchise Agreement is executed; except that for each Franchise Agreement executed, you will be credited the portion of the Development Fee paid to us for such Franchised Business pursuant to Section 2.1 of this Agreement. If you are in full compliance with this Agreement and all other Franchise Agreements with us, then, notwithstanding anything to the contrary in any of the Franchise Agreements, for each Franchise Agreement for a School required to be established under Section 1.1 above, the initial franchise fee and royalty fee will be as set forth in the form of Franchise Agreement appended hereto as Exhibit D.

**3.2 Development Schedule.** Recognizing that time is of the essence, you agree to satisfy the Development Schedule. Your failure to adhere to the Development Schedule will constitute a default under this Agreement as provided in Section 6.2 hereof. You acknowledge and agree that the time limits and time frames set forth in and inherent in the Development Schedule, and not those in the Franchise Agreement or the Site Selection Addendum to the Franchise Agreement, will govern your obligations hereunder.

### **4. TERM**

**4.1 Term.** The term of this Agreement and all rights granted hereunder will expire at the earlier of (a) the day the last School required under the Development Schedule opens for business, or (b) on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement.

**4.2 No Renewal.** Upon expiration of this Agreement, there is no renewal or subsequent term, and you will not have any rights to a renewal, successor, or extended term. This Agreement may not be renewed or extended except by mutual written agreement of the parties.

### **5. DUTIES OF THE PARTIES**

#### **5.1 Site Selection and Approval.**

**5.1.1** Before you can open any Franchised Business, you must satisfy all of our pre-opening requirements, whether they are set out in this Agreement, the Manuals, the Franchise Agreement, or as we may otherwise specify, and you must obtain our written approval prior to opening the Franchised Business.

**5.1.2** You are responsible, at your own expense, for finding and then acquiring suitable Premises for each Franchised Business as outlined in the Development Schedule at Exhibit A. As set forth in Section 1.1.1 of the Franchise Agreement, if you do not own, lease, or sublease a site for the Premises that we have approved at the time you sign the Franchise Agreement for the Schools, you must sign a Site Selection Addendum, in the form included as Appendix E of the Franchise Agreement. Any reviews that

we conduct of the site location, of the preliminary site plans, of the final site plans, or other reviews, are only for our benefit. You acknowledge that our review and approval of a site, lease, sublease, or of preliminary design plans or final plans for construction for a Franchised Business do not constitute a recommendation, endorsement, or guarantee of the suitability of that location or plans, or the terms of the lease, sublease, or purchase agreement. You agree that you will take all steps necessary to determine for yourself whether a particular location or plans, or the terms of any lease, sublease, or purchase agreement for the site, are beneficial and acceptable to you.

**5.2 Location Development and Preparation.** We will provide, at no charge, our prototypical conceptual schematic designs and other specifications for the construction and/or build-out of a School, improvement of the site, and for the layout of fixtures, furnishings, equipment, and signs. From time to time, we may develop and provide additional materials (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of the Schools. To the extent we develop these items, we will make them available to you as part of our Manuals or otherwise communicate them to you in writing or through electronic or other formats. We are not required to provide on-site assistance, but we will provide reasonable telephone support during business hours regarding the construction and development of your Franchised Businesses. You must, at your own expense, prepare the sites and complete all construction, furnishing, remodeling, decorating and equipping of your Franchised Businesses as required by this Agreement and each Franchise Agreement.

**5.3 Opening Deadline.** You must begin operating each Franchised Business as stated in the Development Schedule in Exhibit A of this Agreement.

**5.4 Protection of Confidential Information.** During and after the term of this Agreement, you may not communicate, divulge, or use for any purpose other than to carry out your rights under this Agreement and operate any School developed or operated pursuant to this Agreement any confidential information, knowledge, trade secrets or know-how that may be communicated to you or that you may learn by virtue of your relationship with us and the System ("**Confidential Information**"). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate a School developed or operated pursuant to this Agreement. In addition, (1) you may disclose Confidential Information if you are compelled to do so pursuant to litigation, a court order, law enforcement or any other proceeding requiring such disclosure, provided that you give us notice of the requirement and a reasonable time to challenge the request and/or to seek a protective order, and (2) there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals. You must not make any Confidential Information supplied by us available to any unauthorized person. All information that you receive from us is deemed to be Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain, other than through your act or omission. You must require your Owners and their spouses, your officers, directors and employees, and any other person or entity to whom you wish to disclose any Confidential Information, to execute (and deliver to us upon our request) agreements, in the form provided in Exhibit E of this Agreement and Appendix H of the Franchise Agreement (as appropriate) or as we may otherwise require in the Manuals or in writing, that they will maintain the confidentiality of the disclosed information. If you do not obtain execution of the agreements containing the covenants required by this Section 5.4 and, upon our request, deliver those signed agreements to us, that will constitute a default under Section 6.3 below. You acknowledge and agree that any failure to comply with the requirements of this Section 5.4 will cause irreparable injury to us, and you agree to pay all court costs and reasonable attorneys' fees we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 5.4.

**5.5 Training.** Prior to the opening of the first (1<sup>st</sup>) School hereunder, one (1) or two (2) Manager Trainees of your operations (one of whom may be you or your Operating Principal) must attend and successfully complete, to our satisfaction, our initial training program and all other training programs as required under the Franchise Agreement.

**5.6 Governing Documents.** If you are a corporation, partnership, LLC, or LLP, or transfer this Agreement to a corporation, partnership, LLC, or LLP, then, upon our request, you must provide to us a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records. The Owners may not enter into any shareholders' agreement, management agreement, voting trust or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. Throughout the Term of this Agreement, your governing documents (and those of your ultimate parent) must provide that no transfer of any ownership interest may be made except in accordance with Section 7 of this Agreement and Section 14 of the Franchise Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

**5.7 Operating Principal.** We recommend that you own and operate your developer business under this Agreement and your Franchised Businesses as a corporation, partnership or limited liability company, but encourage you to obtain legal and tax advice with respect to this issue. If you are a corporation, partnership or LLC, you must have an individual Owner serve as your Operating Principal. The Operating Principal must supervise the operation of the developer business and the Schools, and must own at least twenty five percent (25%) of the voting and ownership interests in the Developer entity, unless you obtain our prior written consent for the Operating Principal to hold a smaller interest. If the Operating Principal is also the operating principal under one or more Franchise Agreements, the Operating Principal must comply with additional obligations as stated in the Franchise Agreement.

**5.8 Guarantee.** All persons with a ten percent (10%) or greater direct or indirect ownership interest in the Developer, along with their spouses, must sign a personal guarantee in the form attached to this Agreement as Exhibit B.

**5.9 Conferences.** We may conduct annual conferences or conventions, which may include training sessions. We may require you, your Operating Principal, any District Manager, or other parties to attend. You will be solely responsible for all costs incurred by you and your employees in attending any conferences or conventions.

## **6. TERMINATION**

**6.1 Termination By Us Without Notice.** You will be in default under this Agreement and all rights granted by this Agreement will automatically terminate without notice to you if you become insolvent or make an assignment for the benefit of your creditors; if a receiver is appointed; if execution is levied against your business assets; if you file a petition in bankruptcy or if a petition is filed against you and you do not oppose it; or if suit to foreclose any lien or mortgage or bankruptcy is instituted against you and not dismissed within sixty (60) days.

**6.2 Compliance with Development Schedule.** You acknowledge and agree that time is of the essence, and that you have agreed to strictly comply with the Development Schedule. Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 6.4 below, without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you (in the manner provided under Section 9 hereof):

**6.2.1** If you miss a deadline set forth in the Development Schedule.

**6.2.2** If the Franchise Agreement for any Franchised Business operated by you (or your Owner or any entity affiliated with you) is terminated.

**6.3 Termination By Us: Cure Period.** Except as otherwise provided in Sections 6.1 and 6.2, above, if you fail to comply with any material term and condition of this Agreement, or fail to comply with the terms and conditions of any Franchise Agreement or other development agreement between you (or a person or entity affiliated with or controlled by you) and us, such action will constitute a default under this



Agreement. Upon the occurrence of any such default, we may terminate this Agreement by giving written notice of termination stating the nature of such default to you at least thirty (30) days prior to the effective date of termination; provided, however, that you may avoid termination by immediately initiating a remedy to cure such default, curing it to our satisfaction, and by promptly providing proof thereof to us within the thirty (30) day period (or such longer period as applicable law may require). Notwithstanding the foregoing, in the event the default under the Franchise Agreement is not cured, or is not curable as provided for in the Franchise Agreement, we may terminate this Agreement upon the expiration of the thirty (30) day period (or such longer period as applicable law may require), or immediately, as applicable. If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Schools) will terminate without further notice to you, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

**6.4 Actions in Lieu of Termination.** If we are entitled to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, we have the right to undertake any one or more of the following actions instead of terminating this Agreement:

**6.4.1** We may terminate or modify any rights that you may have with respect to “exclusivity” or protection in the Development Area, as granted under Section 1.1 above, effective ten (10) days after delivery of written notice thereof to you; and/or

**6.4.2** We may modify, or eliminate completely, the Development Area described in Section 1.1 above.

**6.4.3** If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 6.4, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 6.2 or 6.3 above, and we will have the right to retain all Development Fees paid by you, and/or to terminate any other rights or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

**6.5 Post-Termination Rights.** Upon termination or expiration of this Agreement, you will have no right to establish or operate any Schools for which a Franchise Agreement has not been executed by us at the time of termination. Thereafter, we will be entitled to establish, and to license others to establish, Schools in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between you and us).

**6.6 Default Under the Area Development Agreement.** No default under this Area Development Agreement will constitute a default under any Franchise Agreement executed pursuant hereto.

**6.7 No Exclusive Remedy.** No right or remedy herein conferred upon or reserved to us is exclusive of any other right or remedy provided or permitted by law or equity.

## **7. TRANSFERS**

**7.1 Transfer By Us.** We have the unrestricted right to transfer or assign all or any part of our rights and/or our obligations under this Agreement to any person or legal entity without your consent. You agree that we will have no liability after the effective date of transfer or assignment for the performance of, or for any failure to perform, any obligations we have transferred. We also have the absolute right to delegate the performance of any of our duties or obligations or assign any of our benefits under this Agreement to third parties that are not parties to an agreement with you.

**7.2 Transfers By You.** You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted the rights described in this Agreement in reliance on you or the Owners' business skill, financial capacity, and personal character. Accordingly:

**7.2.1 Definition of Transfer.** In this Agreement, "Transfer" as a verb means to sell, assign, give away, pledge, or encumber, either voluntarily or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the rights and/or obligations under this Agreement, and/or substantially all of the assets of the developer business operated under this Agreement, and/or any direct or indirect interest in the ownership of Developer (if the Developer is a corporation, partnership, or limited liability company). "Transfer" as a noun means any such sale, assignment, etc., referred to above.

**7.2.2 No Transfer without Our Prior Written Consent.** Neither you nor any of the Owners may make any Transfer or permit any Transfer to occur without obtaining our prior written consent. We have the right to withhold our consent, but we will not unreasonably withhold our consent. We may condition our consent on your satisfaction of the conditions described in this Section 7.2.2 through Section 7.3.3. We have the right to communicate with and counsel both you and the proposed transferee on any aspect of a proposed Transfer. The Transfer may not take place until at least sixty (60) days after we receive written notice of, and request for consent to, the proposed Transfer, along with all of the proposed transfer information that we may require, or as specified in the Manuals or otherwise. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. Unless otherwise agreed, we do not waive any claims against the transferring party if we approve the Transfer. We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 7, and may do so in the Manuals or otherwise. We may, but are not obligated to, provide additional details regarding the transfer conditions required for our consent.

**7.2.3 Transfer of Entire Business.** For a proposed Transfer of any of your rights and obligations under this Agreement (or if you are a corporation or other entity, a Transfer of ownership interests that would result in a change of control of Developer), the following conditions apply (unless waived by us):

**7.2.3.1** The Transfer must be accompanied by a transfer, to the same transferee, of all Franchise Agreements with us, and rights to all Schools operated thereunder and owned by Developer, or the same ownership interests or assets of the Franchised Business, consistent with the Transfer under this Agreement. We may refuse to permit a Transfer which does not also involve a Transfer of all of your development rights under this Agreement (and the development rights under this Agreement of any affiliate of yours).

**7.2.3.2** You must be in compliance with all obligations to us under this Agreement and any other agreement you have with us or our affiliates as of the date of the request for our approval of the Transfer, or you must make arrangements satisfactory to us to come into compliance by the date of the Transfer.

**7.2.3.3** The proposed transferee must complete all of the following requirements:

(a) Demonstrate to our satisfaction that he or she meets all of our then-current qualifications to become a Bach to Rock developer, and, at our request, the proposed transferee must travel (at his or her expense) to our principal office for an interview.

(b) Sign our then-current standard form of area development agreement (or the standard form most recently offered to new developers, if we are not then offering area development agreements to new developers), and such other ancillary agreements we require. The new area development agreement may materially differ from the terms of this Agreement. The term of the new area development agreement to be signed with the transferee will be for the remaining portion of the term that you had under this Agreement as of the date of the Transfer.

(c) Successfully complete our then-current developer training requirements (to the extent that area development-specific training programs are implemented).

(d) If the proposed transferee is one of our franchisees, he or she must not be in default under his or her agreements with us and must have a good record of customer service and compliance with our operating standards.

(e) If the transferee is a corporation or other entity, the owner or owners of a beneficial interest of ten percent (10%) or more in the transferee (along with their spouses) must execute our then-current form of personal guarantee.

**7.2.3.4** Except as provided below in this Section and in Sections 7.2.4 and 7.2.5, we must be paid, either by you or the transferee, a transfer fee ("**Transfer Fee**"), which will be ten thousand dollars (\$10,000.00) (in addition to the transfer fee for each Franchise Agreement). One-half (½) of the Transfer Fee must be paid at the time you submit your request to us for consideration of the proposed transfer, and such amount must be non-refundable. The balance of the Transfer Fee must be paid at the time the transfer is consummated or closes. If the transfer is not consummated after we have provided our approval for the proposed transfer, then we have the right to require that you or the proposed transferee reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incurred in connection with the proposed transfer.

**7.2.3.5** You and all Owners must execute a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, members, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer.

**7.2.3.6** The price and other proposed terms of the Transfer must not, in our reasonable business judgment, have the effect of negatively impacting the future viability of any Franchised Business.

**7.2.3.7** Any purchase and sale agreement between the transferor and transferee shall provide for and require that any Franchised Businesses that have commenced operations on or before the closing date of such purchase and sale shall continue to operate without interruption during the Transfer.

**7.2.4 Transfer of a Partial Ownership Interest.** For any proposal to admit a new Owner, to remove an existing Owner, or to change the distribution of ownership shown on Exhibit C, or for any other transaction that amounts to the Transfer of a partial interest in the Developer, you must provide us thirty (30) days' prior written notice and submit a copy of all proposed contracts and other information concerning the Transfer that we may request. We will have the right to require reimbursement of any out-of-pocket expenses that we incur in reviewing the proposed Transfer. We will have a reasonable time (not less than thirty (30) days) after we have received all requested information to evaluate the proposed Transfer. You must satisfy the conditions in Sections 5.8, 7.2.3.3(a), 7.2.3.3(c), 7.2.3.3(d), 7.2.3.5, 7.2.3.6, and 7.2.3.7 above in connection with any such transfer. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions. You acknowledge that any proposed new owner must submit a personal application, and if the owner will have or own a ten percent (10%) or greater interest in the Developer entity, the owner and his/her spouse must execute a personal guarantee in the same form signed by the original Owners or our then-current form of personal guarantee, as well as the current form of Exhibit E.

**7.2.5 Transfer to a Corporation or Other Entity for Convenience.** We will consent to the assignment of this Agreement to a corporation, partnership or limited liability corporation that you form for the convenience of ownership, provided that: (a) the entity has and will have no other business besides exercising rights under this Agreement (b) you satisfy the relevant conditions in Section 7.2.3 above; and (c) the Owners hold equity interests in the new entity in the same proportion shown on Exhibit C. There is no Transfer Fee for a Transfer to an entity for convenience of ownership, but we will have the right to require reimbursement of any out-of-pocket expenses that we incur in reviewing the proposed Transfer.

**7.2.6 Transfer Upon Death or Incapacity.** If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of Sections 7.2.2 through 7.3.3, as applicable.

**7.2.7 Non-Conforming Transfers.** Any purported Transfer that is not in compliance with this Section 7 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

**7.2.8 Transfer or Assignment of Lease.** Developer must not transfer or assign its lease for any Approved Location to, or permit a default or surrender of the lease that will or may cause any Approved Location to be owned, leased, or operated by, any person or entity that will not operate a School at the Approved Location, without our prior written consent.

**7.3 Our Right of First Refusal.** We have the right, exercisable within thirty (30) days after receipt of the notice specified in Section 7.2.2 or 7.2.4, to send written notice to you that we intend to purchase the interest proposed to be Transferred if such interest is all of the interest in, or a controlling interest in, the Developer entity. We may assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to a Transfer under Section 7.2.5 or a Transfer to your or an Owner's parents, spouse, son, daughter, or mother or father in-law (including Transfers to your or an Owner's parents, spouse, son, daughter, or mother or father in-law as a result of death or incapacity as described in Section 7.2.6).

**7.3.1** If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third party. Closing on our purchase must occur by the later of (a) ninety (90) days after the date of our notice to the seller electing to purchase the interest, or (b) the closing date as proposed in the third party's purchase offer. If we cannot reasonably be expected to furnish the same consideration as the third party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser and the appraiser's determination will be final. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

**7.3.2** If a Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within thirty (30) days after our notice to the transferor of the appraiser's determination of fair market value.

**7.3.3** If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with Sections 7.2.2 through 7.2.6 above. Closing of the Transfer must occur within sixty (60) calendar days of our election not to exercise our rights (or such longer period as applicable law may require); otherwise the third party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

## **8. COVENANTS AND RESTRICTIONS ON COMPETITION**

**8.1 During the Term.** You acknowledge that this Agreement will give you access to valuable and Confidential Information regarding the System, including our business development strategy and the operational, teaching, sales, promotional and marketing methods of Bach to Rock Schools. You agree that

during the term of this Agreement, you will not, without our prior written consent, either directly or indirectly through any other person or entity:

**8.1.1** Own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that operates, or grants franchises or licenses to operate, a music school, or a similar business that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools (“**Competitive Business**”).

**8.1.2** Divert or attempt to divert any business or customer, or potential business or customer, to any Competitive Business.

**8.1.3** In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize our business or that of our affiliates or any of our franchisees.

**8.2 After Termination, Expiration, or Transfer.** For two (2) years after the expiration or termination of this Agreement or an approved Transfer to a new developer, you may not directly or indirectly own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in, any Competitive Business that is, or intends to operate: (a) at the Premises of any School developed or operated pursuant to this Agreement; (b) within the Development Area; (c) within a five (5) mile radius of the any School developed or operated pursuant to this Agreement; or (d) within a five (5) mile radius of any other Schools operating or under construction to operate under the System as of the time that the obligations under this Section 8.2 commence, except as permitted by any franchise agreements that remain in effect between you and us. You agree that the length of time in this Section 8.2 will be tolled for any period during which you are in breach of the covenants set forth in this Section 8.2, or any other period during which we seek to enforce this Agreement.

**8.3 Owners and Employees.** You will cause the Owners (and their spouses) to personally bind themselves to this Section 8 by signing this Agreement and/or the attached Guarantee. With respect to the Owners (and their spouses), the time period in Section 8.2 will run from the expiration, termination, or Transfer of this Agreement or from the termination of the Owner’s relationship with you, whichever occurs first. You must also require and obtain execution of covenants similar to those set forth in Section 5.4 above, and this Section 8 (as modified to apply to an individual), from any or all of the following persons: your officers, directors, and employees. (These persons and the Owners (and their spouses) are each a “**Restricted Party**.”) The covenants required by this Section 8.3 must be in the form provided in Exhibit E to this Agreement for Owners (and their spouses), officers and directors. As stated in the Franchise Agreement, the covenants required by this Section 8.3 must be in the form provided in Appendix H of the Franchise Agreement for employees.

**8.4 Indirect Violations Prohibited.** You may not attempt to circumvent the restrictions in Sections 8.1 and 8.2 by engaging in prohibited activity indirectly through any other person or entity (including through a spouse, parent, sibling, or child).

**8.5 Restriction on Transfer of Premises.** For a period of two (2) years following the expiration, termination or Transfer of this Agreement, you further covenant and agree that you will not, either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease or transfer the Premises of any Franchised Business opened or operated pursuant to this Agreement to any person, firm, partnership, corporation, or other entity which you know, or have reason to know, intends to operate a Competitive Business at the Premises. You, by the terms of any conveyance selling, assigning, leasing or transferring your interest in the Premises, must include, among the terms of such transaction, restrictive covenants as are necessary to ensure that a Competitive Business that would violate this Section is not operated at the Premises for this two (2) year period, and you must take all steps necessary to ensure that these restrictive covenants become a matter of public record.

**8.6 Enforcement.** You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this

Section 8. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 8, including reasonable attorneys' fees, costs, and expenses (including interest on such fees, costs, and expenses). You acknowledge that a violation of the terms of this Section 8 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 8. Such injunctive relief will be in addition to any other remedies that we may have.

**8.7 Severability.** If any restriction in this Section 8 is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

**8.8 Survival.** The terms of this Section 8 will survive the termination, expiration, or any Transfer of this Agreement. The parties agree this Section 8 will be construed as independent of any other provision of this Agreement.

## **9. NOTICES**

Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by via a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or sent by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Exhibit C, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

## **10. COMPLIANCE WITH LAWS**

You agree to operate the Franchised Businesses in full compliance with all applicable municipal, county, state, and federal laws, rules, regulations, and ordinances including, without limitation, laws and regulations regarding labor and employment, and teaching and the operation of supplemental schools. You have sole responsibility for compliance with all laws despite any information or advice that we may provide. To the extent that the requirements of those laws are in conflict with the terms of this Agreement, the Manuals, or our other instructions, you must: (a) comply with those laws; and (b) immediately give us written notice of the conflict.

## **11. RELATIONSHIP OF THE PARTIES**

This Agreement does not create a fiduciary or other special relationship or make you or us an agent, legal representative, joint venturer, partner, employee, or servant of each other for any purpose. You are not authorized to, and agree that you will not, make any contract, agreement, warranty, or representation on our behalf, or create any obligation, express or implied, on our behalf. During the term of this Agreement, you agree to hold yourself out to the public and to your employees as an independent contractor operating the Franchised Businesses under license from us, and you agree to disclose your status as independent contractor in all business dealings and exhibit a notice to that effect (the location and content of which we reserve the right to specify) at the premises of each Franchised Business developed hereunder and on all promotional materials, invoices and stationery.

## **12. INDEMNIFICATION**

You agree to hold harmless, defend, and indemnify us and our past, present and future affiliates, officers, directors, interest holders, members, shareholders, agents, attorneys, consultants, and employees against any claims, losses, costs, expenses (including, but not limited to, reasonable attorneys' fees, costs,

and expenses (and interest on such fees, costs, and expenses) costs of investigation, settlement costs, and interest), liabilities and damages (collectively in this Section 12, "**Claims**") arising directly or indirectly from, as a result of, or in connection with this Agreement, your operation of the School or Schools, your and/or your employees' actions or inactions, any claim that we are a joint employer with you for any reason, your activities under this Agreement, and/or your breach of this Agreement, including, without limitation, those alleged to be caused by our negligence unless (and then only to the extent that) the Claims are determined to be caused solely by our gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction (including, but not limited to, Claims brought by you). In the event we incur any costs or expenses, including, without limitation, legal fees (including, but not limited to, attorneys' fees, costs, and expenses, and interest on such fees, costs, and expenses), travel expenses, and other charges, in connection with any proceeding involving you in which we are not a party, you must reimburse us for all such costs and expenses promptly upon presentation of invoices. With respect to any threatened or actual litigation, proceeding, or dispute that could directly or indirectly affect us or any of the other indemnitees under this Section, if you do not assume the active defense of the matter within a reasonable time, we will have the right, but not the obligation, to: (i) choose counsel; (ii) direct and control the handling of the matter; and (iii) settle any claim against the indemnitees. This Section will survive the expiration or termination of this Agreement, and applies to Claims even if they exceed the limits of your insurance coverage. You acknowledge and agree that your indemnification, defense and hold harmless obligations under this Section 12 shall survive the termination or expiration of this Agreement.

### **13. CONSENTS AND WAIVERS**

**13.1 Consent.** Whenever our prior written consent is required under this Agreement, you agree to make a timely written request to us for such consent. Our approval or consent must be in writing and signed by an authorized officer to be effective.

**13.2 Waivers.** No delay or failure to exercise any right under this Agreement or to insist upon your strict compliance with any obligation or condition, and no custom or practice that differs from the terms of this Agreement, will constitute a waiver of our right to exercise the contract provision or to demand your strict compliance with the terms of this Agreement. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another developer or franchisee does not affect or impair our right to demand your strict compliance with the terms of this Agreement. In addition, our acceptance of any payments or partial payments due to us under this Agreement shall not be deemed to be a waiver by us of any preceding or succeeding breach by you of any terms, provisions, covenants, or conditions of this Agreement, or other amounts due.

### **14. ENTIRE AGREEMENT AND AMENDMENTS**

This Agreement, the exhibits and the documents referred to herein constitute the entire, full and complete agreement between you and us with respect to the development rights and the Franchised Businesses and supersede all prior negotiations, representations, correspondence, and agreements concerning the same subject matter. There have been no other representations that have induced you to execute this Agreement. There are no other oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us relating to the subject matter of this Agreement, the development rights, the franchise relationship, or the Franchised Business(es). However, nothing in this Area Development Agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.

Any amendment to this Agreement will not be binding on either party unless that amendment is in writing and signed by both parties.

## 15. SEVERABILITY, SURVIVAL, AND CONSTRUCTION

**15.1 Clauses are Severable.** Each provision of this Agreement is severable from the others. If for any reason any provision is determined by a court to be invalid, the invalidity will not impair the operation of the remaining provisions of this Agreement. The latter will continue to be given full force and effect and bind us and you.

**15.2 Survival of Clauses.** Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer.

**15.3 Force Majeure.** If the performance of any obligation by any party under this Agreement is prevented, hindered or delayed by reason of Force Majeure which cannot be overcome by reasonable commercial measures, then the parties will be relieved of their respective obligations (but only to the extent that the parties, having exercised best efforts, are prevented, hindered or delayed in such performance) during the period of such Force Majeure. The party whose performance is affected by an event of Force Majeure will give prompt written notice of the circumstances of such Force Majeure event to the other party by describing the nature of the event and an estimate as to its duration, if possible. As used in this Agreement, the term "**Force Majeure**" means any act of God, strike, lock out or other industrial disturbance, terrorist act, war (declared or undeclared), riot, epidemic, fire or other catastrophe, or act of any government. However, your inability to obtain financing or make payments (regardless of the reason) does not constitute a Force Majeure.

**15.4 Recitals, Captions, and Construction.** The parties agree to incorporate by reference, and include in the text of this Agreement, the information in the recital paragraphs. The parties also agree that all of the captions in this Agreement are meant only for the convenience of the parties, and none of the captions will be deemed to affect the meaning or construction of any provision of this Agreement. All capitalized terms not defined herein will have the meaning ascribed to them in the Franchise Agreement.

**15.5 No Third Party Rights.** Except as otherwise stated in this Agreement, nothing in this Agreement is intended (nor will be deemed) to confer upon any party any rights or remedies under or by reason of this Agreement, except for you, us, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 7 above.

## 16. GOVERNING LAW

Subject to our rights under federal trademark laws, this Agreement and the relationship between the parties shall be governed by and will be construed exclusively in accordance with the procedural and substantive laws of the State of Maryland (without regard to its conflict of law principles), but if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Maryland, and the School or Schools developed pursuant to this Agreement are located outside of Maryland, then such covenants will be interpreted and construed under the substantive laws of the state in which the School or Schools are located (without regard to its conflict of law principles). Nothing in this Section 16 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust consumer protection or similar law, rule or regulation of the State of Maryland to which this Agreement would not otherwise be subject. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. You waive, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

## 17. DISPUTES

**17.1 Submission to Mediation.** Except as otherwise provided in Section 17.8 below, any controversy or claim arising between us will first be submitted to non-binding mediation administered by an established, neutral mediation service with experience in franchise disputes. Both parties must sign a confidentiality agreement before participating in any mediation proceeding. The mediation will take place



in a city within thirty (30) miles of where our principal offices are located at the time the demand for mediation is filed. Once either party has submitted a dispute to mediation, the obligation to attend will be binding on both parties. Each party will bear its own costs with respect to the mediation. The fee for the mediation, however, will be split equally.

**17.2 Forum for Litigation.** To the extent that any dispute cannot be resolved by mediation, you and we agree that all claims brought by you against us in any court, whether federal or state, shall be brought only within such state and exclusively in the judicial district in which we have our principal place of business at the time the action is commenced. We also have the right (in addition to filing in such federal or state courts in the jurisdiction where we have our principal place of business) to file any suit against you in the federal and state courts where you reside or where the School or Schools developed pursuant to this Agreement are located. The parties waive all rights to challenge personal jurisdiction and venue for the purpose of carrying out this provision.

**17.3 Mutual Waiver of Class Actions.** ANY LAWSUIT, CLAIM, COUNTERCLAIM, OR OTHER ACTION MUST BE CONDUCTED ONLY ON AN INDIVIDUAL BASIS, AND MUST NOT BE AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION. YOU HEREBY AGREE NOT TO SEEK JOINDER OF ANY OF YOUR CLAIMS WITH THOSE OF ANY OTHER PARTY

**17.4 Mutual Waiver of Jury Trial.** YOU AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY LITIGATION.

**17.5 Mutual Waiver of Punitive Damages.** EXCEPT AS PROVIDED UNDER THE FRANCHISE AGREEMENT, EACH OF US WAIVES ANY RIGHT TO OR CLAIM OF LOST FUTURE PROFITS, PUNITIVE, EXEMPLARY, MULTIPLE, OR CONSEQUENTIAL DAMAGES AGAINST THE OTHER IN LITIGATION AND AGREES TO BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED.

**17.6 Time Period to Bring Claims.** Except as otherwise provided in this Section 17.6, and except for those claims brought under the indemnification provision (Section 12), any and all claims and actions arising out of or relating to this Agreement, the relationship between you and us, or your operation of any School developed or operated pursuant to this Agreement brought by any party hereto against the other, must be commenced before the expiration of the earlier of (a) the time period for bringing an action under any applicable state or federal statute of limitations; (b) one (1) year after the date upon which a party discovered, or should have discovered, the facts giving rise to an alleged claim; or (c) two (2) years after the first (1<sup>st</sup>) act or omission giving rise to an alleged claim; or it is expressly acknowledged and agreed by all parties that such claims or actions will be irrevocably barred. As used in this Section 17.6, "Claims" means any allegation, challenge, demand, cause of action, lawsuit, arbitration, dispute, controversy, investigation or administrative proceeding.

**17.7 Remedies Not Exclusive.** Except as provided in Sections 17.1 through 17.4 above, no right or remedy that the parties have under this Agreement is exclusive of any other right or remedy under this Agreement or under applicable law.

**17.8 Our Right to Injunctive Relief.** Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us harm. You agree that we will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance.

**17.9 Attorneys' Fees and Costs.** You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees, costs, expenses, and interest on such fees, costs, and expenses): (a) to enforce the terms of this Agreement or any obligation owed to us by you and/or the Owners; (b) in connection with claims that we bring relating to the offering of this Area Development Agreement or the franchise relationship; and (c) in the defense of any claim you and/or the Owners assert against us upon which we substantially prevail in court, arbitration, or other formal legal proceedings. For the purposes of

this Section 17.9, and Section 8.6, the word “enforce” includes, but is not limited to, the execution, administration, collection, enforcement, protection, and/or waiver of the terms of this Agreement.

**17.10 Survival.** You acknowledge and agree that Section 17 shall survive the termination or expiration of this Agreement.

## **18. ACKNOWLEDGEMENTS**

**18.1 Independent Investigation.** You and the Owners acknowledge that:

**18.1.1** You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability.

**18.1.2** We expressly disclaim the making of, and you acknowledge that you have not received, any representation, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

**18.1.3** Any financial performance information presented in our Franchise Disclosure Document is not a warranty or guarantee of the results that you will achieve, and your experience is likely to differ.

**18.1.4** We do not, by virtue of any approvals or advice provided to you, assume responsibility or liability to you or any third party to which we would otherwise not be subject.

**18.1.5** You have sole and complete responsibility for the choice of the Development Area and the Premises; that we have not (and will not be deemed to have, even by virtue of our approval of the Development Area or proposed Premises) given any representation, promise, or guarantee of your success in the Development Area or at the Premises; and that you will be solely responsible for your own success in the Development Area and at the Premises.

**18.1.6** We make no warranty as to your ability to operate the Franchised Businesses in the jurisdiction in which the Franchised Businesses are to be operated. You must seek or obtain advice of counsel specifically with respect to this issue.

**18.2 Terrorism and Money Laundering Activities.** You and the Owners represent and warrant that neither you nor any of the Owners is identified, either by name or by an alias, pseudonym, or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (text currently available at [www.treas.gov/offices/enforcement/ofac/](http://www.treas.gov/offices/enforcement/ofac/)). Further, you and the Owners represent and warrant that neither you nor any of the Owners has violated, and you and all of the Owners agree not to violate, any law prohibiting corrupt business practices, money laundering, or the aid or support of persons or entities who conspire to commit acts of terror against any person, entity, or government, including acts prohibited by the U.S. Patriot Act (text currently available at <https://www.gpo.gov/fdsys/pkg/BILLS-107hr3162enr/pdf/BILLS-107hr3162enr.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and you and the Owners shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

**18.3 Receipt of Documents.** You acknowledge that you received a copy of this Agreement, the exhibits hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days before the date when this Agreement was signed, and with sufficient time to review the Agreement with advisors of your choosing. You further acknowledge that you received our franchise disclosure document required by the Federal Trade Commission’s Franchise Rule at least fourteen (14) days before the date this Agreement was signed.

**18.4 Personal Obligations of Owners.** The Owners acknowledge that, by signing this Agreement or the Personal Guarantee attached as Exhibit B, they are binding themselves as individuals to all of the terms and conditions of this Agreement, including without limitation Section 5.4, Section 7, Section 8, and Section 17.

**18.5 System Standards.** Although we retain the right to establish and periodically modify System Standards which you have agreed to maintain in the operation of this developer business and the Franchised Businesses developed or operated pursuant to this Agreement, you retain the right and sole responsibility for the day to day management and operation of this developer business and the Franchised Businesses and the implementation and maintenance of System Standards at the Franchised Businesses.

**18.6 Franchisor's Reasonable Business Judgment.** Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations if we exercise "reasonable business judgment" in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of "reasonable business judgment," even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product and service quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute judgment for our reasonable business judgment.

**18.7 Other Offers.** You acknowledge and agree that we may modify the offer of area development rights to other developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

**18.8 No Conflicting Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

The parties, intending to be legally bound, have entered into this Agreement on the date first written above.

*[Signature Page Follows.]*

**IN WITNESS WHEREOF**, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

**WITNESS**

**AMERICA'S MUSIC SCHOOL LLC**

Franchisor

\_\_\_\_\_

Witness

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

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

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

\_\_\_\_\_

Developer

\_\_\_\_\_

Witness

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

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

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

**EXHIBIT A**  
**Bach to Rock**  
**Area Development Agreement**  
**Development Area and Development Schedule**

Development Area and Development Schedule

1. Schools. You must develop, own, and operate \_\_\_\_\_ (\_\_\_) Bach to Rock Schools.
2. Development Area. All Schools developed under this Development Agreement must be located within the boundaries of the following area, which is the "**Development Area**":

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---



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3. Development Schedule. Recognizing that time is of the essence, you agree to satisfy the Development Schedule set forth below:

By (Date)	Cumulative Total Number of Schools Which Developer Must Have Open and in Operation

4. Development Fee. The Development Fee is the greater of (a) twenty thousand dollars (\$20,000) or (b) fifty percent (50%) of the initial franchise fees required for each School to be established pursuant to this Agreement.

Franchisor Acknowledgement:

Developer Acknowledgement:

**America's Music School LLC**  
 \_\_\_\_\_  
 Franchisor

\_\_\_\_\_  
 Developer

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

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

Name: Brian Gross  
 Title: President  
 Date: \_\_\_\_\_

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

**EXHIBIT B**  
**Bach to Rock**  
**Area Development Agreement**  
**Personal Guarantee**

Personal Guarantee

As an inducement to America's Music School LLC (the "**Franchisor**") to execute a Bach to Rock Area Development Agreement (the "**Agreement**") with \_\_\_\_\_, [a \_\_\_\_\_ organized under the laws of \_\_\_\_\_,] (the "**Developer**"), the undersigned individuals (collectively, the "**Guarantors**") unconditionally guarantee to Franchisor, its affiliates, and their successors and assigns that all of the Developer's obligations under the Agreement, and under other agreements or arrangements between the Developer and Franchisor, its affiliates, or their successors or assigns (collectively, the "**Obligations**"), will be punctually paid and performed. The liability of the Guarantors under this Guarantee is joint and several.

1. Guarantee

Upon demand by Franchisor, the Guarantors will immediately satisfy each Obligation. Each Guarantor waives any right to require Franchisor to: (a) proceed against the Developer or any other Guarantor for any contribution or payment required under the Agreement; (b) proceed against or exhaust any security from the Developer or any other Guarantor; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against the Developer or any other Guarantor. Without affecting the liability of the Guarantors under this Guarantee, Franchisor may, without notice to the Guarantors, extend, modify, or release any Obligation, or settle, adjust, or compromise any claims against the Developer. The Guarantors waive notice of amendment of the Agreement and notice of demand for contribution or payment by the Developer and agree to be bound by any and all such amendments and changes to the Agreement. Each Guarantor also acknowledges that the statements in Section 18.1 through 18.3 of the Area Development Agreement are true and accurate as to himself or herself.

2. Indemnity

The Guarantors agree to hold harmless and indemnify Franchisor, its affiliates, and their respective officers, directors, members, shareholders and employees against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees, reasonable costs of investigation and court costs) resulting from, consisting of, or arising out of or in connection with any failure by the Developer to perform any Obligation.

3. Duration

Except for those personal obligations described in Section 4 below that will survive the expiration, termination or transfer of rights or ownership of the Developer or the Area Development Agreement, this Guarantee with respect to an individual Guarantor will terminate upon one of the following events: (a) termination or expiration of the Agreement, (b) the Guarantor's transfer of all of his/her interest in Developer or, (c) the Guarantor's spouse's transfer of all of his/her interest in Developer, if the Guarantor does not own an interest in Developer. However, all liabilities of the Guarantors arising from events which occurred on or before the effective date of termination, expiration or transfer will remain in full force and effect until satisfied or discharged by the Guarantors. Upon the death of a Guarantor, the estate of the Guarantor will be bound by this Guarantee, but only for defaults and obligations of the Guarantor existing at the time of death; and the obligations of the other Guarantors will continue in full force and effect.

4. Other Personal Obligations

Except as expressly authorized by the Agreement, the Guarantors agree that they will not make any use of Franchisor's intellectual property rights, trade secrets, know-how, systems or methods of which Guarantors may acquire knowledge by virtue of the training they may have received from Franchisor, their involvement in the business, or their or their spouse's ownership interest in the Developer, and Guarantors will not disclose the same to any third party.

The Guarantors acknowledge and agree to be bound personally by all covenants not to compete (Section 8 of the Area Development Agreement), confidentiality provisions (Section 5.4 of the Area Development Agreement), proprietary marks (Section 7 of the Franchise Agreement), governing law and dispute resolution provisions (**including the jury trial waiver, limitation on the time for bringing claims, waiver of class actions, and waiver of punitive damages** (Sections 16 and 17 of the Area Development Agreement)), construction and survival (Sections 14 and 15 of the Area Development Agreement), and restrictions on transfers of interest contained in Section 7 of the Area Development Agreement (however, the Guarantors understand and acknowledge that this Guarantee does not grant them any right to use the "Bach to Rock" marks or system).

5. Enforcement of Obligations Under This Guarantee

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor will be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', arbitrators', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses (and any interest) whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding.

GUARANTORS:

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

\_\_\_\_\_  
Printed

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

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

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

\_\_\_\_\_  
Printed

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

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

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

\_\_\_\_\_  
Printed

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

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

**EXHIBIT C**  
**Bach to Rock**  
**Area Development Agreement**  
**List of Owners and Ownership Interests**

List of Owners and Ownership Interests, and Addresses for Notices

Effective Date: This Exhibit C is current and complete  
as of \_\_\_\_\_, 20\_\_

Developer and Its Owners

1. Form of Developer Entity.

(a) Individual Proprietorship. Developer's owner(s) (is) (are) as follows:

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

b) Corporation, Limited Liability Company, or Partnership. The Developer entity was incorporated or formed on \_\_\_\_\_, under the laws of the State of \_\_\_\_\_. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and \_\_\_\_\_. The following is a list, as applicable, of the Developer's partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Developer's owners, or an owner of one of Developer's (direct or indirect) owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

<u>Owner's Name/Address</u>	<u>Percentage/Description of Interest</u>
(a) _____	_____
_____	_____
_____	_____
(b) _____	_____
_____	_____
_____	_____



(c) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(d) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Identification of Operating Principal. Developer's Operating Principal as of the Effective Date is \_\_\_\_\_ (must be one of the individuals listed in paragraph 2 above). Developer may not change the Operating Principal without Franchisor's prior written consent.

4. Addresses for Notices:

Franchisor:

America's Music School LLC  
4819 St. Elmo Avenue  
Bethesda, Maryland 20814  
Attention: Brian Gross, President  
Email:Bgross@bachtorock.com

Developer:

\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Email: \_\_\_\_\_

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Developer

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

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

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

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

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

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

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

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

**EXHIBIT D**  
**Bach to Rock**  
**Area Development Agreement**  
**FRANCHISE AGREEMENT**

The form of Franchise Agreement that we currently offer is attached.

**EXHIBIT E**  
**Bach to Rock**  
**Area Development Agreement**  
**Non-Disclosure and Non-Competition Agreement**  
**(Between Developer and its Owners (and Spouses), Officers, and Directors)**

**THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”)** is made by and between \_\_\_\_\_ (the “**Developer**”), and \_\_\_\_\_, who is an owner, spouse of an owner, officer or director of Developer (the “**Member**”), on the date signed by Developer, as set forth below.

RECITALS:

**WHEREAS**, America’s Music School LLC (“**Franchisor**”) has developed a distinctive set of specifications and operating procedures (collectively, the “**System**”) for the operation of “Bach to Rock” Schools (“**Schools**” or “**Franchised Businesses**”).

**WHEREAS**, Franchisor and Developer have executed an Area Development Agreement (“**Area Development Agreement**”) granting Developer the right to operate Franchised Businesses pursuant to individual Franchise Agreements;

**WHEREAS**, the Member, by virtue of his or her position with Developer, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Developer is bound by.

**IN CONSIDERATION** of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member will not, during the term of the Area Development Agreement or thereafter, communicate, divulge or use for any purpose other than the operation of the Franchised Businesses, any confidential information, knowledge, trade secrets or know-how which may be communicated to Member or which Member may learn by virtue of Member’s (or Member’s spouse’s) relationship with Developer. All information, knowledge and know-how relating to Franchisor, its business plans, Franchised Businesses, or the System (“**Confidential Information**”) is deemed confidential, except for information that Member can demonstrate came to Member’s attention by lawful means prior to disclosure to Member or which, at the time of the disclosure to Member, had become a part of the public domain other than through Member’s act or omission. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Area Development Agreement, and/or by virtue of his or her (or his or her spouse’s) position with Developer, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Area Development Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for him or herself, or through, on behalf of, or in conjunction with any person (including a spouse, parent, sibling, or child), persons, partnership, corporation, or entity:

(i) Own, manage, engage in, be employed by, advise, make loans to, consult for, rent or lease to, or have any other interest in any business that (directly or indirectly) operates, or grants franchises or licenses to operate, music schools or

that offers classes, products or services substantially similar to those then offered by Bach to Rock Schools ("**Competitive Business**");

(ii) Divert or attempt to divert any business or customer, or potential business or customer, of the Franchised Businesses to any Competitive Business; or

(iii) Induce any person to leave his or her employment with Developer or Franchisor.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly (including through a spouse, parent, sibling, or child), own, manage, engage in, be employed by, advise, make loans to, consult for, or have any other interest in any Competitive Business that is, or intends to operate: (a) at the Premises of any School developed or operated pursuant to the Area Development Agreement; (b) within the Development Area; (c) within a five (5) mile radius of any Franchised Business opened pursuant to the Development Schedule at Exhibit A; or (d) within a five (5) mile radius of any other Bach to Rock Schools then operating or under construction to operate under the System.

(d) As used in this Agreement, the term "Post-Term Period" will mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer of the Member's interest (or, if the Member is not an owner of the Developer but a spouse of the owner, a transfer of the spouse's interest) in the rights granted under the Area Development Agreement permitted under Section 7 of the Area Development Agreement; (b) expiration or termination of the Area Development Agreement (regardless of the cause for termination); (c) termination of Member's directorship or officership with Developer; and/or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any person, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all court costs and reasonable attorney's fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, are held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Definitions. All capitalized terms not defined herein will have the meaning ascribed to them in the Area Development Agreement.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

*[Signatures on next page]*

**IN WITNESS WHEREOF**, the Developer and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

DEVELOPER

MEMBER

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

\_\_\_\_\_

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

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

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

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

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

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

**Exhibit C to the Franchise Disclosure Document  
HARMONY GATEWAY LICENSE AGREEMENT**

**AMERICA'S MUSIC SCHOOL  
HARMONY GATEWAY LICENSE AGREEMENT**

**THIS HARMONY GATEWAY LICENSE AGREEMENT** ("Agreement") is made by and between America's Music School LLC ("Licensor"), and \_\_\_\_\_, a \_\_\_\_\_ ("Licensee").

**RECITALS**

Pursuant to a certain franchise agreement between Licensor and Licensee entered into on the date hereof (the "Franchise Agreement"), Licensor granted Licensee the right to own and operate a "Bach to Rock" music education center at a location to be determined ("Franchised School").

Licensor owns or has the right to use and license the use of the Software (as defined below) for use in the Franchised School.

Licensee desires to obtain a license, and Licensor desires to grant a license to Licensee, for use of the Software and Documentation (as defined below) in the Franchised School upon the terms and conditions contained in this Agreement.

Licensee has requested to obtain, and Licensor has agreed to provide, support for the Software, on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants, agreements and obligations set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**ARTICLE 1**

**DEFINITIONS**

**1.1** "**Designated Environment**" means the minimum hardware and software environments described in Exhibit A. Licensor reserves the right to change the Designated Environment at any time and from time to time.

**1.2** "**Confidential Information**" means the Software, Documentation and Specifications, and the terms and conditions of this Agreement, which are each confidential and proprietary to Licensor and/or its licensors.

**1.3** "**Designated Hardware**" means Licensee's hardware used in the Franchised School and meeting the specifications of the Designated Environment set forth in Exhibit A. Licensor shall have no obligation to support or maintain any of the Designated Hardware.

**1.4** "**Documentation**" means the user documentation provided by Licensor for the Software.

**1.5** "**License Fee**" means that fee payable to Licensor for the license granted in Section 2.1 below.

1.6 “**Software**” means the software system known as Harmony Gateway licensed hereunder; such software is described on Exhibit B hereto and consists of (a) third party software licensed to Licensor which Licensor has the right to license to Licensee hereunder for use in the Franchised School in accordance with the terms hereof, and (b) proprietary software owned by Licensor.

1.7 “**Specifications**” means Licensor's current published description (if any) of the Software.

1.8 “**Support Services**” has the meaning ascribed to it in Section 4.1 hereof.

## ARTICLE 2

### SOFTWARE LICENSE

2.1 **License.** Licensor grants Licensee a non-exclusive, non-transferable license to use the Software and Documentation in accordance with the terms and subject to the conditions set forth in this Agreement solely for its internal operations at the Franchised School.

2.2 **Distribution.** Licensee shall not: (a) make available all or part of the Software or Documentation to any third party by assignment, sublicense or by any other means; (b) copy, adapt, reverse engineer, decompile, disassemble, or modify, in whole or in part, any of the Software or Documentation; or (c) use the Software to operate in or as a time-sharing, outsourcing, or service bureau environment, or in any way allow third party access to the Software.

2.3 **Proprietary Rights.** Licensee acknowledges and agrees that the copyright, patent, trade secret, and all other intellectual property rights of whatever nature in the Software, Documentation and Specifications are and shall remain the property of Licensor and/or its licensors, and nothing in this Agreement should be construed as transferring any aspects of such rights to Licensee or any third party.

## ARTICLE 3

### ACCESS TO DATA

Licensee agrees that Licensor and/or its designee shall have the free and unfettered right to retrieve any data, customer information and other information from the Software as Licensor, in its sole discretion, deems appropriate, including electronically polling the daily sales, computer information and other data of the Franchised School, with the cost of the retrieval to be borne by Licensor. Licensee shall comply with all operational requirements with regard to data required by the Franchise Agreement and any manuals that govern the operation of the Franchised School.

## ARTICLE 4

### SUPPORT SERVICES

4.1 **Support Services.** Licensor agrees to provide during the term of this Agreement the support services described in Exhibit C hereof (the “Support Services”).



**4.2 Designated Hardware.** In order to facilitate the Support Services, Licensee agrees to operate the Designated Hardware in accordance with the Licensor's and the manufacturer's instructions.

## ARTICLE 5

### FEES

**5.1 License Fee.** Upon the execution of this Agreement, Licensee shall pay to Licensor an initial up-front fee of \$5,000. In addition, during each month of this Agreement (or portion thereof) commencing upon the opening day of the Franchised School, Licensee shall pay to Licensor without any right of set-off or deduction, a monthly License Fee in the amount of \$210.00. The monthly License Fee shall be payable in arrears on the 10<sup>th</sup> of each month for the previous month. Licensor shall have the right, upon 90 days' prior written notice to Licensee, to increase the monthly License Fee payable by Licensee on any anniversary date of the execution of this Agreement. Each License Fee when paid shall be deemed fully earned by Licensor and shall not be refundable under any circumstances whatsoever. The initial and monthly License Fees described in this section do not include the cost of any parts and/or labor needed to keep the Designated Hardware functional.

**5.2 Taxes.** Licensee shall be responsible for any applicable sales or use taxes or any value added or similar taxes payable with respect to the licensing of the Software, or arising out of or in connection with this Agreement, other than taxes levied or imposed based upon Licensor's income. In the event that Licensor pays any such taxes on behalf of Licensee, Licensor shall invoice Licensee for such taxes and Licensee agrees to pay such taxes within 30 days from the date of invoice.

**5.3 Interest.** If any payments by Licensee due to Licensor are not received by Licensor by the due date, Licensee, in addition to paying the amount owed, shall pay Licensor interest on the amount owed from the date due until paid at the maximum rate permitted for indebtedness of this nature in the state in which the Franchised School is located or 18% per annum, whichever is less.

## ARTICLE 6

### CONFIDENTIALITY

**6.1 Confidential Information.** Licensee agrees that it shall not, without Licensor's prior written consent: (a) modify any Confidential Information; (b) reverse engineer, decompile, decrypt, or disassemble the Confidential Information or attempt to do so; (c) transfer, rent, lease, lend or sublicense any Confidential Information to anyone for any purpose; or (d) reveal or disclose any Confidential Information for any purpose to any other person, firm, corporation or other entity, other than Licensee's employees with a need to know such Confidential Information to perform employment responsibilities consistent with Licensee's rights under this Agreement. Licensee shall safeguard and protect the Confidential Information from theft, piracy or unauthorized access in a manner at least consistent with the protections Licensee uses to protect its own most confidential information. Licensee shall inform its employees of their obligations under this Agreement and shall take such steps as may be reasonable in the circumstances, or as may be reasonably requested by Licensor, to prevent any unauthorized disclosure, copying or use of the Confidential Information.

**6.2 Unauthorized Disclosure.** Licensee shall notify Licensor immediately upon discovery of any prohibited use or disclosure of the Confidential Information, or any other breach of these confidentiality obligations by Licensee, and shall fully cooperate with Licensor to help Licensor regain possession of the Confidential Information and prevent the further prohibited use or disclosure of the Confidential Information.

## **ARTICLE 7**

### **NO WARRANTY**

LICENSOR EXPRESSLY DISCLAIMS, AND LICENSEE HEREBY EXPRESSLY WAIVES, ALL WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. LICENSOR DOES NOT WARRANT THAT THE SOFTWARE WILL MEET LICENSEE'S REQUIREMENTS OR THAT THE OPERATION OF THE SOFTWARE WILL BE UNINTERRUPTED OR ERROR-FREE, OR THAT ERRORS IN THE SOFTWARE WILL BE CORRECTED. THE ENTIRE RISK OF THE SOFTWARE'S QUALITY AND PERFORMANCE IS WITH LICENSEE. LICENSEE ACKNOWLEDGES AND AGREES THAT IT IS ACCEPTING THE SOFTWARE UNDER THIS LICENSE IN ITS "AS IS" CONDITION.

## **ARTICLE 8**

### **INFRINGEMENT**

**8.1 By Licensor.** Subject to Section 8.2, Licensor will indemnify Licensee against any claim that the Software furnished and used within the scope of this Agreement infringes any U.S. copyright or patent, provided that: (a) Licensor is given prompt notice of the claim; (b) Licensor is given immediate and complete control over the defense and/or settlement of the claim and Licensee fully cooperates with Licensor in such defense and/or settlement; (c) Licensee does not prejudice in any manner Licensor's conduct of such claim; and (d) the alleged infringement is not based upon the use of the Software in a manner prohibited under this Agreement, in a manner for which the Software was not designed, or in a manner not in accordance with the Specifications.

**8.2 Altered Version.** Licensor shall have no liability for any claim of infringement based on the combination, operation or use of the Software with software, hardware or other materials not furnished or approved for use with the Software by Licensor.

**8.3 Injunction.** If a final injunction is obtained against the use of any part of the Software by reason of infringement of a U.S. copyright or patent, Licensor shall have the right, at its option, to: (a) procure for Licensee the right to continue to use the Software; (b) modify the Software so that it becomes non-infringing; or (c) terminate this Agreement without penalty.

**8.4 Liability.** The foregoing states Licensor's entire obligation and liability with respect to the infringement of any property right.

**8.5 By Licensee.** Licensee will indemnify Licensor against any claim (other than a claim indemnified by Licensor pursuant to Section 8.1) for: (a) alleged infringement of any U.S. copyright or patent, arising out of the use of the Software by Licensee in any manner prohibited by this Agreement; or (b) related to or arising out of Licensee's use or misuse of the Software.

## ARTICLE 9

### LIMITATION OF LIABILITY

LICENSOR SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INCIDENTAL OR PUNITIVE DAMAGES WITH RESPECT TO ITS OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE EVEN IF IT HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. LICENSOR WILL NOT BE RESPONSIBLE FOR ANY LOSS OF SALES BY LICENSEE DURING THE PERIOD IN WHICH THE SOFTWARE IS INOPERATIVE, NOR WILL LICENSOR BE RESPONSIBLE FOR ANY LOSS OR INACCURACY OF DATA CAUSED BY THE SOFTWARE. IN ANY EVENT, THE LIABILITY OF LICENSOR TO LICENSEE FOR ANY REASON AND UPON ANY CAUSE OF ACTION SHALL BE LIMITED TO THE AMOUNT OF THE MONTHLY LICENSE FEE PAID TO LICENSOR BY LICENSEE UNDER THIS AGREEMENT PURSUANT TO SECTION 5.1 ABOVE MULTIPLIED BY TWELVE. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION IN THE AGGREGATE, INCLUDING WITHOUT LIMITATION TO BREACH OF CONTRACT, BREACH OF WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATIONS, AND OTHER TORTS. BOTH PARTIES UNDERSTAND AND AGREE THAT THE REMEDIES AND LIMITATIONS SET FORTH IN THIS ARTICLE 9 ALLOCATE THE RISKS OF PRODUCT AND SERVICE NONCONFORMITY BETWEEN THE PARTIES AS AUTHORIZED BY THE UNIFORM COMMERCIAL CODE AND OF OTHER APPLICABLE LAWS. THE FEES IN THIS AGREEMENT REFLECT, AND ARE SET IN RELIANCE UPON, THIS ALLOCATION OF RISK AND THE EXCLUSION OF CONSEQUENTIAL AND OTHER DAMAGES SET FORTH IN THIS AGREEMENT.

## ARTICLE 10

### TERM AND TERMINATION

**10.1 Term.** This Agreement shall be in effect from the date hereof until the expiration or earlier termination of the Franchise Agreement.

**10.2 Cessation of Use.** Upon termination of this Agreement, Licensee shall cease using the Software and Documentation and promptly return all copies of the Documentation and all other Confidential Information in its possession or control. Licensee shall delete all copies of such materials residing in on-line or off-line computer memory, and destroy all copies of such materials that also incorporate Licensee's Confidential Information. Licensor shall be entitled to enter the Franchised School to repossess and remove the Documentation and any other Confidential Information. Licensee shall, within five (5) days from the effective date of the termination, certify to Licensor in writing that all copies of the Documentation have been returned, deleted or destroyed.

## ARTICLE 11

### GENERAL

**11.1 Miscellaneous.** The headings used in this Agreement are for convenience only and are not intended to be used as an aid to interpretation. If any part of this Agreement is held to be illegal or unenforceable, the validity or enforceability of the remainder of this Agreement shall not be affected. This Agreement will be binding upon and inure to the benefit of the parties to this Agreement, their respective successors and permitted assigns; Licensee may not assign its rights or obligations under this Agreement without the prior written consent of Licensor. Failure

by either party to exercise any right or remedy under this Agreement does not signify acceptance of the event giving rise to such right or remedy or a waiver of any right or remedy. This Agreement contains the entire agreement between the parties concerning the grant of the License to Licensee to use the Software and Documentation and supersedes and merges all prior proposals, understandings and all other agreements, oral and written, between the parties relating to this Agreement.

**11.2 Governing Law.** This Agreement and any claim or controversy arising out of, or relating to, the rights and obligations of the parties under this Agreement and any other claim or controversy between the parties shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles.

**11.3 Force Majeure.** Licensor shall not be liable for any loss or damage due to delays caused by any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government or other third party, or any other cause not within its control.

**11.4 Limitation of Action.** Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years after the initial occurrence of any act or omission that is the basis of the legal action or proceeding, whenever discovered.

**11.5 Jurisdiction.** The parties agree that, to the extent any disputes cannot be resolved directly between them, Licensee shall file any suit against Licensor only in the federal or state courts in Maryland. Licensor may file suit in the federal or state court located in Maryland, in the jurisdiction where Licensee resides or does business, or in the jurisdiction where the Franchised School is or was located. Licensee consents to the personal jurisdiction of those courts over Licensee and venue in those courts.

**11.6 Costs and Expenses.** Licensee agrees to pay to Licensor on demand any and all costs and expenses incurred by Licensor in enforcing the terms of this Agreement, including, without limitation, collecting any monies owed by Licensee to Licensor. These costs and expenses include, but are not limited to, costs and commissions due a collection agency, reasonable attorneys' fees, court costs, expert witness fees and discovery costs, together with interest charges on all of the foregoing.

**11.7 Notice.** No notice, demand, request or other communication to the parties shall be binding upon the parties unless the notice is in writing, refers specifically to this Agreement and is addressed to the parties as follows:

To Licensor:

America's Music School LLC  
4819 St. Elmo Avenue  
Bethesda, MD 20814  
Attention: Brian Gross, President

To Licensee:

Name \_\_\_\_\_  
Address \_\_\_\_\_  
Attention: \_\_\_\_\_

Any party may designate a new address for notices by giving written notice of the new address pursuant to this Section. Notices shall be effective upon receipt and may be: (a) delivered personally; (b) mailed in the United States mail, postage prepaid, certified mail, return receipt requested; or (c) sent by reputable overnight courier.

**11.8 Survival.** Section 2.3 and Articles 5, 6, 7, 8, 9, 10 and 11 shall survive the termination of this Agreement for any reason.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed by their authorized representatives.

**America's Music School LLC**

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

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

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

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

**[INSERT NAME OF LICENSEE]:**

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

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

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

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

## EXHIBIT A

### Designated Environment

Microsoft Windows PC operating systems running Windows 10 or higher. The web browser supported is the current version of Google Chrome.

Recommended hardware:

#### Monitor

Capable of displaying SXGA (1280 x 1024) or better

#### Desktops/Laptops

8 GB Ram or greater

256 GB or greater hard drive

2 Ghz Processor or greater

#### Tablets

iPad running iPadOS 15 or higher

Recommended Internet Connection:

25 Mbps Down /10 Mbps Up or faster

Recommended Local Area Network:

Cat 5e or better network wiring

Network switch capable of 1 Gbps or faster, minimum of 8 ports

Network router with firewall

Enough access points to provide good wireless signal to all classrooms

## **EXHIBIT B**

### **Harmony Gateway**

Harmony Gateway is a web based program that maintains each Franchised School's student records, member records, student and faculty schedules, student curriculum progress and reports, billing and payroll data, and more. Although much of Harmony Gateway is password protected and accessible only to authorized personnel, faculty members have access to those parts of the system pertinent to their needs. These include teaching schedules, curriculum materials and student progress reports. Students and parents may also access parts of this system to check their schedules and the status of their accounts with the Franchised School. Harmony Gateway will be used daily by each Licensee. Sales, student courses, faculty, and payroll data will be collected, generated and stored in Harmony Gateway.

## **EXHIBIT C**

### **Support Services**

Licensors will provide **Full Help Desk Services** during the hours of Monday – Friday, 12 pm to 6 pm EST, and **Emergency Help Desk Services** after these stated hours and on Saturday, Sunday and Holidays. These Help Desk Services include:

#### **Full Help Desk Services: Monday-Friday, 12 pm to 6 pm Eastern Standard Time**

1. Respond to Licensee telephone calls, emails or ticketing system by providing initial diagnostic level one and level two services.
2. Assist Licensee in diagnosing errors, malfunctions and defects via ticketing system, telephone, email or telephone/screen sharing if appropriate.
3. Remediate diagnosed errors, malfunctions or defects via ticketing system, telephone, email or telephone/screen sharing if appropriate.

#### **Emergency Help Desk Services: After Hours, Saturday, Sunday and Holidays**

1. Respond to Licensee pager calls by providing initial telephone and diagnostic level one and level two services.
2. Assist Licensee in diagnosing errors, malfunctions and defects.
3. Remediate diagnosed errors, malfunctions or defects.
4. Determine whether follow up during normal office hours will be required to correct the error, malfunction or defect.



**Exhibit D to the Franchise Disclosure Document**  
**TABLE OF CONTENTS TO MANUAL**

Each topic covered in the Manuals will be provided as a series of pages that may vary in size and number depending on the setting you select on your computer. As such, the page numbers in this list of topics are approximate.

<u>Topics</u>	<u>Number of Pages</u>
Curriculum	2,231
Harmony	185
Human Resources	502
Marketing	1397
Operations	1264
Public Relations	28

**Exhibit E to the Franchise Disclosure Document**  
**FINANCIAL STATEMENTS**

# **America's Music School LLC**

Financial Statements

December 31, 2022 and 2021

# America's Music School LLC

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December 31, 2022 and 2021

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## Independent Auditors' Report

To the Member of  
America's Music School LLC

### Opinion

We have audited the financial statements of America's Music School LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in member's deficit and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of America's Music School LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of America's Music School LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about America's Music School LLC's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Tysons, Virginia  
April 5, 2023

# America's Music School LLC

## Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 1,022,570	\$ 806,347
Accounts receivable	264,691	231,347
Prepaid expenses and other current assets	157,253	97,454
Contract assets	<u>33,900</u>	<u>37,749</u>
Total current assets	1,478,414	1,172,897
<b>Property and Equipment, Net</b>	4,136	6,529
<b>Other Assets</b>		
Contract assets, net of current portion	<u>133,657</u>	<u>157,268</u>
Total assets	<u>\$ 1,616,207</u>	<u>\$ 1,336,694</u>
<b>Liabilities and Member's Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 59,584	\$ 51,639
Deferred revenue	176,324	182,119
Due to Music Makers Holdings LLC	<u>664,359</u>	<u>962,456</u>
Total current liabilities	900,267	1,196,214
<b>Long-Term Liabilities</b>		
Deferred revenue, net of current portion	<u>824,723</u>	<u>858,340</u>
Total liabilities	1,724,990	2,054,554
<b>Member's Deficit</b>	<u>(108,783)</u>	<u>(717,860)</u>
Total liabilities and member's deficit	<u>\$ 1,616,207</u>	<u>\$ 1,336,694</u>

See notes to financial statements

# America's Music School LLC

## Statements of Operations

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Revenues</b>		
Franchise fee revenues	\$ 2,521,019	\$ 1,953,817
<b>Operating Expenses</b>		
Payroll	811,899	769,850
General and administrative	615,207	548,115
Professional fees	254,362	252,970
Advertising and promotions	161,620	126,537
Amortization of contract assets	66,461	37,517
Depreciation	2,393	2,251
Total operating expenses	<u>1,911,942</u>	<u>1,737,240</u>
Net income	<u>\$ 609,077</u>	<u>\$ 216,577</u>

See notes to financial statements



## America's Music School LLC

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Statements of Changes in Member's Deficit  
Years Ended December 31, 2022 and 2021

<b>Balance, January 1, 2021</b>	\$ (934,437)
Net income	<u>216,577</u>
<b>Balance, December 31, 2021</b>	(717,860)
Net income	<u>609,077</u>
<b>Balance, December 31, 2022</b>	<u><u>\$ (108,783)</u></u>

*See notes to financial statements*

## America's Music School LLC

### Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 609,077	\$ 216,577
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,393	2,251
Amortization of contract assets	66,461	37,517
Changes in operating assets and liabilities:		
Accounts receivable	(33,344)	(57,780)
Prepaid expenses and other current assets	(59,799)	10,310
Contract assets	(39,001)	(22,500)
Accounts payable and accrued liabilities	7,945	(3,534)
Deferred revenue	(39,412)	31,606
	<u>514,320</u>	<u>214,447</u>
Net cash provided by operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>-</u>	<u>(6,966)</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings from Music Makers Holdings LLC	1,113,903	1,388,663
Payments to Music Makers Holdings LLC	<u>(1,412,000)</u>	<u>(1,350,000)</u>
	<u>(298,097)</u>	<u>38,663</u>
Net cash (used in) provided by financing activities		
Net change in cash	216,223	246,144
<b>Cash, Beginning</b>	<u>806,347</u>	<u>560,203</u>
<b>Cash, Ending</b>	<u>\$ 1,022,570</u>	<u>\$ 806,347</u>

See notes to financial statements

# America's Music School LLC

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Notes to Financial Statements  
December 31, 2022 and 2021

## 1. Organization and Risk Factors

America's Music School LLC (AMS or the Company) was formed in the state of Maryland as a limited liability company on March 9, 2011 and shall continue until dissolved by its member. AMS is a wholly owned subsidiary of Music Makers Holdings LLC (Music Makers) (d/b/a Bach to Rock or B2R), a limited liability company formed in the state of Maryland, and provides individual vocal and instrument instruction, band instruction, educational classes, summer camps and other music related services to its customers.

AMS was formed with the intent to offer, through franchise, the right to use the Bach to Rock trade name and certain instructional materials, policies and processes used in the operation of music instruction schools. As of December 31, 2022 and 2021, the Company has 53 and 50 active franchise agreements, respectively, for stores located across the United States of America. Of those active franchise agreements, 44 and 40 of the stores are operational as of December 31, 2022 and 2021, respectively.

AMS does not currently own and does not currently intend to acquire the trade names, trademarks or other materials and processes proprietary to the B2R concept. Rather, AMS expects to enter into licensing agreements with Music Makers for the rights to franchise its proprietary trade name, trademark and curriculum. It is possible that existing B2R schools owned directly by Music Makers may compete with the schools operated under franchise agreements with AMS.

AMS and the underlying franchise operations also are subject to certain other risks including dependence on Music Makers for trade names and other proprietary assets necessary to conduct franchise operations, dependence on a limited number of key personnel and competition from more established instructional schools with greater financial and marketing resources, among others.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Revenue Recognition

AMS has entered and expects to enter into franchise agreements to provide franchisees with a distinctive system relating to the development, establishment and operation of music schools and to provide nonexclusive rights to utilize B2R's registered trade name and trademarks. Under these agreements, revenues primarily consist of initial franchise license fees, initial software setup fees, royalty fees and National Advertising Contribution (NAC) fees based on a percentage of franchise gross revenues, copyright fees determined by total franchise gross revenues and software usage fees.

The Company records revenue in accordance *with Revenue From Contracts With Customers (Topic 606)*. Topic 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services.

# America's Music School LLC

## Notes to Financial Statements

December 31, 2022 and 2021

Topic 606 requires initial franchise fees and software setup fees for AMS to be recognized as the Company satisfies the performance obligation over the franchise term, which is generally 10 years. In the event that franchise agreements are terminated prior to the end of the contractual franchise term, the remaining unamortized franchise fees are recognized as revenue at the point of contract termination. The initial franchise license and software startup fees recognized by AMS during 2022 totaled \$301,162, of which \$87,683 related to terminated franchise agreements. The initial franchise license and software startup fees recognized by AMS during 2021 totaled \$174,644, of which \$0 related to terminated franchise agreements.

Royalty fees and NAC fees are recorded based on a percentage of the franchisee's monthly gross sales, and accordingly are recognized at the time the underlying sales occur. NAC fees and the related advertising fund expenditures are reported on a gross basis in the accompanying statements of operations. Copyright fees are charged to the franchisee based on a variable rate dependent on their annual gross sales, and accordingly are recognized in the annual period that the underlying sales occur. Software license fees are recorded based on a flat fixed monthly rate and are recognized over time as services are transferred to customers. Payment from franchisees for royalty fees, software license fees and NAC fees are typically received on a monthly basis in arrears. Payment from franchisees for copyright fees based on annual gross sales are received on an annual basis, at the beginning of the subsequent year to which the fees relate.

For the years ended December 31, 2022 and 2021, continuing franchise fee revenues, including fees charged to the Corporate Stores as discussed in Note 3, consisted of the following:

	<u>2022</u>	<u>2021</u>
Royalty fees	\$ 1,393,238	\$ 1,064,911
Software license fees	131,355	120,225
Copyright fees	180,327	180,348
NAC fees	514,937	413,689
Total	<u>\$ 2,219,857</u>	<u>\$ 1,779,173</u>

### Assets Recognized From Costs to Obtain or Fulfill Contracts With Customers

Accounting Standards Codification Topic 340-40, *Contracts With Customers*, requires that costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are to be expensed when incurred. It also requires that costs incurred only as a direct result of obtaining a contract be capitalized.

Contract assets are comprised of capitalized and unamortized franchisee referral fees and employee commissions. Franchisee referral fees relate to agreements the Company has with third party agencies to provide franchisee referrals to AMS, and are based on a percentage of total initial franchise fees paid to AMS upon successful execution of a franchise agreement. Employee commissions represent variable compensation paid to an employee of the Company, contingent on the execution of franchise agreements and opening of new franchise locations. The costs incurred related to these franchise referral agreements and employee commissions are considered to be incremental costs of obtaining customer contracts that the Company otherwise would not have incurred if the customer contract had not been obtained, and accordingly are capitalized as incurred and amortized over the term of the related franchise agreement. For the years ended December 31, 2022 and 2021, the Company capitalized \$8,500 and \$22,500 of employee commissions, respectively. For the years ended December 31, 2022 and 2021, the Company capitalized referral fees of \$26,500 and \$0, respectively, paid to a franchisee referral agency in connection with the referral of certain franchisees. For the years ended December 31, 2022 and 2021, the Company amortized \$66,461 and \$37,517, respectively, of contract assets to expense, which are included in amortization of contract assets on the accompanying statements of operations. Unamortized franchisee referral fees and employee commissions were \$89,451 and \$78,106, respectively, as of December 31, 2022. Unamortized franchisee referral fees and employee commissions were \$106,731 and \$88,286, respectively, as of December 31, 2021.

## America's Music School LLC

Notes to Financial Statements  
December 31, 2022 and 2021

### Contract Liabilities

Contract liabilities are comprised of unamortized upfront fees and deposits for additional territories received from franchisees, which are included as deferred revenue in the accompanying balance sheets. Deferred revenue represents the Company's remaining performance obligations under its franchise and license agreements for which consideration has been received, and is recognized on a straight-line basis over the remaining term of the related agreement. A summary of significant changes to the deferred revenue balance during 2022 and 2021 are presented below.

	<u>2022</u>	<u>2021</u>
Deferred revenue, January 1	\$ 1,040,459	\$ 1,008,853
Revenue recognized during year included in unamortized upfront fees from franchisees at the beginning of year	(301,162)	(174,644)
Upfront fees received	276,750	206,250
Refunds of deposits to franchisees for terminated agreements	(15,000)	-
	<u>\$ 1,001,047</u>	<u>\$ 1,040,459</u>

The Company did not recognize any revenue during 2022 or 2021 related to upfront fees received during those years.

Estimated revenue expected to be recognized in the future related to performance obligations that are either unsatisfied or partially satisfied at December 31, 2022 is as follows:

Years ending December 31:

2023	\$ 176,324
2024	173,821
2025	162,109
2026	135,080
2027	106,161
Thereafter	<u>247,552</u>
Total	<u>\$ 1,001,047</u>

### Cash

The term cash, as used in the accompanying financial statements, includes currency on hand and demand deposits with financial institutions. The Company maintains its cash in a bank deposit account, which at times may exceed federally insured limits. Interest-bearing and noninterest-bearing accounts held in an insured institution are aggregated and guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced any losses in such an account and believes it is not exposed to any significant credit risk on its cash.

### Accounts Receivable

Accounts receivable consist of royalty, NAC and copyright fees due from franchisees. Accounts receivable are shown net of an allowance for doubtful accounts, if applicable. The Company evaluates its accounts receivable for collectability on a regular basis, reserving for amounts for which collection is no longer probable. Management has determined that no reserve is required as of December 31, 2022 and 2021.

# America's Music School LLC

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Notes to Financial Statements  
December 31, 2022 and 2021

## Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over five years; computer equipment and software are depreciated over three years. As of December 31, 2022 and 2021, accumulated depreciation totaled \$28,591 and \$26,198, respectively. Depreciation expense was \$2,393 and \$2,251 for the years ended December 31, 2022 and 2021, respectively.

## Advertising and Promotions

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs were \$161,620 and \$126,537 for the years ended December 31, 2022 and 2021, respectively.

## Income Taxes

For federal income tax purposes, the Company is treated as a disregarded entity. As such, the taxable income or loss of the Company is reported in the income tax returns of its member, and accordingly, no federal tax provision is recognized in the accompanying financial statements.

## Subsequent Events

AMS has evaluated subsequent events for potential recognition and disclosure through April 5, 2023, the date the accompanying financial statements were available to be issued.

## 3. Related-Party Transactions

AMS, Music Makers and other affiliates share certain services and facilities. Allocated costs consist primarily of payroll and related costs and shared marketing costs. Music Makers allocates to AMS its proportionate share of these costs based upon the amount of time certain employees spend in support of AMS's operations. AMS records its proportionate share of these costs in the accompanying statements of operations in their natural classifications. For the years ended December 31, 2022 and 2021, Music Makers allocated \$1,264,625 and \$1,160,826, respectively, in shared costs to AMS.

In addition, third party legal expenses, consulting expenses and administrative expenses were paid by Music Makers on behalf of AMS. For the years ended December 31, 2022 and 2021, these expenses totaled \$28,924 and \$401,948, respectively.

As of December 31, 2022 and 2021, amounts due to Music Makers from AMS totaled \$664,359 and \$962,456, respectively. Such amounts represent the cumulative amounts owed to Music Makers from unreimbursed operational support provided by Music Makers in connection with the expenses above.

AMS charges each of the 11 corporate locations owned by Music Makers (the Corporate Stores) a monthly NAC fee based on a percentage of gross sales, a monthly copyright fee and monthly software license fee.

## America's Music School LLC

Notes to Financial Statements  
December 31, 2022 and 2021

For the years ended December 31, 2022 and 2021, fees charged to the Corporate Stores were as follows:

	<u>2022</u>	<u>2021</u>
NAC fees	\$ 117,166	\$ 107,511
Software license fees	26,880	25,200
Copyright fees	<u>37,812</u>	<u>43,581</u>
Total	<u>\$ 181,858</u>	<u>\$ 176,292</u>

Except as noted above, as of December 31, 2022 and 2021, AMS has not entered into any agreements to license proprietary assets for franchise with Music Makers. AMS anticipates it will execute certain agreements with Music Makers, including agreements to provide for the franchising of trade names and trademarks, borrowing agreements, cash management agreements and other agreements for shared services and office space in the future.

#### 4. 401(k) Retirement Plan

All employees who are at least 21 years of age, regardless of years of service, are eligible to participate in the CIG 401(k) Retirement Plan (the Plan). Yearly participant contributions are based on employee elective deferrals. The Company may make contributions to the Plan at the discretion of its board. Vesting of employer matching contributions is graduated based on years of service. Such contributions become fully vested after three years of service. Participants are 100% vested in elective contributions. For the years ended December 31, 2022 and 2021, the Company's contribution consisted of a matching contribution of the greater of 50% of participant contributions, on deferrals up to \$12,000 of each participant's salary or 50% of the first 6% that a participant defers to the Plan. The related expense for the years ended December 31, 2022 and 2021 was \$19,960 and \$27,388, respectively.

# **America's Music School LLC**

Financial Statements

December 31, 2021 and 2020



# America's Music School LLC

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December 31, 2021 and 2020

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## Independent Auditors' Report

To the Member of  
America's Music School LLC

### Opinion

We have audited the financial statements of America's Music School LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of America's Music School LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of America's Music School LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about America's Music School LLC's ability to continue as a going concern for a reasonable period of time.

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

*Baker Tilly US, LLP*

Tysons, Virginia  
April 8, 2022

# America's Music School LLC

## Balance Sheets

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 806,347	\$ 560,203
Accounts receivable	231,347	173,567
Prepaid expenses and other current assets	97,454	107,764
Contract assets	<u>37,749</u>	<u>35,793</u>
Total current assets	<u>1,172,897</u>	<u>877,327</u>
<b>Property and Equipment, Net</b>	<u>6,529</u>	<u>1,814</u>
<b>Other Assets</b>		
Contract assets, net of current portion	<u>157,268</u>	<u>174,241</u>
Total assets	<u><u>\$ 1,336,694</u></u>	<u><u>\$ 1,053,382</u></u>
<b>Liabilities and Member's Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 51,639	\$ 55,173
Deferred revenue	182,119	162,142
Due to Music Makers Holdings LLC	<u>962,456</u>	<u>923,793</u>
Total current liabilities	<u>1,196,214</u>	<u>1,141,108</u>
<b>Long-Term Liabilities</b>		
Deferred revenue, net of current portion	<u>858,340</u>	<u>846,711</u>
Total liabilities	2,054,554	1,987,819
<b>Member's Deficit</b>	<u>(717,860)</u>	<u>(934,437)</u>
Total liabilities and member's deficit	<u><u>\$ 1,336,694</u></u>	<u><u>\$ 1,053,382</u></u>

See notes to financial statements

## America's Music School LLC

### Statements of Operations

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenues</b>		
Franchise fee revenues	\$ 1,953,817	\$ 1,605,346
<b>Operating Expenses</b>		
Payroll	769,850	781,001
General and administrative	548,115	472,561
Professional fees	252,970	310,890
Advertising and promotions	126,537	117,874
Amortization of contract assets	37,517	69,452
Depreciation	2,251	3,517
Total operating expenses	<u>1,737,240</u>	<u>1,755,295</u>
Net income (loss)	<u>\$ 216,577</u>	<u>\$ (149,949)</u>

See notes to financial statements

## America's Music School LLC

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Statements of Changes in Member's Deficit  
Years Ended December 31, 2021 and 2020

<b>Balance, January 1, 2020</b>	\$ (784,488)
Net loss	<u>(149,949)</u>
<b>Balance, December 31, 2020</b>	(934,437)
Net income	<u>216,577</u>
<b>Balance, December 31, 2021</b>	<u><u>\$ (717,860)</u></u>

*See notes to financial statements*

## America's Music School LLC

### Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ 216,577	\$ (149,949)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	2,251	3,517
Amortization of contract assets	37,517	69,452
Changes in operating assets and liabilities:		
Accounts receivable	(57,780)	35,912
Prepaid expenses and other current assets	10,310	(1,163)
Contract assets	(22,500)	(37,500)
Accounts payable and accrued liabilities	(3,534)	15,964
Deferred revenue	31,606	(98,738)
Net cash provided by (used in) operating activities	<u>214,447</u>	<u>(162,505)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(6,966)</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>		
Borrowings from Music Makers Holdings LLC	1,388,663	1,516,717
Payments to Music Makers Holdings LLC	<u>(1,350,000)</u>	<u>(1,300,000)</u>
Net cash provided by financing activities	<u>38,663</u>	<u>216,717</u>
Net change in cash	246,144	54,212
<b>Cash, Beginning</b>	<u>560,203</u>	<u>505,991</u>
<b>Cash, Ending</b>	<u>\$ 806,347</u>	<u>\$ 560,203</u>

See notes to financial statements

# America's Music School LLC

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Notes to Financial Statements  
December 31, 2021 and 2020

## 1. Organization and Risk Factors

America's Music School LLC (AMS or the Company) was formed in the state of Maryland as a limited liability company on March 9, 2011 and shall continue until dissolved by its member. AMS is a wholly owned subsidiary of Music Makers Holdings LLC (Music Makers) (d/b/a Bach to Rock or B2R), a limited liability company formed in the state of Maryland, and provides individual vocal and instrument instruction, band instruction, educational classes, summer camps and other music related services to its customers.

AMS was formed with the intent to offer, through franchise, the right to use the Bach to Rock trade name and certain instructional materials, policies and processes used in the operation of music instruction schools. As of December 31, 2021 and 2020, the Company has 50 and 43 active franchise agreements, respectively, for stores located across the United States of America. Of those active franchise agreements, 40 and 35 of the stores are operational as of December 31, 2021 and 2020, respectively.

AMS does not currently own and does not currently intend to acquire the trade names, trademarks or other materials and processes proprietary to the B2R concept. Rather, AMS expects to enter into licensing agreements with Music Makers for the rights to franchise its proprietary trade name, trademark and curriculum. It is possible that existing B2R schools owned directly by Music Makers may compete with the schools operated under franchise agreements with AMS.

AMS is subject to certain business risks and uncertainties that could affect future operations and financial performance. AMS has limited operating history and it remains uncertain whether AMS's current business model will generate sufficient future revenues to fund its ongoing operations. To the extent AMS requires additional capital to fund its cash flow needs, Music Makers and its primary investor have represented that they have the intent and wherewithal to provide equity and/or debt capital sufficient to meet those needs.

AMS and the underlying franchise operations also are subject to certain other risks including dependence on Music Makers for trade names and other proprietary assets necessary to conduct franchise operations, dependence on a limited number of key personnel and competition from more established instructional schools with greater financial and marketing resources, among others.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### Revenue Recognition

AMS has entered and expects to enter into franchise agreements to provide franchisees with a distinctive system relating to the development, establishment and operation of music schools and to provide nonexclusive rights to utilize B2R's registered trade name and trademarks. Under these agreements, revenues primarily consist of initial franchise license fees, initial software setup fees, royalty fees and National Advertising Contribution (NAC) fees based on a percentage of franchise gross revenues, copyright fees determined by total franchise gross revenues and software usage fees.

The Company records revenue in accordance with *Revenue From Contracts With Customers* (Topic 606). Topic 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the consideration expected to be received for those goods or services.



# America's Music School LLC

Notes to Financial Statements

December 31, 2021 and 2020

Topic 606 requires initial franchise fees and software setup fees for AMS to be recognized as the Company satisfies the performance obligation over the franchise term, which is generally ten years. In the event that franchise agreements are terminated prior to the end of the contractual franchise term, the remaining unamortized franchise fees are recognized as revenue at the point of contract termination. The initial franchise license and software startup fees recognized by AMS during 2021 totaled \$174,644, of which \$0 related to terminated franchise agreements. The initial franchise license and software startup fees recognized by AMS during 2020 totaled \$251,238, of which \$95,284 related to terminated franchise agreements.

Royalty fees and NAC fees are recorded based on a percentage of the franchisee's monthly gross sales, and accordingly are recognized at the time the underlying sales occur. NAC fees and the related advertising fund expenditures are reported on a gross basis in the accompanying statements of operations. Copyright fees are charged to the franchisee based on a variable rate dependent on their annual gross sales, and accordingly are recognized in the annual period that the underlying sales occur. Software license fees are recorded based on a flat fixed monthly rate and are recognized over time as services are transferred to customers. Payment from franchisees for royalty fees, software license fees and NAC fees are typically received on a monthly basis in arrears. Payment from franchisees for copyright fees based on annual gross sales are received on an annual basis, at the beginning of the subsequent year to which the fees relate.

For the years ended December 31, 2021 and 2020, continuing franchise fee revenues, including fees charged to the Corporate Stores as discussed in Note 3, consisted of the following:

	<u>2021</u>	<u>2020</u>
Royalty fees	\$ 1,064,911	\$ 784,509
Software license fees	120,225	106,785
Copyright fees	180,348	152,914
NAC fees	<u>413,689</u>	<u>309,900</u>
Total	<u>\$ 1,779,173</u>	<u>\$ 1,354,108</u>

## Assets Recognized From Costs to Obtain or Fulfill Contracts With Customers

Accounting Standards Codification Topic 340-40, *Contracts With Customers*, requires that costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are to be expensed when incurred. It also requires that costs incurred only as a direct result of obtaining a contract be capitalized.

Contract assets are comprised of capitalized and unamortized franchisee referral fees and employee commissions. Franchisee referral fees relate to agreements the Company has with third party agencies to provide franchisee referrals to AMS, and are based on a percentage of total initial franchise fees paid to AMS upon successful execution of a franchise agreement. Employee commissions represent variable compensation paid to an employee of the Company, contingent on the execution of franchise agreements and opening of new franchise locations. The costs incurred related to these franchise referral agreements and employee commissions are considered to be incremental costs of obtaining customer contracts that the Company otherwise would not have incurred if the customer contract had not been obtained, and accordingly are capitalized as incurred and amortized over the term of the related franchise agreement. For the years ended December 31, 2021 and 2020, the Company capitalized \$22,500 and \$20,000 of employee commissions, respectively. For the years ended December 31, 2021 and 2020, the Company capitalized referral fees of \$0 and \$17,500, respectively, paid to a franchisee referral agency in connection with the referral of certain franchisees. For the years ended December 31, 2021 and 2020, the Company amortized \$37,517 and \$69,452, respectively, of contract assets to expense, which are included in amortization of contract assets on the accompanying statements of operations. Unamortized franchisee referral fees and employee commissions were \$106,731 and \$88,286, respectively, as of December 31, 2021. Unamortized franchisee referral fees and employee commissions were \$128,502 and \$81,532, respectively, as of December 31, 2020.

# America's Music School LLC

Notes to Financial Statements

December 31, 2021 and 2020

## Contract Liabilities

Contract liabilities are comprised of unamortized upfront fees and deposits for additional territories received from franchisees, which are included as deferred revenue in the accompanying balance sheets. Deferred revenue represents the Company's remaining performance obligations under its franchise and license agreements for which consideration has been received, and is recognized on a straight-line basis over the remaining term of the related agreement. A summary of significant changes to the deferred revenue balance during 2021 and 2020 are presented below.

	<u>2021</u>	<u>2020</u>
Deferred revenue, January 1	\$ 1,008,853	\$ 1,107,591
Revenue recognized during year included in unamortized upfront fees from franchisees at the beginning of year	(174,644)	(201,238)
Upfront fees received	206,250	190,000
Revenue recognized from forfeited deposits	-	(50,000)
Refunds of deposits to franchisees for terminated agreements	-	(37,500)
	<u>                    </u>	<u>                    </u>
Deferred revenue, December 31	<u>\$ 1,040,459</u>	<u>\$ 1,008,853</u>

The Company did not recognize any revenue during 2021 or 2020 related to upfront fees received during those years.

Estimated revenue expected to be recognized in the future related to performance obligations that are either unsatisfied or partially satisfied at December 31, 2021 is as follows:

Years ending December 31:	
2022	\$ 182,119
2023	175,900
2024	172,728
2025	153,670
2026	121,998
Thereafter	<u>234,044</u>
Total	<u>\$ 1,040,459</u>

## Cash

The term cash, as used in the accompanying financial statements, includes currency on hand and demand deposits with financial institutions. The Company maintains its cash in a bank deposit account, which at times may exceed federally insured limits. Interest bearing and noninterest bearing accounts held in an insured institution are aggregated and guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Company has not experienced any losses in such an account and believes it is not exposed to any significant credit risk on its cash.

## Accounts Receivable

Accounts receivable consist of royalty, NAC and copyright fees due from franchisees. Accounts receivable are shown net of an allowance for doubtful accounts, if applicable. The Company evaluates its accounts receivable for collectability on a regular basis, reserving for amounts for which collection is no longer probable. Management has determined that no reserve is required as of December 31, 2021 and 2020.

# America's Music School LLC

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Notes to Financial Statements  
December 31, 2021 and 2020

## Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over five years; computer equipment and software are depreciated over three years. As of December 31, 2021 and 2020, accumulated depreciation totaled \$26,198 and \$23,947, respectively. Depreciation expense was \$2,251 and \$3,517 for the years ended December 31, 2021 and 2020, respectively.

## Advertising and Promotions

Advertising and promotion costs are expensed as incurred. Total advertising and promotion costs were \$126,537 and \$117,874 for the years ended December 31, 2021 and 2020, respectively.

## Income Taxes

For federal income tax purposes, the Company is treated as a disregarded entity. As such, the taxable income or loss of the Company is reported in the income tax returns of its member, and accordingly, no federal tax provision is recognized in the accompanying financial statements.

## Subsequent Events

AMS has evaluated subsequent events for potential recognition and disclosure through April 8, 2022, the date the accompanying financial statements were available to be issued.

## 3. Related-Party Transactions

AMS, Music Makers and other affiliates share certain services and facilities. Allocated costs consist primarily of payroll and related costs and shared marketing costs. Music Makers allocates to AMS its proportionate share of these costs based upon the amount of time certain employees spend in support of AMS's operations. AMS records its proportionate share of these costs in the accompanying statements of operations in their natural classifications. For the years ended December 31, 2021 and 2020, Music Makers allocated \$1,160,826 and \$1,175,739, respectively, in shared costs to AMS.

In addition, third party legal expenses, consulting expenses and administrative expenses were paid by Music Makers on behalf of AMS. For the years ended December 31, 2021 and 2020, these expenses totaled \$401,948 and \$485,621, respectively.

As of December 31, 2021 and 2020, amounts due to Music Makers from AMS totaled \$962,456 and \$923,793, respectively. Such amounts represent the cumulative amounts owed to Music Makers from unreimbursed operational support provided by Music Makers in connection with the expenses above.

AMS charges each of the ten corporate locations owned by Music Makers (the Corporate Stores) a monthly NAC fee based on a percentage of gross sales, a monthly copyright fee and monthly software license fee.

## America's Music School LLC

Notes to Financial Statements

December 31, 2021 and 2020

For the years ended December 31, 2021 and 2020, fees charged to the Corporate Stores were as follows:

	<u>2021</u>	<u>2020</u>
NAC fees	\$ 107,511	\$ 85,174
Software license fees	25,200	22,995
Copyright fees	<u>43,581</u>	<u>38,875</u>
Total	<u>\$ 176,292</u>	<u>\$ 147,044</u>

Except as noted above, as of December 31, 2021 and 2020, AMS has not entered into any agreements to license proprietary assets for franchise with Music Makers. AMS anticipates it will execute certain agreements with Music Makers, including agreements to provide for the franchising of trade names and trademarks, borrowing agreements, cash management agreements and other agreements for shared services and office space in the future.

#### 4. 401(k) Retirement Plan

All employees who are at least 21 years of age, regardless of years of service, are eligible to participate in the CIG 401(k) Retirement Plan (the Plan). Yearly participant contributions are based on employee elective deferrals. The Company may make contributions to the Plan at the discretion of its board. Vesting of employer matching contributions is graduated based on years of service. Such contributions become fully vested after three years of service. Participants are 100 percent vested in elective contributions. For the years ended December 31, 2021 and 2020, the Company's contribution consisted of a matching contribution of the greater of 50 percent of participant contributions, on deferrals up to \$12,000 of each participant's salary or 50 percent of the first 6 percent that a participant defers to the Plan. The related expense for the years ended December 31, 2021 and 2020 was \$27,388 and \$27,523, respectively.

**Exhibit F to the Franchise Disclosure Document**  
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          California Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (866) 275-2677</p>	<p><b>NEW YORK</b>          Office of the New York State Attorney General          Investor Protection Bureau, Franchise Section          28 Liberty Street, 21st Floor          New York, New York 10005          (212) 416-8236 Phone          (212) 416-6042 Fax</p>
<p><b>HAWAII</b>          Commissioner of Securities          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          Securities Commissioner          North Dakota Securities Department          600 Boulevard Avenue          State Capitol, Fifth Floor, Dept. 414          Bismarck, North Dakota 58505-0510          (701) 328-4712</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Department of Business Regulation          Securities Division          John O. Pastore Complex–Bldg. 69–1          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9585</p>
<p><b>INDIANA</b>          Indiana Securities Commissioner          Securities Division          302 West Washington, Room E-111          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Department of Labor and Regulation          Division of Insurance – Securities Regulation          124 S. Euclid Avenue, Suite 104          Pierre, South Dakota 57501          (605) 773-4823</p>
<p><b>MARYLAND</b>          Office of the Attorney General          Division of Insurance – Securities Regulation          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          State Corporation Commission          Division of Securities and Retail Franchising          1300 East Main Street, 9<sup>th</sup> Floor          Richmond, Virginia 23219          (804) 371-9051</p>
<p><b>MICHIGAN</b>          Michigan Department of Attorney General          Consumer Protection Division          G. Mennen Williams Building, 1st Floor          525 West Ottawa Street          Lansing, Michigan 48933          (517) 373-7117</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          150 Israel Road, S.W.          Tumwater, Washington 98501          (360) 902-8760</p>

<b>MINNESOTA</b> Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	<b>WISCONSIN</b> Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555
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**AGENTS FOR SERVICE OF PROCESS**

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, if required by the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

<p><b>CALIFORNIA</b>          Commissioner of Financial Protection and Innovation          California Department of Financial Protection and Innovation          320 West Fourth Street, Suite 750          Los Angeles, California 90013-2344          (213) 576-7500          (866) 275-2677</p>	<p><b>NEW YORK</b>          New York Department of State          One Commerce Plaza          99 Washington Avenue, 6th Floor          Albany, NY 12231-0001          518-473-2492</p>
<p><b>HAWAII</b>          Commissioner of Securities of the State of Hawaii          Department of Commerce &amp; Consumer Affairs          Business Registration Division          Securities Compliance Branch          335 Merchant Street, Room 203          Honolulu, Hawaii 96813          (808) 586-2722</p>	<p><b>NORTH DAKOTA</b>          North Dakota Securities Commissioner          600 Boulevard Avenue,          State Capitol, Fifth Floor, Dept. 414          Bismarck, North Dakota 58505-0510</p>
<p><b>ILLINOIS</b>          Illinois Attorney General          500 South Second Street          Springfield, Illinois 62706          (217) 782-4465</p>	<p><b>RHODE ISLAND</b>          Director, Department of Business Regulation          Department of Business Regulation          Securities Division          John O. Pastore Complex–Bldg. 69–1          1511 Pontiac Avenue          Cranston, Rhode Island 02920          (401) 462-9585</p>
<p><b>INDIANA</b>          Indiana Secretary of State          302 West Washington, Room E-018          Indianapolis, Indiana 46204          (317) 232-6681</p>	<p><b>SOUTH DAKOTA</b>          Department of Labor and Regulation          Division of Insurance – Securities Regulation          124 S. Euclid Avenue, Suite 104          Pierre, South Dakota 57501          (605) 773-4823</p>
<p><b>MARYLAND</b>          Maryland Securities Commissioner          200 St. Paul Place          Baltimore, Maryland 21202-2020          (410) 576-6360</p>	<p><b>VIRGINIA</b>          Clerk of the State Corporation Commission          1300 East Main Street, 1<sup>st</sup> Floor          Richmond, Virginia 23219          (804) 371-9733</p>
<p><b>MICHIGAN</b>          Michigan Department of Attorney General          Consumer Protection Division          G. Mennen Williams Building, 1st Floor          525 West Ottawa Street          Lansing, Michigan 48933          (517) 373-7117</p>	<p><b>WASHINGTON</b>          Department of Financial Institutions          Securities Division          150 Israel Road, S.W.          Tumwater, Washington 98501          (360) 902-8760</p>



<b>MINNESOTA</b> Commissioner of Commerce Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, Minnesota 55101 (612) 296-4026	<b>WISCONSIN</b> Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555
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**Exhibit G to the Franchise Disclosure Document**

**LIST OF CURRENT FRANCHISEES – as of December 31, 2022, with new franchise agreements executed through March 31, 2023**

**Arizona**

Wes Gross  
The Arete Initiative, Inc.  
7325 E Frank Lloyd Wright Blvd. #104  
Scottsdale, AZ 85260  
480-990-8000

**California**

David H. Ferguson  
Syncopated Partners, LLC  
82 Clarksville Road #100  
Folsom, CA 95630  
916-265-2600

Melissa Solano-Rojas and David James  
K3 Syncopation LLC  
2311 Sunset Blvd.  
Rocklin, CA 95765  
916-435-1300

Rick and Amy Walker  
ANR Ventures, Inc.  
Camino Village Plaza  
282 N El Camino Real, Suite C  
Encinitas, CA 92024  
760-452-2190

Lee and Mengjia Chen  
Music SD LLC  
13185 Black Mountain Road #1  
San Diego, CA 92129  
858-208-3758

Blake Indursky  
Alive Music LLC  
2415 Wilshire Boulevard  
Santa Monica, CA 90403  
310-622-4848

**Connecticut**

Carl Giangrasso  
GP Fitness, Inc.  
15 Danbury Road, Unit 5

Ridgefield, CT 06877  
203-403-3172

### **Florida**

Wayne and Sue Chattaway  
Opus 521, Inc.  
2280 3<sup>rd</sup> Street South  
Jacksonville, FL 32250  
904-372-7766

Rick and Holly Schmidt  
One Louder, LLC  
3609 Lake Emma Road  
Lake Mary, FL 32746  
321-348-1706

Rick and Holly Schmidt  
Goes to 11, Inc.  
17463 N. Dale Mabry Highway  
Lutz, FL 33548  
813-398-7625

### **Georgia**

Carmen Guinto and Nancy Guinto  
Wavelength Learning Group, Inc.  
12315 Crabapple Road, #118  
Alpharetta, GA 30004  
470-375-3960

Mark and Jennifer Reiser  
JenMark Music LLC  
3130 Mathis Airport Road #300  
Suwanee, GA 30024  
678-771-8228

Michael Moreno  
MTM 421, LLC  
1860 Sandy Plains Road, #303  
Marietta, GA 30066  
404-380-1706

### **Indiana**

Andy and Jennifer Flickner  
Majestic Music, LLC  
2480 E 146<sup>th</sup> Street  
Carmel, IN 46033  
317-660-5285

Andy and Jennifer Flickner and Kellie Miles  
Majestic Fishers, LLC  
12514 E 116<sup>th</sup> Street  
Fishers, IN 46037  
317-588-9900

Andy and Jennifer Flickner  
Majestic Zionsville, LLC  
10895 N Michigan Road  
Zionsville, IN 46077  
317-973-8955

### **Kansas**

David and Angela Hill  
Bachin' The Suburbs, Inc.  
3630 W 135<sup>th</sup> Street  
Leawood, KS 66209  
913-350-4807

### **Maryland**

Sameer Patel  
Howard Rocks, Inc.  
8180 Maple Lawn Boulevard  
Fulton, MD 20759  
301-880-3388

### **Minnesota**

Judith Shoulak and Jacob Shoulak  
JS Music, LLC  
4345 Nathan Lane  
North Plymouth, MN 55442  
763-208-7847

Judith Shoulak and Jacob Shoulak  
CR Music, LLC  
13030 Riverdale Drive  
Coon Rapids, MN 55448  
763-208-1198

Judith Shoulak and Jacob Shoulak  
MK Music, LLC  
20475 County Road, #10  
Corcoran, MN 55340  
612-306-3817  
(expected to open in 2023)

### **New Jersey**

Marc and Lisa Saltzman  
Grandpa George's Opus, Inc.  
3130 NJ 10 #5  
West Denville, NJ 07834  
973-343-5270

Eric Philo  
ESP Music Enterprises, LLC  
325 Franklin Avenue  
Wyckoff, NJ 07581  
201-425-4000

Karl Kahofer  
Krock Enterprises LLC  
1595-3 NJ - 23  
Wayne, NJ 07470  
973-283-5299

Gregg and Lorena Evans  
Rock Star Music LLC  
915 Kindermack Road  
River Edge, NJ 07661  
917-887-2036  
(expected to open in 2023)

### **New York**

Glenn A. Fleischman  
Alan Goodstadt  
Amplified Capital Partners, LLC  
1015 Port Washington Boulevard  
Port Washington, NY 10050  
516-441-5526

Eric Philo  
CS Music of NY and NJ, Inc.  
150 E Route 59  
Nanuet, NY 10954  
845-215-9536

Nick and Amy Valente  
Enterprise 11:11, LLC  
2160 Penfield Road  
Penfield, NY 14526  
585-364-3766

### **North Carolina**

Tay and Kelly Foster

KTF Ventures, Inc.  
958 US – 64  
Apex, NC 27523  
919-446-5386

Tay and Kelly Foster  
Music4Life, LLC  
16610 West Catawba Avenue, A  
Huntersville, NC 28078  
980-477-0114

### **Ohio**

Eric Strohecker  
Strohecker Productions, LLC  
9692 Sawmill Parkway  
Powell, OH 43065  
838-227-7625

### **Oregon**

Matt and Nikki Dufner  
Timbre Land, LLC  
2345 NW 185<sup>th</sup> Avenue  
Hillsboro, OR 97124  
503-531-3331

### **Pennsylvania**

David Leonard and Ellen Good  
PA's Music School, Inc.  
226 Sugartown Road  
Wayne, PA 19087  
610-989-7625

Alvin A. Clay, III  
Clay Music Education, LLC  
2015 Buttonwood Lane  
Huntingdon Valley, PA 19006  
215-630-6473

### **South Carolina**

Brad and Cindy Dunnells  
Palmetto Moon Music, LLC  
624-D Long Point Road  
Mount Pleasant, SC 29464

843-972-8512

**Tennessee**

Michael Peacock and Tara Scarlett  
Peacock Family LLC  
6702 Charlotte Pike  
Suite 105  
Nashville, TN 37209  
615-637-7242

Michael Peacock and Tara Scarlett  
761 Darden Place  
Nashville, TN 37205  
615-474-3151  
(Expected opening in Brentwood, TN in 2023)

Russell K. Achzet, Sr.  
Achzet Holdings TN, LLC  
1475 N Mount Juliet Road  
Mount Juliet, TN 37122  
615-903-9658

Russell K. Achzet, Sr.  
22341 Kenwood Isle Drive  
Bonita Springs, FL 34135  
239-207-4924  
(Expected opening in Franklin, TN in 2023)

**Texas**

Ashwin Kotian  
ShivSanMusic Academy LLC  
9075-A Katy Freeway  
Houston, TX 77024  
832-834-4882

Murali Marathi  
Coustics LLC  
3041 S Custer Road, #200  
McKinney, TX 75070  
214-396-8273

Ashwin Kotian  
ShivSan School of Music, LLC  
3219 E Whitestone Boulevard, #200  
Cedar Park, TX 78613  
512-777-5572

Barbara Dabney  
Southern Music Company, LLC  
13215 Grant Road

Suite 1300  
Cypress, TX 77429  
832-559-7047

Murali Marathi  
Ceemphonee LLC  
6000 Long Prairie Road  
Suite 200  
Flower Mound, TX 75028  
214-396-8666

### **Virginia**

Sameer Patel  
Bristow Rocks LLC  
9070 Devlin Road, Suite 100  
Bristow, VA 20136  
703-373-7260

Sameer Patel  
Fairfax Rocks, Inc.  
9558 Main Street  
Fairfax, VA 22031  
703-349-2224

David Albaugh  
Chris Wood  
Gary Mizhir  
Harmonic Enterprises, LLC  
The Shoppes at Belgrade  
11400 West Huguenot Road #105  
Midlothian, VA 23113  
804-537-2271

Rick and Rebecca Wilson  
757music, Inc.  
3300 Princess Anne Road, Suite 719  
Virginia Beach, VA 23456  
757-301-7625

Rick and Rebecca Wilson  
2900 Camarillo Lane  
Virginia Beach, VA 23456  
757-362-6710  
(expected opening in Chesapeake, VA in 2023)



**Washington**

Jeff Lee  
Inner Rhyme Enterprises, LLC  
8451 – 164<sup>th</sup> Avenue, NE, #120  
Redmond, WA 98052  
206-880-1215

**LIST OF AREA DEVELOPERS**

Judith A. Shoulak  
Area: Minnetonka, Bloomington & Roseville, MN  
612-306-3816

## LIST OF AFFILIATE OWNED OUTLETS

### **ARLINGTON HEIGHTS**

65 West Rand Road  
Arlington Heights, IL 60004

### **BETHESDA**

4819 Saint Elmo Avenue  
Bethesda, MD 20814

### **GAITHERSBURG**

212 Boardwalk Place  
Gaithersburg, MD 20878

### **HERNDON**

13009 Worldgate Drive  
Herndon, VA 20170

### **LANSDOWNE**

19329 Promenade Drive  
Leesburg, VA 20176

### **MAMARONECK**

130 Mamaroneck Avenue  
Mamaroneck, NY 10543

### **MCLEAN**

6649 Old Dominion Road, A  
McLean, VA 22101

### **NAPERVILLE**

1212 S Naper Blvd, Suite 100  
Naperville, IL 60540

### **NORTHBROOK**

1141 Church Street  
Northbrook, IL 60062

### **SOUTH RIDING**

25031 Riding Plaza #100  
Market Square  
Chantilly, VA 20152

**WELLESLEY**

200A Linden Street  
Wellesley, MA 02481  
781-943-3944

**SCARSDALE**

969B Central Park Avenue  
Scarsdale, NY 10583  
914-721-6016  
(expected to open in 2023)

## Exhibit H to the Franchise Disclosure Document

### LIST OF FORMER FRANCHISEES

Listed below are the names, addresses and telephone numbers of Franchisees who had a Franchise Agreement terminated, canceled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during our most recently completed fiscal year, or who have not communicated with us within 10 weeks of the date of this disclosure document. (If you buy the franchise offered in this disclosure document, your contact information may be disclosed to other buyers when you leave the franchise system.)

We had 7 former developers or franchisees to disclose as of December 31, 2022.

Jack Popovciuc & Kayo Stone (Transferred to new owners)

Wolf Tracks Redmond LLC

8451 – 164<sup>th</sup> Avenue, NE, #120

Redmond, WA 98052

206-880-1215

David Albaugh

Chris Wood

Gary Mizhir

830 Village Road

Charlottesville, VA 22903

202-288-4052

(expected to open in Short Pump, VA in June 2022)

Alex and Lynley Stern (Transferred to new owners)

Ruby Capital LLC

9075-A Katy Freeway

Houston, TX 77024

832-834-4882

Justin and Juliea Jue

Jue Music Studio, LLC

442 Lower State Road

North Wales, PA 19454

215-390-3168

(The Franchisee and Franchisor have mutually agreed to terminate the Franchise Agreement in 2022)

Polly Stephenson (Transferred to new owners)

Carolina PollyPhonic, LLC

16610 West Catawba Avenue, A

Huntersville, NC 28078

980-477-0114

Don Kennel (Purchased by Franchisor)

Wellesley Polyrhythmic, LLC

200A Linden Street

Wellesley, MA 02481

781-943-3944

The Kahane Family Trust of 1994 (Estate of Mildred D. Kahane) (Transferred to new owners)  
K3 Syncopation LLC  
2311 Sunset Blvd.  
Rocklin, CA 95765  
916-435-1300

**Exhibit I to the Franchise Disclosure Document**  
**STATE-SPECIFIC DISCLOSURES**

1. California
2. Illinois
3. Maryland
4. Minnesota
5. New York
6. Rhode Island
7. Virginia
8. Washington
9. Wisconsin

## ADDENDUM FOR THE STATE OF CALIFORNIA

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516, and the California Franchise Relations Act, Cal. Bus. & Prof. Code §§ 20000-20043, the Disclosure Document for America's Music School LLC in connection with the offer and sale of franchises for use in the State of California shall be amended to include the following:

1. Our website, [www.BachtoRock.com](http://www.BachtoRock.com), has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of the website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
2. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.
3. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.
4. You must sign a general release if you renew or transfer your franchise. California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516). Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043).
5. In Item 3, "Litigation," shall be amended by the addition of the following paragraphs:

Pursuant to California law, this Item does not include any information regarding the arrest of any person(s) that did not result in a conviction or plea of nolo contendere.

Neither we, nor any person identified in Item 2 above, 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, 15 U.S.C. § 78a, et seq.) suspending or expelling such person from membership in such association or exchange.

6. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraph(s) at the conclusion of the Item:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101, et seq.).

The Franchise Agreement and Area Development Agreement contain a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code § 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement and Area Development Agreement require application of the laws of Maryland. This provision may not be enforceable under California law.

7. Exhibit K of the FDD, the “Franchisee Compliance Certification,” is amended to include the following provision:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.



## ADDENDUM FOR THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44 the Disclosure Document for America's Music School LLC for use in the State of Illinois shall be amended as follows:

1. The "Summary" sections of Item 17 (v) and (w), entitled Choice of Forum and Choice of Law, respectively, are amended by adding the following language:

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

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

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

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

3. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently, without reference to this addendum.

4. Exhibit K of the FDD, the "Franchisee Compliance Certificate," is amended to include the following provision:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ADDENDUM FOR THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the Disclosure Document for America's Music School LLC for use in the State of Maryland shall be amended as follows:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," is amended by the addition of the following language:

The general releases required for renewal or transfer will not apply with respect to any claim you may have which arises under the Maryland Franchise Registration and Disclosure Law. See Exhibit L of the disclosure document for additional information regarding the release.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchisee may sue in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following language to the summary of Provision "h":

Termination upon bankruptcy may not be enforceable under federal bankruptcy law, 11 U.S.C. Section 101 et seq.

3. Exhibit K, "Franchisee Compliance Certification," is amended by the addition of the following at the end of Exhibit K:

The representations under this Franchisee Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**MARYLAND PROSPECTIVE FRANCHISEES SHOULD NOT SIGN THE "FRANCHISEE COMPLIANCE CERTIFICATION."**

## ADDENDUM FOR THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the Franchise Disclosure Document for America's Music School LLC for use in the State of Minnesota shall be amended to include the following:

1. Item 6, "Other Fees," shall be amended by the addition of the following sentence:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

2. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

With respect to franchisees 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 a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

Pursuant to Minn. Rule 2860.4400D, any general release of claims that you or a transferor may have against us or our shareholders, directors, employees and agents, including without limitation claims arising under federal, state, and local laws and regulations shall exclude claims you or a transferor may have under the Minnesota Franchise Law and the Rules and Regulations promulgated thereunder by the Commissioner of Commerce.

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

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

3. Item 13, "Trademarks," shall be amended by the addition of the following paragraph:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's Proprietary Marks infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's Proprietary Marks except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender

the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

4. Each provision of this addendum shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commission of Commerce are met independently without reference to this addendum to the Disclosure Document.

5. Exhibit K of the FDD, the “Franchisee Compliance Certification,” is amended to include the following provision:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ADDENDUM FOR THE STATE OF NEW YORK

### ADDITIONAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT F 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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE 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 PROSPECTUS. 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 PROSPECTUS.

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs. tit. 13, §§ 200.1 through 201.16), the Disclosure Document for America's Music School LLC for use in the State of New York shall be amended as follows:

1. Item 3, "Litigation," shall be deleted in its entirety, and the following Item 3 shall be substituted in lieu thereof:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, 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.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-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.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to 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.

2. Item 4, "Bankruptcy" shall be supplemented by the addition of the following at the beginning of the Item:

Except as described below, neither we, nor our predecessor or affiliate, nor any of our or their officers or general partners, during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.

3. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by deleting rows "d", "j", "w" and the following new rows "d", "j", "w" shall be substituted in lieu thereof:

Franchise Agreement

Provision	Section in Franchise Agreement	Summary
d. Termination by you	Not Applicable	Pursuant to New York General Business Law, the franchisee may terminate the Agreement upon any grounds available by law.
j. Assignment of contract by us	13	There are no restrictions on our right to assign our rights in the Franchise Agreement and/or delegate our performance to a third party. No assignment will be made except to an assignee who, in Franchisor's judgment, is willing and able to assume the Franchisor's obligation under the Development Agreement/Franchise Agreement.

w. Choice of law	24	Maryland law applies. (See notes 1 and 2). The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee/developer by the General Business Law of the State of New York, Article 33.
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#### Area Development Agreement

Provision	Section in Area Development Agreement	Summary
d. Termination by you	Not Applicable	Pursuant to New York General Business Law, the franchisee may terminate the Agreement upon any grounds available by law.
j. Assignment of contract by us	7	There are no restrictions on our right to assign our rights in the Area Development Agreement and/or delegate our performance to a third party. No assignment will be made except to an assignee who, in Franchisor's judgment, is willing and able to assume the Franchisor's obligation under the Development Agreement/Franchise Agreement.
w. Choice of law	16	Maryland law applies. (See notes 1 and 2). The foregoing choice of law should not be considered as a waiver of any right conferred upon the franchisor or the franchisee/developer by the General Business Law of the State of New York, Article 33.

4. There are circumstances in which an offering made by us would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if the franchisee is domiciled in or the franchise will be opened in New York. We are required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

**STATEMENT OF DISCLOSURE DOCUMENT ACCURACY**

**THE FRANCHISOR REPRESENTS THAT THIS DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**



## **ADDENDUM FOR THE STATE OF RHODE ISLAND**

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34 the Franchise Disclosure Document for America's Music School LLC for use in the State of Rhode Island shall be amended to include the following:

1. § 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. This addendum and/or amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this addendum and/or amendment.

## ADDENDUM FOR THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for America's Music School LLC for use in the Commonwealth of Virginia is amended as follows.

1. Additional Disclosure: The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Nothing in the Franchise Agreement or Area Development Agreement will be interpreted or construed in a manner inconsistent with the requirements of Va. Code § Sec. 13.1-564, which provides that "[i]t shall be unlawful for a franchisor to cancel a franchise without reasonable cause or to use undue influence to induce a franchisee to surrender any right given to him by any provision contained in the franchise."

2. This Addendum will be effective only to the extent that the jurisdictional requirements of the Act are met independently with respect to such provision, without reference to this Addendum to the Franchise Disclosure Document.

3. Exhibit K of the FDD, the "Franchisee Compliance Certification," is amended to include the following provision:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## ADDENDUM FOR THE STATE OF WASHINGTON

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, the Franchise Disclosure Document for America's Music School LLC in connection with the offer and sale of franchises for use in the State of Washington shall be amended to include the following:

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs at the conclusion of the Item:

RCW 19.100.180 may supersede the Franchise Agreement or Area Development 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 or Area Development 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 or Area Development 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.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, 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 Area Development 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 Area Development Agreement or elsewhere are void and unenforceable in Washington.

2. Each provision of this addendum to the Disclosure Document shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.180, are met independently without reference to this addendum to the Disclosure Document.

3. Exhibit K, "Franchisee Compliance Certification," is hereby amended to state the following:

The Certification does not waive any liability the Franchisor may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **ADDENDUM FOR THE STATE OF WISCONSIN**

In recognition of the requirements of the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07, the Franchise Disclosure Document for America's Music School LLC in connection with the offer and sale of franchises for use in the State of Wisconsin shall be amended to include the following:

1. Item 17, for all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

**Exhibit J to the Franchise Disclosure Document  
STATE-SPECIFIC AGREEMENT AMENDMENTS**

Franchise Agreement:

1. California
2. Illinois
3. Maryland
4. Minnesota
5. New York
6. Rhode Island
7. Virginia
8. Washington
9. Wisconsin

## CALIFORNIA FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043, the parties to the attached America's Music School LLC Franchise Agreement (the "Agreement") agree as follows:

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Franchise Agreement requires franchisee to execute a general release of claims upon renewal or transfer of the franchise agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement requires application of the laws of Maryland. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. The Federal Bankruptcy Code also provides rights to franchisee concerning termination of the Franchise Agreement upon certain bankruptcy-related events. If the Franchise Agreement is inconsistent with the law, the law will control.

The Franchise Agreement requires binding mediation. The mediation will occur in Maryland with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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 a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship

shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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



## ILLINOIS FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§ 705/1 to 705/44, the parties to the attached America's Music School LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2 of the Agreement, under the heading "Term and Renewal," shall be amended by the addition of the following new paragraph 2.3, which shall be considered an integral part of the Agreement:

2.3 If any of the provisions of this Section 2 are inconsistent with Section 20 of the Illinois Franchise Disclosure Act ("Act"), the provisions of the Act shall apply. If we refuse to renew this Agreement, we shall compensate you if (and to the extent) such compensation is required under Section 20 of the Illinois Franchise Disclosure Act.

2. Section 15 of the Agreement, under the heading "Termination," shall be amended by the addition of the following new paragraph 15.5, which shall be considered an integral part of the Agreement:

15.5 If any of the provisions of this Section 15 concerning termination are inconsistent with Section 19 of the Illinois Franchise Disclosure Act, then said Illinois law shall apply.

3. Section 24 of the Agreement, under the heading "Governing Law," shall be deleted in its entirety, and shall have no force or effect; and the following new paragraph shall be substituted in lieu thereof:

Illinois law governs the Franchise Agreement.

4. Sections 25.2 of the Agreement, under the subheading "Forum for Litigation," shall be amended by the addition of the following:

Notwithstanding the foregoing, any claims under the Illinois Franchise Disclosure Act may be commenced in the appropriate federal or state court in Illinois.

5. Section 25.6 of the Agreement, under the subheading "Time Period to Bring Claims," shall be amended by adding the following language at the end of the paragraph:

Notwithstanding the provisions of Section 25.6, any claims arising under the Illinois Franchise Disclosure Act must be brought before the earlier to occur of: the expiration of 3 years after the act or transaction constituting the violation upon which the claim is based; the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act; or 90 days after delivery to you of a written notice disclosing the violation. No cause of action barred under existing law on the effective date of the Act shall be revived by the Act. Every cause of action under the Act survives the death of any person who might have been a plaintiff or defendant.

6. Section 25 of the Agreement, under the heading "Disputes," shall be amended by the addition of the following new Section 25.10, which shall be considered an integral part of the Agreement:

25.10 Nothing contained in this Section 25 shall constitute a condition, stipulation, or provision purporting to bind any Illinois franchisee to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other Illinois law (as long as the jurisdictional requirements of the Illinois Franchise Disclosure Act are met), including, without limiting the provisions of Section 705/41 of the Illinois Franchise Disclosure Act.

7. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently without reference to this amendment.

8. The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Illinois Amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**America's Music School LLC**

Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

## MARYLAND FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached America's Music School LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.6 of the Agreement, under the heading "Term; Successor Franchise Agreements," is amended by adding the following language at the end of the sentence:

The general release required as a condition of renewal shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Section 14.3.5 of the Agreement, under the heading "Transfer of Entire Business," is amended by adding the following language at the end of the sentence:

The general release required as a condition of assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 25.6 of the Agreement, under the heading "Disputes," is amended by adding the following language at the end of the paragraph:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Section 26 of the Agreement, under the heading "Acknowledgments," is amended by the addition of the following:

The acknowledgments above are not intended to nor will they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

5. Each provision of this amendment will be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

6. The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Maryland amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Franchisee

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

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

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

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

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

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

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

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

## MINNESOTA FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the Minnesota Franchises Law, Minn. Stat. §§ 80C.01 through 80C.22, and of the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce, Minn. Rules §§ 2860.0100 through 2860.9930, the parties to the attached America's Music School LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.6 of the Agreement, shall be deleted in its entirety and shall have no force or effect, and the following paragraph shall be inserted in lieu thereof:

2.2.6 You and all of your Owners must execute and deliver to us a general release, in a form we require, of any and all claims against us, our affiliates, and our past, present and future officers, directors, members, shareholders and employees arising out of or relating to your Franchised Business; excluding only such claims as you may have that have arisen under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce.

2. Section 2.2 of the Agreement, under the heading "Successor Franchise Agreements," shall be supplemented by the addition of the following new subparagraph 2.2.8:

2.2.8 Minnesota law provides you with certain non renewal rights. In sum, Minn. Stat. § 80C.14 (subd. 4) currently requires, except in certain specified cases, that you be given 180 days' notice of non renewal of the Franchise Agreement.

3. Section 14.3.5 of the Agreement, is deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

14.3.5 You and all Owners must execute a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, members, shareholders, agents and employees, excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer.

4. Section 14 of the Agreement, under the heading "Transfers by You," shall be supplemented by the addition of the following new paragraph 14.9:

14.9 Minnesota law provides you with certain transfer rights. In sum, Minn. Stat. §80C.14 (subd. 5) currently requires that consent to the transfer of the Franchised Business may not be unreasonably withheld.

5. Section 15 of the Agreement, under the heading "Termination," shall be supplemented by the following new paragraph 15.6:

15.6 Minnesota law provides you with certain termination rights. In sum, Minn. Stat. § 80C.14 (subd. 3) currently requires, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement.

6. Section 25.8 of the Agreement, under the heading “Our Right to Injunctive Relief,” shall be amended by deleting the word “obtain” in the first sentence, and replacing it with the word “seek.”

7. Section 25 of the Agreement, under the heading “Disputes,” shall be supplemented by the following paragraph 25.10, which shall be considered an integral part of the Agreement:

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

8. The Minnesota Department of Commerce requires that we indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee’s use of the Proprietary Marks infringe upon the trademark rights of the third party. We do not indemnify against the consequences of a franchisee’s use of our Proprietary Marks but we shall indemnify a Minnesota franchisee for claims against such franchisee solely as it relates to such franchisee’s use of the Proprietary Marks in accordance with the requirements of the Franchise Agreement and our standards. As a further condition to indemnification, such franchisee must provide notice to us of any such claim immediately and tender the defense of the claim to us. If we accept tender of defense, we have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

9. Notwithstanding anything to the contrary in the Franchise Agreement, you will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

10. Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

11. Each provision of this Agreement shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchises Law or the Rules and Regulations promulgated thereunder by the Minnesota Commissioner of Commerce are met independently without reference to this addendum to the Agreement.

12. The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, and delivered this Minnesota amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**America's Music School LLC**

Franchisor

\_\_\_\_\_

Franchisee

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

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

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

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

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

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

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

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

## NEW YORK FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached America's Music School LLC Franchise Agreement (the "Agreement") agree as follows:

1. Section 2.2.6 of the Agreement, under the heading "Term; Successor Franchise Agreements," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

2.2.6 You and all of your Owners must execute and deliver to us a general release, in a form we require, of any and all claims against us, our affiliates, and our past, present and future officers, directors, shareholders and employees arising out of or relating to your Franchised Business; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Section 14.3.5 of the Agreement, under the heading "Transfers by You," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

14.3.5 You and all Owners must execute a general release, in a form satisfactory to us, of all claims against us and our past, present and future affiliates, officers, directors, shareholders, agents and employees. You and the Owners will remain liable to us for all obligations arising before the effective date of the Transfer; provided, however, that all rights enjoyed by the transferor and any causes of action arising in its favor from the provisions of New York General Business Law Sections 680 695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Section 12 of the Agreement, under the heading "Confidential Information," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

During and after the term of this Agreement, you may not communicate, divulge, or use for any purpose other than the operation of the Franchised Business any confidential information, knowledge, trade secrets or know-how that may be communicated to you or that you may learn by virtue of your relationship with us and the System ("Confidential Information"). You may divulge Confidential Information only to your professional advisers and to your employees who must have access to the information to operate the Franchised Business. You must not make any Confidential Information supplied by us available to any unauthorized person. All Confidential Information is deemed confidential for purposes of this Agreement, except information that you can demonstrate came to your attention by lawful means prior to our disclosure; or which, at the time of our disclosure to you, had become a part of the public domain. You must require your employees, and any other person or entity to whom you wish to disclose any Confidential Information, to execute (and deliver to us upon our request) agreements, in the form provided in Appendix G or H (as appropriate) to this Agreement or as we may



otherwise require in writing, that they will maintain the confidentiality of the disclosed information. If you do not obtain execution of the covenants required by this Section 12 and, upon our request, deliver those signed agreements to us, that will constitute a default under Section 15.2.12 below. You acknowledge and agree that any failure to comply with the requirements of this Section 12 will cause irreparable injury to us, and you agree to pay all court costs and reasonable attorneys' fees we incur in obtaining specific performance of, or seeking an injunction against violation of, the requirements of this Section 12.

4. Section 25.8 of the Agreement, under the heading "Disputes," shall be deleted in its entirety, and shall have no force or effect; and the following paragraph shall be substituted in lieu thereof:

**25.8 Our Right to Injunctive Relief.** Nothing in this Agreement bars our right to seek injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond or other security in seeking injunctive relief (both preliminary and permanent) and/or specific performance.

5. Section 25 of the Agreement, under the heading "Disputes," shall be amended by the addition of the following language:

Nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by New York General Business Law, Sections 680-695.

6. There are circumstances in which an offering made by Franchisor would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if Franchisee is domiciled in or the franchise will be opening in New York. Franchisor is required to furnish a New York prospectus to every prospective Franchisee who is protected under the New York General Business Law, Article 33.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this New York amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**America's Music School LLC**

Franchisor

\_\_\_\_\_

Franchisee

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

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

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

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

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

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

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

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

**RHODE ISLAND FRANCHISE AGREEMENT AMENDMENT**

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**

Franchisor

\_\_\_\_\_ ,  
Franchisee

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

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

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

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

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

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

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

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

**VIRGINIA FRANCHISE AGREEMENT AMENDMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

## WASHINGTON FRANCHISE AGREEMENT AMENDMENT

In recognition of the requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, the parties to the attached America's Music School LLC Franchise Agreement agree as follows:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall 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.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act, Wash. Rev. Code §§ 19.100.010 through 19.100.940, are met independently without reference to this amendment.

The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Washington amendment to the Franchise Agreement on the same date as the Franchise Agreement was executed.

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Franchisee

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

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

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

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

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

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

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

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

**WISCONSIN FRANCHISE AGREEMENT AMENDMENT**

In recognition of the requirements of the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07, the parties to the attached America’s Music School LLC Franchise Agreement agree as follows:

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

**STATE-SPECIFIC AGREEMENT AMENDMENTS  
(Continued)**

Area Development Agreement:

1. California
2. Illinois
3. Maryland
4. Minnesota
5. New York
6. Rhode Island
7. Virginia
8. Washington
9. Wisconsin



## CALIFORNIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§ 31000-31516 or the California Franchise Relations Act, Cal. Bus. & Prof. Code §§20000-20043, the parties to the attached America's Music School LLC Area Development Agreement (the "Agreement") agree as follows:

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The Area Development Agreement requires area developer to execute a general release of claims upon renewal or transfer of the Area Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any area development agreement to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Area Development Agreement requires application of the laws of Maryland. This provision may not be enforceable under California law.

The Area Development Agreement contains a liquidated damages clause. Under California Civil Code §1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the area developer concerning termination or non-renewal of an area development agreement. The Federal Bankruptcy Code also provides rights to area developer concerning termination of the Area Development Agreement upon certain bankruptcy-related events. If the Area Development Agreement is inconsistent with the law, the law will control.

The Area Development Agreement requires binding mediation. The mediation will occur in Maryland with the cost being borne by the parties as determined by the arbitrator. Prospective franchisees are encouraged to consult with 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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Area Development Agreement contains a covenant not to compete which extends beyond the termination of the area development agreement. This provision may not be enforceable under California law.

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect. This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**

Franchisor

\_\_\_\_\_

Developer

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

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

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

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

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

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

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

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

## ILLINOIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

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

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

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

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

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

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

4. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Developer

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

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

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

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

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

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

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

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

## MARYLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the Maryland Franchise Registration and Disclosure Law, Md. Code Bus. Reg. §§14-201 – 14-233 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Area Development Agreement prevents the developer from bringing a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Nothing in the Area Development Agreement operates to reduce the 3-year statute of limitations afforded to a developer for bringing a claim arising under the Maryland Franchise Registration and Disclosure Law. Further, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Federal Bankruptcy laws may not allow the enforcement of the provisions for termination upon bankruptcy of the developer.

The representations under this Franchisee Compliance Certification are not intended, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.
3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Developer

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

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

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

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

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

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

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

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

## MINNESOTA ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that developer be given 180 days' notice for non-renewal of this Area Development Agreement.

The Minnesota Department of Commerce requires that franchisor indemnify developers whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the developer's use of franchisor's trademarks ("Marks") infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a developer's use of franchisor's trademark but franchisor shall indemnify developer for claims against developer solely as it relates to developer's use of the Marks in accordance with the requirements of the Area Development Agreement and franchisor's standards. As a further condition to indemnification, the developer must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Developer will not be required to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a developer be given 90 days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by developer of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the developer of an offense directly related to the business conducted according to the Area Development Agreement; or (3) failure of the developer to cure a default under the Area Development Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the developer has received written notice to cure of at least twenty-four (24) hours in advance thereof.

According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Area Development Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition,

nothing in this Area Development Agreement shall abrogate or reduce any of developer's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

Any claims developer may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

The Area Development Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

Developer consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

[Signature Page Follows]



IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**

Franchisor

\_\_\_\_\_,  
Developer

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

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

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

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

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

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

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

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

**NEW YORK ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Any provision in the Area Development Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

Any provision in the Area Development Agreement requiring developer to sign a general release of claims against franchisor does not release any claim developer may have under New York General Business Law, Article 33, Sections 680-695.

The New York Franchise Law shall govern any claim arising under that law.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**

Franchisor

\_\_\_\_\_

Developer

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

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

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

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

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

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

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

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

**RHODE ISLAND ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

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

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

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

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

**VIRGINIA ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

To the extent the Virginia Retail Franchising Act, Va. Code §§13.1-557 – 13.1-574 applies, the terms of this Addendum apply.

1. The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Franchisee

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

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

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

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

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

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

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

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

## WASHINGTON ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the Washington Franchise Investment Protection Act, Wash. Rev. Code §§19.100.010 – 19.100.940 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

RCW 19.100.180 may supersede the Area Development 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 Area Development 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 Area Development 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 shall not include rights under the Washington Franchise Investment Protection Act 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, 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 Area Development 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 Area Development Agreement or elsewhere are void and unenforceable in Washington.

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the Bach to Rock FDD at Exhibit K:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America's Music School LLC**  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

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

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

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

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

**WISCONSIN ADDENDUM TO AREA DEVELOPMENT AGREEMENT**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**America’s Music School LLC**  
Franchisor

\_\_\_\_\_  
Developer

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

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

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

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

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

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

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

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

**Exhibit K to the Franchise Disclosure Document  
FRANCHISEE COMPLIANCE CERTIFICATION**



**America's Music School LLC**  
**Franchisee Compliance Certification**

As you know, you and America's Music School LLC (the "Franchisor") are preparing to enter into a Franchise Agreement (or Area Development Agreement) for the establishment and operation of one or more "Bach to Rock" franchised businesses ("Bach to Rock Schools"). The purpose of this Certification is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate, or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Another goal in asking you these questions is to be confident that you are prepared to become a Bach to Rock School, that you understand the risks of owning your own business, and that we have complied with our obligations in providing you with the information required by law.

We may, in lieu of requesting that you review and sign this Certification, review these questions with you during our pre-closing meeting, and may take notes of your verbal responses for our records.

1. The following dates and information are true and correct:

- a. \_\_\_\_\_, 20\_\_      The date of my first face-to-face meeting with any person to discuss the possible purchase of a Bach to Rock School franchise.  
Initials \_\_\_\_\_
- b. \_\_\_\_\_, 20\_\_      The date on which I received Franchisor's Franchise Disclosure Document ("FDD").  
Initials \_\_\_\_\_
- c. \_\_\_\_\_, 20\_\_      The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.  
Initials \_\_\_\_\_
- d. \_\_\_\_\_, 20\_\_      The date on which I signed the Franchise Agreement.  
Initials \_\_\_\_\_

2. Have you received and personally reviewed the Franchise Agreement and/or Area Development Agreement and each Addendum and related agreement attached to it?

Yes \_\_\_\_\_ No \_\_\_\_\_

**Franchise Applicant's Initials \_\_\_\_\_**

**Franchisee Compliance Certification**  
**Page 1 of 7**

3. Do you understand all of the information contained in the Franchise Agreement and/or Area Development Agreement and each Addendum and related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement and/or Area Development Agreement, Addenda, and/or related agreements do you not understand? (Attach additional pages, as needed.)

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4. Have you received and personally reviewed the FDD that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

5. Did you sign a receipt for the FDD indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

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Franchise Applicant's Initials \_\_\_\_\_

Franchisee Compliance Certification  
Page 2 of 7

7. Have you discussed the benefits and risks of establishing and operating a Bach to Rock School with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Do you understand that the success or failure of your Bach to Rock School will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Do you understand that no agreement or addendum is effective until it is also signed and dated by the Franchisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Do you understand that there are no promises, representations (other than in the franchise disclosure document), agreements, "side deals," or other arrangements, written or oral, that are not in the Franchise Agreement and/or Area Development Agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. If you have answered "No" to any one of questions 8-10, please provide a full explanation of each No answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered "Yes" to each of questions 8-10, please leave the following lines blank.

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

12. Has any person speaking for the Franchisor made any statement or promise concerning the revenues, profits or operating costs of a Bach to Rock School operated by the Franchisor or its franchisees that differs from the information contained in the FDD?

Yes \_\_\_\_\_ No \_\_\_\_\_

Franchise Applicant's Initials \_\_\_\_\_

Franchisee Compliance Certification
Page 3 of 7

13. Has any person speaking for the Franchisor made any statement or promise regarding the amount of money you may earn in operating the Bach to Rock School that differs from the information contained in the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_
14. Has any person speaking for the Franchisor made any statement or promise concerning the total amount of revenue that your Bach to Rock School will generate?  
Yes \_\_\_\_\_ No \_\_\_\_\_
15. Has any person speaking for the Franchisor made any statement or promise regarding the costs you may incur in operating your Bach to Rock School that differs from the information contained in the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_
16. Has any person speaking for the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Bach to Rock School?  
Yes \_\_\_\_\_ No \_\_\_\_\_
17. Has any person speaking for the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will provide to you that differs from the information contained in the FDD?  
Yes \_\_\_\_\_ No \_\_\_\_\_
18. Did you enter into any binding agreement with the Franchisor concerning the purchase of this franchise before today?  
Yes \_\_\_\_\_ No \_\_\_\_\_
19. Did you pay any money to the Franchisor concerning the purchase of this franchise before today?  
Yes \_\_\_\_\_ No \_\_\_\_\_
20. If you have answered "Yes" to any one of questions 12-19, please provide a full explanation of each Yes answer in the following blank lines. (Attach additional pages, as

**Franchise Applicant's Initials** \_\_\_\_\_

**Franchisee Compliance Certification**  
Page 4 of 7

needed, and refer to them below.) If you have answered “No” to each of questions 12-19, please leave the following lines blank.

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21. Do you understand that all disputes and claims you may have under the Franchise Agreement and the Personal Guarantee must be heard in the courts of Maryland (if they cannot be resolved informally or by mediation)?

Yes \_\_\_\_\_ No \_\_\_\_\_

22. Do you understand that the Franchise Agreement and/or Area Development Agreement and the Personal Guarantee provide that you can only collect compensatory damages on any claim under or related to the Franchise Agreement and not any consequential or punitive damages?

Yes \_\_\_\_\_ No \_\_\_\_\_

23. Do you understand that the Franchise Agreement and/or Area Development Agreement and the Personal Guarantee each include a waiver of jury trials?

Yes \_\_\_\_\_ No \_\_\_\_\_

24. Do you understand that if the Franchisor provides site selection assistance, guidance or recommendations, that any recommendations, suggestions, or approvals of a proposed site are not a warranty, guarantee or representation that the site will achieve any level or amount of sales, revenue or profit as a Bach to Rock School location?

Yes \_\_\_\_\_ No \_\_\_\_\_

25. Do you understand that the Franchise Agreement and/or Area Development Agreement contains a number of provisions, in addition to the waiver of jury trial, that may affect your legal rights, including a waiver of punitive or exemplary damages, and limitations on when claims may be raised?

Yes \_\_\_\_\_ No \_\_\_\_\_

26. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee or developer will be the employer of all of your employees and will have

**Franchise Applicant's Initials \_\_\_\_\_**

**Franchisee Compliance Certification  
Page 5 of 7**

sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) Franchisor and Franchisor's affiliates will have no control, or right to control, any of the employment actions or decisions in your business? *We recommend that you retain employment law counsel to advise you with your employment issues and questions.*

Yes \_\_\_\_\_ No \_\_\_\_\_

27. As you have reviewed the financial performance representations in Item 19 of the Disclosure Documents, do you understand that:

- a. Item 19 contains only historical data from certain franchised and affiliate-owned Schools, and are not a promise, assurance or guaranty of future results of your franchised School;
- b. your results are likely to differ from the historical results reported;
- c. your results as a start-up business and School are likely to be different than existing Schools; and
- d. you have had ample opportunity to review Item 19 with a lawyer, accountant and/or other advisor of your choosing?

Yes \_\_\_\_\_ No \_\_\_\_\_

28. Do you understand:

- a. that this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak?
- b. that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for Bach to Rock Schools, and may require that we take actions that might not be contemplated under the Franchise Agreement?
- c. the extent to which any such disruption impacts the Bach to Rock system, and your franchise business, will depend on future developments which are highly uncertain and which we cannot predict?

Yes \_\_\_\_\_ No \_\_\_\_\_

29. During my negotiations and evaluations leading up to my decision to buy a Bach to Rock School franchise, I communicated with the following individuals from America's Music School LLC or its affiliates, or independent brokers:

Name

Address

Franchise Applicant's Initials \_\_\_\_\_

Franchisee Compliance Certification  
Page 6 of 7

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_

[Insert additional names and addresses below if needed]

*[Signature Page Follows]*

**Franchise Applicant's Initials \_\_\_\_\_**

**Franchisee Compliance Certification  
Page 7 of 7**

For California Prospective Franchisees: You are not required to sign this Franchisee Compliance Certification.

For Maryland Prospective Franchisees: Do not sign this Franchisee Compliance Certification.

Your responses to these questions are important to us and we will rely on them.

By signing this Certification, you are representing to us that you have responded honestly, accurately, and completely to each of the above questions.

FRANCHISE APPLICANT

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Printed Name

\_\_\_\_\_, 20\_\_\_\_\_  
Date

Franchise Applicant's Initials \_\_\_\_\_

Franchisee Compliance Certification  
Page 8 of 7



**Exhibit L to the Franchise Disclosure Document**  
**GENERAL RELEASE**

## GENERAL RELEASE LANGUAGE

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer as well as on other occasions that we deem appropriate. We may, at our sole option, periodically modify the release.

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ (the “**Effective Date**”), by and between:

• America’s Music School LLC, a Maryland limited liability company (“**Franchisor**”);  
and

• \_\_\_\_\_  
a [resident of] [corporation organized in] [limited liability company organized in] \_\_\_\_\_  
[(“**Franchisee**”)] [(“**Transferor**”)].

### BACKGROUND:

A. Franchisor and [Franchisee] [Transferor] are parties to a Franchise Agreement dated \_\_\_\_\_ (the “**Franchise Agreement**”) regarding the operation of a “Bach to Rock” School (also referred to as the “Franchised Business”);

B. Franchisor and [Franchisee] [Transferor] have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of \_\_\_\_\_ pursuant to Sections 13 and 14 of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, employees, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, claims arising under federal, state and local laws, rules and ordinances, and any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, and Franchisor’s performance thereunder, the relationship created by the Franchise Agreement, [all other agreements between either of the Transferors and any member of the Franchisor Group, the sale of franchises to the Transferor,] or the development, ownership or operation of the Franchised Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense

or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants' and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Franchise Agreement or the Franchised Business. The Franchisee Group and its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

**[Note for California Release – add the following:**

**Except as set forth herein, Franchisee Group expressly relieves and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:**

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”**

**Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, Franchisee Group expressly acknowledges that this Release is intended to include in its effect without limitation, all claims described in this paragraph which Franchisee Group does not know or suspect to exist in its favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claims.]**

**[Note for Maryland Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Maryland Franchise Registration and Disclosure Law.”]**

**[Note for Minnesota Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Minnesota Franchises Law.”]**

**[Note for Washington Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Washington Franchise Investment Protection Act.”]**

**2. General Terms.**

2.1. This Release will be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release will take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax or pdf, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, will be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and will neither amend nor modify the terms hereof.

2.5 The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in Maryland, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he/she/it might have to either the jurisdiction of or venue in those courts. This Release will be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland will prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release will be binding on either party unless in writing and agreed to by all of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

**America's Music School LLC**  
Franchisor

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

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

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

\_\_\_\_\_  
[Franchisee] [Transferor]

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

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

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

## 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>STATES</b>	<b>EFFECTIVE DATE</b>
<b>California</b>	Pending
<b>Illinois</b>	Pending
<b>Indiana</b>	Pending
<b>Maryland</b>	Pending
<b>Michigan</b>	Pending
<b>Minnesota</b>	Pending
<b>New York</b>	Pending
<b>Virginia</b>	Pending
<b>Washington</b>	Pending
<b>Wisconsin</b>	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**Exhibit M to the Franchise Disclosure Document**  
**RECEIPTS**

**RECEIPT**

(To be retained by Franchisee)

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 America’s Music School LLC offers you a franchise, it must provide this Disclosure Document to you

- (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or
- (b) Under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or
- (c) Under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first, or
- (d) Under Iowa law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 14 calendar days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If America’s Music School LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

The franchisor is America’s Music School LLC, located at 4819 St. Elmo Avenue, Bethesda, MD 20814. Its telephone number is 855-227-7570.

Issuance date: April 21, 2023.

The franchise seller is Ralph Rillon, Vice President of Franchise Development and Sales, America’s Music School LLC, at 4819 St. Elmo Avenue, Bethesda, MD 20814, 855-227-7570.

Any additional individual franchise sellers involved in offering the franchise are:

\_\_\_\_\_

America’s Music School LLC authorizes the respective agents identified on Exhibit F to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 21, 2023. This Disclosure Document includes the following exhibits:

- |  |                                       |
|--|---------------------------------------|
| A Franchise Agreement and Exhibits                           | H List of Former Franchisees          |
| B Area Development Agreement                                 | I State-specific Disclosures          |
| C Harmony Gateway License Agreement                          | J State-specific Agreement Amendments |
| D Table of Contents to Manual                                | K Franchisee Compliance Certification |
| E Financial Statements                                       | L General Release                     |
| F List of State Administrators/Agents for Service of Process | M Receipts (2 copies)                 |
| G List of Current Franchisees/Company-Owned Units            | STATE EFFECTIVE DATES                 |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

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

\_\_\_\_\_  
Name (Please print)

\_\_\_\_\_

\_\_\_\_\_  
Address

**RECEIPT**

(To be returned to Franchisor)

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 America’s Music School LLC offers you a franchise, it must provide this Disclosure Document to you

- (a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or
- (b) Under New York law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or
- (c) Under Michigan law, at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first, or
- (d) Under Iowa law at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 14 calendar days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale.

If America’s Music School LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit F.

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| D Table of Contents to Manual                                | K Franchisee Compliance Certification |
| E Financial Statements                                       | L General Release                     |
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| G List of Current Franchisees/Company-Owned Units            | STATE EFFECTIVE DATES                 |

\_\_\_\_\_  
Date Received

\_\_\_\_\_  
Prospective Franchisee

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

\_\_\_\_\_  
Name (Please print)

\_\_\_\_\_  
\_\_\_\_\_  
Address