

SUB-FRANCHISE DISCLOSURE DOCUMENT



FRED ASTAIRE
DANCE STUDIOS.

Sub-Franchisor:

New York Dance Enterprises, Inc.
a New York corporation
4362 Northlake Boulevard, Suite 217
Palm Beach Gardens, FL 33410
561-799-6276
AMartin@fredastaire.com
www.fredastaireflorida.com

Franchisor:

FADS USA, Inc.
a Delaware corporation
151 Hazard Avenue, Suite 12-13
Enfield, Connecticut 06082
413-567-3200
info@fredastaire.com
www.fredastaire.com

New York Dance Enterprises, Inc. offers franchises for the operation of a studio that offers dance and dance fitness classes under the FRED ASTAIRE DANCE STUDIOS® mark (a “Studio”). The total investment necessary to begin operation of a FRED ASTAIRE DANCE STUDIOS® franchised business is \$265,200 to \$594,500. This includes \$30,000 that must be paid to New York Dance Enterprises, Inc. or its affiliates and \$16,000 to \$21,000 that must be paid to FADS USA, Inc. or its affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Armando Martin, New York Dance Enterprises, Inc. at 4362 Northlake Boulevard, Suite #217, Palm Beach Gardens, Florida 33410, (561) 799-6276 or at AMartin@fredastaire.com.

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

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as “A Consumer’s Guide to Buying a Franchise,” which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW., Washington, D.C. 20580. You can also

visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: June 5, 2023

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	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.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibits D and E includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Fred Astaire Dance Studio business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Fred Astaire Dance Studio franchisee?	Item 20 or Exhibits G and H list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

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

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ITEM 1 THE SUB-FRANCHISOR, THE FRANCHISOR AND THEIR PARENTS, PREDECESSORS AND AFFILIATES

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

Sub-Franchisor

We are a New York corporation, incorporated in 1987. Our principal place of business is 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410. Our agents for service of process are disclosed in **Exhibit A**. We conduct business under our company name New York Dance Enterprises, Inc., and under the trade and service mark FRED ASTAIRE DANCE STUDIOS®, and related trademarks, service marks and logos listed in Item 13 (the “**Marks**”). We have offered dance studio franchises since 2002. We do not offer franchises in any other type of business, do not operate retail dance studios, and have no other business activities other than the coordination of dance competitions and other dance related events.

Dance studios operating under the Marks are referred to in this Disclosure Agreement as “**Studios**.” As of the date of this Disclosure Document, neither we nor any of our affiliates operate any company-owned or affiliate-owned Studios.

Sub-Franchisor’s Parents, Predecessors, and Affiliates

We do not have any parents.

We have an affiliate named Sundance Promotions, Inc., a Florida corporation (“Sundance Promotions”), with a principal place of business at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410. Sundance Promotions is a sub-franchisor for Broward, Charlotte, Collier, Glades, Hendry, Lee, Martin, Miami-Dade, Monroe, Orange County and Palm Beach Counties, Florida.

We do not have any affiliates who offer franchises or provide products or services to franchisees.

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

Franchisor

The Franchisor is FADS USA, Inc. (f/k/a Megadance USA Corp.) (“**Franchisor**”) Franchisor is a Delaware corporation incorporated on January 10, 1995. Franchisor initially was formed under the name Megadance USA Corp., and changed its name to FADS USA, Inc.

Franchisor does business under its company name (FADS USA, Inc.) and under the trade and service mark FRED ASTAIRE DANCE STUDIOS® and the Marks. Franchisor’s principal business address is 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082. Franchisor’s agents for service of process and state administrators, if applicable, are listed in **Exhibit A** to this Disclosure Document.

As of the date of this Disclosure Document, neither Franchisor nor any of its affiliates operate any company-owned or affiliate-owned Studios. As of December 31, 2022, there were 217 Franchised Studios operating in the United States and 8 Franchised Studios operating in 8 other countries. Franchisor is not engaged in any other business activities and has never offered franchises in any other lines of business, except Franchisor’s Sub-Franchisor Program (which Franchisor has discontinued) and Franchisor’s Area Representative Program, both of which are described in Franchisor’s Franchise Disclosure Document.

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

Franchisor’s Parents, Predecessors and Affiliates

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

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

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

assigned all of its interests in its existing franchise, subfranchise and all other agreements to FADS IP Holder.

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

Affiliate	Primary Purpose
<u>Fred Astaire Dance Studios, Inc.</u> A Florida corporation incorporated on September 17, 1964	Holder of certain FRED ASTAIRE DANCE STUDIOS® intellectual property assets.
<u>Fred Astaire Dance International Corp.</u> A Florida corporation incorporated on February 9, 2011	Holder of certain FRED ASTAIRE DANCE STUDIOS® intellectual property assets and is the franchisor for Studios in certain foreign jurisdictions.
<u>FADS International, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Conducts certain international business relating to the FRED ASTAIRE DANCE STUDIOS® brand.
<u>Fred Astaire Dance Board, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Certifies and licenses third parties to use certain intellectual property to (i) examine, test and certify students; (ii) examine, test and certify instructors; and (iii) judge at FRED ASTAIRE DANCE STUDIOS® branded competitions and events according to our standards.
<u>FADS Distribution, Inc.</u> A Delaware corporation incorporated on April 16, 2018	Acts as approved supplier and/or vendor for certain items and services used in the operation of Studios and manages required and approved supplier and vendor arrangements.
<u>FADS Events, LLC</u> A Delaware limited liability company formed on January 31, 2019	Organizes certain FRED ASTAIRE DANCE STUDIOS® branded competitions, events, conferences and related activities.
<u>FADS CHC, Inc. (“CHC”)</u>	In 2023, Franchisor is launching a prepaid lesson liability program and will form this entity. Once launched, franchisees must pay CHC to maintain an escrow account to be used for prepaid lesson refunds.

Affiliate	Primary Purpose
<u>FADS CIG LLC (“CIG”)</u>	In 2023, Franchisor is launching a prepaid lesson liability program and will form this entity. Once launched, franchisees must pay CIG for captive market insurance to cover refunds for pre-paid lessons.

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

The Buyout Transaction

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

Sub-Franchisor’s Business and Franchises Offered

On March 7, 2002, we entered into an Area Franchise Agreement with Franchisor, which grants us the right to franchise Studios under the FADS System (as defined below) in most of the State of New York, except for Queens, Nassau and Suffolk Counties (the “Area Territory”). The Area Franchise Agreement was renewed on March 7, 2012, for a renewal term of 10 years. We have the right to renew the Area Franchise Agreement so long as we are not in material breach of the agreement, agree to the timely and prompt payment of all fees owed to Franchisor, and remain in material compliance with all obligations and requirements for sub-franchisors pursuant to the of the Area Franchise Agreement and the Franchisor’s operations manuals.

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

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

A Studio operates under a prescribed system of specifications and operating procedures that Franchisor has developed and will continue to develop (the “**FADS System**”). The distinguishing characteristics of the FADS System include, but are not limited to, Franchisor’s studio designs, layouts and identification schemes (collectively, the “**Trade Dress**”), Franchisor’s specifications for equipment, inventory and accessories; Franchisor’s dance and dance fitness programs and classes; Franchisor’s website or series of websites for the Studios (the “**FADS System Website**”); Franchisor’s relationships with vendors; Franchisor’s software and computer programs, including, but not limited to, Franchisor’s proprietary studio operations software;

Franchisor's booking system; the accumulated experience reflected in Franchisor's training program, operating procedures, customer service standards and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules and requirements (the "**FADS System Standards**") set out in Franchisor's operations manuals (the "**Manuals**") and otherwise by Franchisor or us in writing. Franchisor may change, improve, add to and further develop the elements of the FADS System from time to time.

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

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

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

Competition

The market for dance and dance fitness classes is competitive. Competition for FRED ASTAIRE DANCE STUDIOS® dance classes is primarily from local dance studios, and those local dance studios may be franchisees or licensees of other national or regional chains, such as Arthur Murray Dance Studio®. Competition for FRED ASTAIRE DANCE STUDIOS® dance fitness classes is primarily from the general physical fitness industry, including health clubs, gymnasiums, yoga and Pilates studios and other fitness and workout programs. The market for our services is year-round, but the market will fluctuate to some degree depending on the time of the year. The success of your Studio will depend in large measure on the demographics of the residents in your territory, the competition surrounding your Studio, local labor conditions and wage rates, the local costs of advertising, the availability of suitable facilities in convenient locations and at affordable rents and your management, marketing and selling skills and work ethic.

Industry Specific Regulations

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

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

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

ITEM 2 BUSINESS EXPERIENCE

The Sub-Franchisor

President, Treasurer, and Director: Armando Martin

Mr. Martin has been our President, Treasurer and a member of the Board of Directors since 1987. Since 2002, Mr. Martin has also been the President, Treasurer and a member of the Board of Directors of Sundance Promotions, Inc. Mr. Martin has been associated with the dance instruction industry for more than 40 years.

Vice President and Director: Laura Martin

Ms. Martin has been our Vice President and a member of the Board of Directors since 1987. Since 2002, Ms. Martin has also been the Vice President and a member of the Board of Directors of Sundance Promotions, Inc. Ms. Martin has been associated with the dance instruction industry for more than 40 years.

The Franchisor

Luann Pulliam: Chief Executive Officer, President & Board Member

Ms. Pulliam, who is also known as Patricia Luann Pulliam-Triliegi, has been Franchisor's Chief Executive Officer, President and a member of Franchisor's Board of Directors since September 2017. From September 1996 to September 2010, Ms. Pulliam served as one of

Franchisor's National Dance Directors. Ms. Pulliam has been a co-owner of ALX of Ft. Walton Beach, Florida, Inc., which is based in Fort Walton Beach, FL and serves as Franchisor's subfranchisor for certain territory in Florida since January 1985. Ms. Pulliam was a co-owner of B J Corp. of Fort Walton Beach, Inc., which is based in Fort Walton Beach, FL and is one of Franchisor's subfranchised studios, from January 1983 to September 2017. Additionally, Ms. Pulliam has been the owner and president of North Florida Coast Inc., which is based out of Shalimar, FL and serves as Franchisor's subfranchisor for certain territory in Florida, from March 2021 to the present. Ms. Pulliam has been the owner and manager of South Citrus Coast, LLC, which is based out of Shalimar, FL and serves as Franchisor's subfranchisor for certain territory in Tampa Bay, FL from February 2022 to the present. Ms. Pulliam serves in her present capacities in Fort Walton Beach, FL.

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

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

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

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

John Dearing II: Chief Financial Officer

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

Pahjmon Lipsey: Vice President of Franchising and Business Development

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

Susan Clark: Director, Branding & Design

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

Jessica Lengenfelder: Director, Events & Competitions

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

Tobias von Dein: Director, Studio eLearning

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

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

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

Rae Aguila: Board Member

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

Charles Penatello: Board Member

Mr. Penatello has served on Franchisor's Board of Directors since September 2017. Since November 2014, Mr. Penatello has previously served multiple times on the board of directors of Franchisor's parent entity, Fred Astaire Dance of North America, Inc. Mr. Penatello has served as the co-owner, president and chief executive officer of CJ Dance Enterprises, LLC, which is based in East Stroudsburg, PA and serves as Franchisor's subfranchisor for the State of New Jersey, since February 2009. Additionally, Mr. Penatello has served as an adjudicator for the National Dance Council of America, Inc. from March 1985 to the present, and Mr. Penatello has served as an international adjudicator for the World Dance Council, Ltd. from March 1985 the present.

Elizabeth Joy: Board Member

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

ITEM 3 LITIGATION

The Sub-Franchisor

Pending Action

Blue Sky Treasures, Inc. and Pamela Casanave, as the Personal Representative of the Estate of Jean Marc Casanave v. Sundance Promotions, Inc., Armando J. Martin, Brava Dance, Inc., Sayra Vazquez and James Brann; Case No.: 50-2018-CA-006657; Circuit Court of the 15th Judicial District in and for Palm Beach County, Florida; Filed September 29, 2017 in the Circuit Court of the 17th Judicial District in and for Broward County, Florida (Case No. CACE-17-018099 (18)) and transferred to current court in Palm Beach County by Order dated April 18, 2018.

A former franchisee of our affiliate, Sundance Promotions, Inc., filed suit against it and our President, Armando Martin, alleging violation of Florida's Deceptive and Unfair Trade Practices

Act, tortious interference with a business relationship, civil conspiracy, constructive termination, breach of the covenant of good faith and fair dealing, and breach of contract. The former franchisee also sued one of our affiliate's franchisees in this lawsuit ("Defendant Franchisee"). The owners of the Defendant Franchisee were employees of the former franchisee. The former franchisee alleges that Sundance Promotions, Inc. and our President, Armando Martin, conspired with the Defendant Franchisee and tortiously interfered with the former franchisee's business relationships with its landlord, the Defendant Franchisee, and potential purchasers of the former franchisee's franchise, relating to the landlord claiming that the former franchisee owed \$400,000 in back-rent, which led to the former franchisee losing possession of the premises, the landlord leasing the premises to the Defendant Franchisee, Sundance Promotions, Inc. not telling the other potential purchasers that it would allegedly only approve the Defendant Franchisee to purchase the former franchisee's franchise, and the Defendant Franchisee's lower offer to purchase the former franchisee's franchise. The former franchisee also alleges that Sundance Promotions, Inc. constructively terminated the franchise and breached the franchise agreement, as well as the covenant of good faith and fair dealing, by not approving the sale of the franchise to other potential purchasers. On November 9, 2018, Sundance Promotions, Inc. filed a counterclaim against the former franchisee for breach of contract due to the former franchisee's abandonment of the franchise and failing to comply with their post-termination obligations, including, but not limited to, failing to pay amounts due to Sundance Promotions, Inc. On November 1, 2022, Sundance Promotions, Inc., Armando Martin and Defendant Franchisee filed a Motion for Summary Judgement. As of the issuance date of this disclosure document, the Court has not yet ruled on the Motion for Summary Judgement. Trial has been set for the jury trial period beginning September 25, 2023 through December 11, 2023. Calendar Call has been set for September 15, 2023.

New York Dance Enterprises, Inc. v. 123 Dance, LLC, William Sprague and Olena Sprague, Case No.: 50-2021-CA-012261; Circuit Court of the 15th Judicial District in and for Palm Beach County, Florida; Filed November 2, 2021.

We filed suit against a former franchisee and its owners for their failure to abide by their post-expiration non-competition and non-solicitation obligations in their franchise agreement. We also sought preliminary injunctive relief. On March 10, 2022, the Court entered an Order granting our motion for a preliminary injunction and enjoining the former franchisee and its owners from continuing to operate a competing dance studio within the restricted area, from soliciting their former employees to work for their competing business, from soliciting customers of their former FADS Studio, and from using the Marks. The parties moved to jointly dismiss this matter pursuant to their settlement agreement, which matter was dismissed with prejudice on December 14, 2022.

123 Dance, LLC, William Sprague and Olena Sprague v. New York Dance Enterprises, Inc., Armando Martin, and Laura Martin, Case No. 806319/2022); Supreme Court of Erie County, New York; Filed June 1, 2022.

After we filed the above-mentioned lawsuit, the former franchisee and its owners filed a lawsuit against us and our owners alleging fraud pursuant to the New York State General Business Law, conversion, monies had and received and unjust enrichment relating to the escrow account, and declaratory judgment. The parties moved to jointly dismiss this matter pursuant to their settlement agreement, which matter was dismissed with prejudice on or about January 31, 2023.

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

The Franchisor

Prior Actions

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

Franchisor Initiated Litigation

None.

Governmental Actions

FTC Modified Consent Order

The Fred Astaire Dance Studios Corporation ("**FADSC**"), one of Franchisor's predecessors as a franchisor of the mark FRED ASTAIRE DANCE STUDIOS® and certain franchisees in the Washington, D.C. area, entered into a 1964 Cease and Desist Order, Docket No. 8560 (the "**1964 Order**") with the Federal Trade Commission (the "**FTC**") concerning sales practices related to the sale and refunding of prepaid dance lessons. In 1989 the FTC and Ronby Corporation, a successor to FADSC and a predecessor to FADS IP Holder (see **Item 1**), reached an understanding to modify the 1964 Order (the "**Modified Order**"). The Modified Order applies to Franchisor and its affiliates and places obligations on all Studios concerning, among other things, the handling of prepaid moneys and procedures for cancellation and refunding of prepaid moneys. The Modified Order prohibits, among other things, certain sales techniques used to induce the purchase of dance instruction, including "relay salesmanship" and any promise that instruction will enable a student to achieve a given standard of dancing proficiency. The Modified Order also requires, among other things, that Studios allow dance students to cancel dance instruction contracts and provide refunds, subject to terms set forth in the Modified Order.

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

Virginia Settlement Order

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

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

ITEM 4 BANKRUPTCY

The Sub-Franchisor

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

The Franchisor

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

ITEM 5 INITIAL FEES

Franchise Fee

The initial franchise fee (the “**Franchise Fee**”) for a single Studio is \$30,000. The Franchise Fee is uniform and due upon execution of the Sub-Franchise Agreement.

Training Fee

You are responsible for the travel and living expenses of your trainees and for training fees. If you wish to have more than two representatives attend Initial Training (as described below), or one of your trainees is repeating the course or replacing a person who did not pass, then we reserve the right to charge a reasonable, market-rate fee for the additional trainees. Currently, the fee is \$2,500 per person, which we may increase upon 90 days’ written notice to you.

Required Purchases

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

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

ITEM 6 OTHER FEES

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Royalty Fee	7% of your Gross Revenue for the preceding week.	Weekly within seven calendar days after the end of each calendar week	See the definition of Gross Revenue.⁽²⁾ We will debit your business bank account for the Royalty Fee due. Your first Royalty Fee payment is due in the first full week after the date your Studio opens and shall be paid based on Gross Revenue accrued prior to the opening date and during your first full or partial week of operations. If you fail to report or generate Gross Revenues for 3 consecutive weeks, the Royalty Fee will be equal to the average weekly Royalty Fee owed during the 12-month period immediately preceding the calendar month in which the failure to report or generate Gross Revenues occurred. We impose and collect the Royalty Fee.
Advertising Fee	Currently, \$100 per month, may increase up to \$200 in 2023.	Monthly	You will pay to Franchisor the Advertising Fees with respect to each month. Franchisor reserves the right to increase the Advertising Fees once annually, and by no more than \$100 per increase, by providing you with written notice of any change at least 180 days prior to the implementation. The Advertising Fees are due and payable by the 7th day of each

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			month for the prior month. The Franchisor imposes and collects the Advertising Fee.
Technology Fee	Currently, \$50 per week for the first year of the initial term; \$75 per week for the second year of the initial term; and \$100 per week for the third year and each subsequent year of the initial term, subject to change annually in increments of \$25 upon written notice to you.	Weekly	Franchisor begins charging the Technology Fee once you open your Studio. The Technology Fee currently includes fees related to your access to and usage of Franchisor's proprietary studio operational software; Franchisor's franchise relationship management software; Franchisor's customer relationship management software; Franchisor's proprietary learning management system; Franchisor's FADS System website; server hosting and data protection; internet domain names and e-mail addresses; and any mobile applications that we develop. Franchisor may add, delete or otherwise modify the products and services that are included in the Technology Fee. The cap for the Technology Fee is \$250 per week without regard to the year of the initial term. Franchisor imposes and collects the Technology Fee.
Initial Licensing Fees	Then current fee	Within 15 days of demand	FADSD does not currently charge any fees for the acquisition or initial licensing of the studio management software or learning management system, but FADSD reserves the right to charge initial licensing fees in the future.
PCI Compliance Program	Then-current fee	Within 15 days of demand	You must participate in Franchisor's designated Payment Card Industry ("PCI") compliance program if Franchisor establishes such a program and pay the then-

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			current fee associated with such program. Franchisor imposes and collects any PCI Compliance Program fee.
Transfer Fee	The greater of \$4,000 or 2% of the purchase price for any transfer resulting in a change of control, \$2,500 for non-change of control transfers.	\$4,000 non-refundable deposit due with written notice of proposed change of control transfer, and the balance is due at closing of the change of control; non-change of control fees are due at closing of the transfer	No Transfer Fee is due for transfers to a trust or transfers upon death or incapacity. We impose and collect the Transfer Fee.
Non-Compliance Fee	\$150	Within 15 days of demand	Beginning January 1, 2022, we or Franchisor may assess a non-compliance fee for violations of the Sub-Franchise Agreement or the Manuals, and we and Franchisor reserve all other rights and remedies. The Non-Compliance Fee may be imposed and collected by us or Franchisor.
Interest and Late Fees	10% per annum (or the maximum rate permitted by law if less than 10%) calculated from the due date until paid and compounded weekly	On demand when amount owed becomes past due	Required whenever a payment to us is made after its due date. The Interest and Late Fees may be imposed and collected by us or the Franchisor.

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Initial Training for Additional or Replacement Trainees	Currently, \$2,500 per trainee	Within 15 days of demand	We provide initial training to 2 trainees as part of the Initial Franchise Fee. We require the initial training of your Operating Principal and Key Manager. We may charge you a fee for training (i) each person in excess of 2 trainees; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent Operating Principal, Key Manager or employee who attends the course. We may increase the amount we charge for additional or replacement training upon 90 days' written notice to you. You are responsible for travel and living expenses incurred during training. We impose and collect any additional or replacement training fees.
Optional Training Programs	Varies based on program	Prior to attending any optional training program	Franchisor may charge you a reasonable fee for optional training programs that Franchisor may provide. Franchisor imposes and collects any fees for optional training programs.
Remedial Training Fee	Currently, \$500 per day or partial day	Within 15 days of demand	We may periodically require you, your employees or your Required Trainees to attend and complete to our satisfaction any supplemental, refresher or remedial training programs we provide. We may increase the amount we charge for Remedial Training.

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Consulting Fee	Currently, \$500 per employee or agent for each full or partial day, plus any travel and living expenses for each employee or agent	Within 15 days of demand	Payable if we (or one of our agents) provides requested consulting services in person at a place other than our offices (or the offices of one of our agents). We may increase the amount we charge for Consulting Fees. We or Franchisor may impose and collect the Consulting Fee.
Continuing Business Education Fee	Currently, \$250 per hour per person trained	Within 15 days of demand	Franchisor requires you and your Operating Principal to obtain twenty-four (24) hours of business education every 2 years following the completion of Initial Training. If you fail to obtain all 24 hours of business education, Franchisor may require you and your Operating Principal to attend business education classes provided by Franchisor or one of its affiliates. Franchisor may charge a reasonable, market-rate hourly fee for business education classes that it or its affiliates provide. Franchisor imposes and collects the Continuing Business Education Fee.
Required Conferences	Reasonable registration fee	Prior to attending any required conference; within 15 days of demand for failure to attend any required conference	We or Franchisor will charge a reasonable, market-rate registration fee for you and your Required Trainees for any conferences or meetings that we require you to attend. The amount may vary from conference to conference based on the costs and expenses that we or Franchisor expect to incur and the vendor contributions we expect to collect. You are responsible for the travel

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			and living expenses of you and your employees. We or Franchisor imposes the registration fees.
Product, Service, Supplier and Service Provider Review	Our or Franchisor's reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs	Within 15 days of demand	Payable if you wish to offer products or use any supplies, equipment or services that we and Franchisor have not approved or wish to purchase from a supplier or service provider that we and Franchisor have not approved, whether or not we and Franchisor approve the item, service, supplier or service provider.
Independent Competition Fee	Currently, \$200 per student or Astaire Pro from your Studio ^{(4), (5), (6)}	No later than 15 days before the date of any Independent Competition	Payable if you send amateur entries by students or Astaire Pros to any Independent Competition that we or Franchisor have not pre-approved. We may increase the Independent Competition Fee once annually upon 180 days' written notice to you. We impose and collect the Independent Competition Fee.
Competition Fee ^{(7),(8)}	\$200 per member, in the aggregate for that calendar year for student or Astaire Pro that you failed to send to National Competitions.	Within 15 days of demand	Payable if you fail to send the minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to National Competitions for a calendar year. Franchisor reserves the right to increase the Competition Fee once annually upon 180 days' written notice to you, provided that Franchisor will not increase the fee more than ten percent (10%) per year.

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			Franchisor imposes and collects Competition Fees with respect to National Competitions.
Regional Competition Fee	\$200 per member, in the aggregate for that calendar year for student or Astaire Pro that you failed to send to Regional Competitions.	Within 15 days of demand	Payable if you fail to send the minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to Regional Competitions for a calendar year. We impose and collect Competition Fees with respect to Regional Competitions
Insurance	Cost and expenses of the premium plus a reasonable fee for our services in procuring the insurance	Within 15 days of demand	Payable only if you fail to maintain the minimum insurance we require and if we choose to procure the required insurance for you.
Escrow	Currently, \$5,000 to \$25,000 plus 3% of Gross Revenue per month until \$25,000 in escrow account	Initial fee paid when Studio opens and monthly	Payable to CHC. See Note 9 In the event you are not required to participate in Franchisor's pre-paid lesson liability program, and unless otherwise approved by us in writing, we will collect 3% of Gross Revenue per week.
Captive Market Insurance	Currently, \$200 to \$800 per month	Monthly	Payable to CIG. See Note 9
Local Marketing Spending Requirement	2% of your Gross Revenue for the previous quarter	Payable by the end of the month	In addition to your Advertising Fee, beginning in the first full month after the date your Studio opens, you must spend 2% of your Gross Revenues for the previous quarter local advertising and promotional activities. The local marketing is payable directly to third party vendors, which may include Franchisor's affiliates.
Grand Opening Advertising	A minimum of \$5,000	Between the four weeks	In connection with the opening of your Studio, you must submit a

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
		prior to opening your Studio and the four weeks after opening your Studio	grand opening plan to us for our approval. We have the right to modify your grand opening plan and may require you to use a public relations firm to assist with your grand opening.
Advertising Cooperative	If a cooperative is formed in your area, you must pay the then-current fee for your regional or local advertising cooperative	Established by us.	Your contributions to any regional or local advertising cooperatives will be credited toward your local marketing obligations.
Inspection	Our or Franchisor's reasonable expenses incurred in inspecting your business (whether ourselves, Franchisor, through our respective employees, or agents), including travel and living expenses, wages and other expenses.	Upon demand	Payable if inspection is necessitated by your repeated or continuing failure to comply with any provision of the Sub-Franchise Agreement.
Audit	Our or Franchisor's costs and expenses, including costs for an independent accountant and attorneys' fees and related travel and living expenses	Within 15 days of demand	Payable if (i) you failed to furnish reports, supporting records, other information or financial statements that you are required to submit to us or Franchisor; (ii) you failed to furnish such reports, records, information or financial statements on a timely basis as required; or (iii) if an understatement of Gross Revenues is determined by any audit or inspection to be greater than 2%

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Temporary Management	Reasonable compensation during the period of management, plus any direct out of pocket costs and expenses	Within 15 days of receipt of an invoice	Payable if we exercise our right to manage your Studio after a default, death or disability which impairs the management, operation, or service of the Studio.
Indemnification	Amount of our or Franchisor's liabilities, fines, losses, damages, costs and expenses (including reasonable attorneys' fees)	Upon demand	Payable if we or Franchisor incur losses due to your breach of the Sub-Franchise Agreement or any other action or inaction by you or any other person relating to your Studio
Enforcement Expenses	Our or Franchisor's reasonable costs and expenses (including reasonable attorneys' fees) incurred in enforcing our rights and remedies; our reasonable costs and expenses incurred in de-identifying your Studio	Upon demand	Payable (i) if you breach your Sub-Franchise Agreement, and we take steps to enforce our rights and remedies under the Sub-Franchise Agreement; or (ii) if your Sub-Franchise Agreement expires or is terminated and you fail to de-identify your Studio, and we take steps to do so

NOTES:

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

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

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

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

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

You must meet the Performance Standards for the Territory during each of the time periods specified in the chart above. If you do not achieve the Performance Standards for two (2) consecutive years, then we may (A) terminate your rights to the Territory; (B) reduce the scope of the geographic area comprising the Territory in which you have rights; or (C) terminate the Sub-Franchise Agreement.

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

- (4) “**Competitions**” means, collectively, any competitions, contests, challenges, tournaments or other “entry based” activities in which individuals or couples compete against one another.
- (5) “**Independent Competitions**” means, collectively, any Competitions that that are not organized or sponsored by Franchisor, Franchisor’s affiliates, us or another FRED ASTAIRE DANCE STUDIOS® area business.
- (6) We will identify a list of pre-approved Independent Competitions for the following calendar year.
- (7) We require you to send the following minimum number, in the aggregate for any calendar year, of amateur entries by students or Astaire Pros to National Competitions during the term of your Sub-Franchise Agreement:

Time Period	Number of Required Students or Astaire Pros
Year 1	None; you are only required to send your Operating Principal or Key Manager to one National Competition
Year 2 and thereafter	The quotient of dividing your Gross Revenues from the prior year by \$200,000 and your Operating Principal or Key Manager must attend and participate in at least 2 National Competitions each calendar year.

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

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

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

Time Period	Number of Required Students or Astaire Pros
Year 1	None; you are only required to send your Operating Principal or Key Manager to one Regional Competition
Year 2 and thereafter	The quotient of dividing your Gross Revenues from the prior year by \$50,000 and your Operating Principal or Key Manager must attend and participate in all of the Regional Competitions.

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

“Regional Competitions” means, collectively, any Competitions that we organize for participation by all Studios located in our territory.

- (9) In 2023, Franchisor will launch and you must participate in a prepaid lesson liability program offered by Franchisor’s affiliates, unless otherwise approved by us in writing. There are two obligations under this program:

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

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

ITEM 7 ESTIMATED INITIAL INVESTMENT**YOUR ESTIMATED INITIAL INVESTMENT****(SINGLE STUDIO DEVELOPED UNDER SUB-FRANCHISE AGREEMENT)**

TYPE OF EXPENDITURE	LOW ESTIMATE	HIGH ESTIMATE	PAYMENT METHOD	WHEN DUE	TO WHOM PAYMENT IS MADE
Franchise Fee	\$30,000	\$30,000	Lump sum	On signing Sub-Franchise Agreement	Us
Travel Expenses to Training ⁽¹⁾	\$1,000	\$3,500	As incurred	As incurred	Airlines, hotels and restaurants
Security Deposits for Leasehold and/or Utilities ⁽²⁾	\$5,000	\$15,000	As incurred	As incurred	Landlord, utility company
Rent for 3 Months ⁽³⁾	\$15,000	\$45,000	As incurred	As incurred	Landlord
Construction Management ⁽⁴⁾	\$0	\$15,000	As incurred	As incurred	Third party vendors
Construction Due Diligence ⁽⁵⁾	\$1,000	\$5,000	As incurred	As incurred	Third party vendors
Design, Architecture, Engineering ⁽⁶⁾	\$5,000	\$20,000	As incurred	As incurred	Third party vendors
Construction Permits and Permit Management ⁽⁷⁾	\$1,000	\$10,000	As incurred	As incurred	Government Agencies
Net Leasehold Improvements ⁽⁸⁾	\$100,000	\$250,000	As incurred	As incurred	Third party vendors
Furniture, Fixtures and Equipment ⁽⁹⁾	\$10,000	\$30,000	As incurred	As incurred	Third party vendors
Studio Management and Technology System Components ⁽¹⁰⁾	\$15,000	\$20,000	As incurred	As incurred	FADS Distribution
Signage and Graphics ⁽¹¹⁾	\$10,000	\$15,000	As incurred	As incurred	Third party vendors & FADS Distribution

TYPE OF EXPENDITURE	LOW ESTIMATE	HIGH ESTIMATE	PAYMENT METHOD	WHEN DUE	TO WHOM PAYMENT IS MADE
Supplies and Accessories ⁽¹²⁾	\$4,000	\$14,000	As incurred	As incurred	Third party vendors
Supplies and Marketing Materials ⁽¹³⁾	\$1,000	\$1,000	As incurred	As incurred	Franchisor and FADS Distribution
Business Licenses ⁽¹⁴⁾	\$500	\$2,500	As incurred	As incurred	Government Agencies
Technology Fee for 3 Months ⁽¹⁵⁾	\$600	\$600	As incurred	As incurred	Franchisor
Professional Fees ⁽¹⁶⁾	\$2,500	\$10,000	As incurred	As incurred	Attorneys, bankers, accountants and other professionals
Insurance ⁽¹⁷⁾	\$3,000	\$5,500	As incurred	Prior to opening	Insurance agent or carrier
Escrow Account ⁽¹⁸⁾	\$5,000	\$25,000	As incurred	Upon opening	CHC
Grand Opening Marketing Budget ⁽¹⁹⁾	\$5,000	\$5,000	As incurred	As incurred	Third party vendors or us

TYPE OF EXPENDITURE	LOW ESTIMATE	HIGH ESTIMATE	PAYMENT METHOD	WHEN DUE	TO WHOM PAYMENT IS MADE
Working Capital for 3 Months ⁽²⁰⁾	\$50,600	\$72,400	As incurred	As incurred	Employees, third party vendors, suppliers, us, Franchisor, CHC, CIG, etc.
TOTAL⁽²¹⁾	\$265,200	\$594,500			

NOTES:

- (1) This estimate is for the cost of two people to attend initial training in Palm Beach Gardens, Florida. You are responsible for the travel and living expenses, wages and other expenses incurred by your trainees during initial training. The actual cost will depend on your point of origin, method of travel, class of accommodations and dining choices.
- (2) This estimate includes deposits payable to the landlord and any deposits on utilities required to open the Studio. These amounts will vary based on your Site and the terms of your lease.
- (3) If you do not already own suitable commercial space, the premises must be purchased or leased. We anticipate that most Franchisees will lease the premises. We require a commercial space of 2,000 to 4,500 square feet of interior space. The cost of leasing or purchasing space will vary, depending on location and other market factors, and cannot be accurately projected by us. As a result, the costs shown above may be low or high. The initial investment assumes you will rent the premises. If you purchase the premises, your initial investment will increase dramatically.
- (4) This estimate includes the cost of hiring a third party vendor to be the project manager for the construction of your Studio. The high estimate assumes variable costs of the project manager traveling to visit the Site multiple times during the construction process to monitor progress and verify adherence to designs and standards.
- (5) This estimate includes an as-built/conditions survey, site investigation report, space planning LOI review, lease review and a due diligence summary.
- (6) This estimate includes the cost of hiring designers, architects and engineers to draft the construction plans for your Studio. This estimate also includes the cost of shipping and printing such plans.
- (7) This estimate includes the cost of acquiring construction permits. The high end assumes that you hire a third party to assist in managing, expediting and acquiring permits. Your

costs will vary depending upon your Studio's location and the costs of required permits in your market.

- (8) These estimates include the net cost of leasehold improvements, including floor coverings, dance floor installation, wall treatments, ceilings, painting, electrical, carpentry, plumbing, HVAC and similar work, as well as materials and the cost of labor.

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

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

- (9) This estimate includes the furniture, fixtures and equipment to be used in the Studio, including cabinetry, retail displays, lockers, benches, audio equipment, lighting systems, computer systems, telephones, office furniture and appliances.
- (10) You must purchase certain components of the Studio Management and Technology System from FADS Distribution, including the software. We estimate that the total cost to purchase the Studio Management and Technology System will range from approximately \$15,000 to \$20,000.
- (11) This estimate includes the cost of outdoor identification on the Studio and displays and signage throughout the Studio. You will purchase certain marketing materials from FADS Distribution, and the remaining items will be purchased from third party suppliers.
- (12) This estimate includes the cost of purchasing an initial supply of office supplies and cleaning supplies, a defibrillator, decorative items, bathroom accessories and other ancillary items used in the operation of the Studio.
- (13) Before you open your Studio, you will purchase approximately \$1,000 in supplies, marketing materials and equipment from Franchisor and its affiliates.
- (14) This estimate includes the cost of acquiring business licenses and permits. Your costs will vary depending upon your Studio's location and the costs of required licenses and permits in your market.

- (15) This cost is the payment of the Technology Fee to us for your first 3 months of operation. We do not collect the Technology Fee until you open your Studio. The Technology Fee is described in **Item 6** and currently includes fees related to your access to and usage of our proprietary studio operational software; our franchise relationship management software; our customer relationship management software; our proprietary learning management system; our FADS System website; server hosting and data protection; internet domain names and e-mail addresses; and any mobile applications that we develop.
- (16) This estimate includes the cost of professional fees that you may incur in establishing your business. Such costs may include fees paid to attorneys, accountants and finance originators.
- (17) This estimate includes the cost to obtain insurance for your Studio that meets the minimum requirements established by the FADS System Standards (see **Item 8**). You must obtain insurance prior to opening your Studio. You will need to check with your insurance carrier for actual premium quotes and costs, as well as for the actual amount of any deposit (if required). The cost of coverage will vary based upon the area in which your Studio is located, your experience with the insurance carrier, the loss experience of the carrier, the amount of deductibles and of coverage and other factors beyond our control. You should check with your insurance agent or insurance broker regarding any additional insurance that you may wish to carry above our required minimums.
- (18) Unless otherwise approved by us in writing, when you open your Studio, you must pay CHC between \$5,000 to \$25,000, as Franchisor determines, which will be deposited into an escrow account that CHC maintains on your behalf.
- (19) You must spend a minimum of \$5,000 for grand opening advertising and promotions in the four weeks prior to opening your Studio and the four weeks after opening the Studio in accordance with a plan that you must submit to us. Your costs may be higher based on the length of time you wish to run opening promotions. We have the right to modify your grand opening plan, in our sole discretion. You must provide us with supporting documentation that evidences your expenditures upon our request. This estimate is in addition to both the Advertising Fee contributions you are required to make. See **Item 6** for a description of the Advertising Fee.
- (20) This estimate is an estimate of the amount of additional operating capital that you may need during the first 3 months after opening your business. This estimate includes additional funds you may need to pay employee wages and salaries (including payroll for pre-opening training of your staff and any payroll taxes), utilities, music licenses, Royalty Fees, Advertising Fees, captive market insurance monthly premiums, legal and accounting fees, additional advertising, health and workers' compensation insurance, bank charges, miscellaneous supplies and equipment, staff recruiting expenses, state tax and license fees, deposits, prepaid expenses and other miscellaneous items. The preceding list is not an exhaustive list of the possible expenses you may incur in your first 3 months. The expenses you incur during your start-up period will depend on factors such as your local economic and market conditions, your business experience and the level of traffic at your Site. We

cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate or that you will not need additional funds after your first three months of operation. You should contact your accountant or your financial advisor for additional guidance.

- (21) The estimated initial investments shown are based primarily on the costs incurred by other Studios when constructing and operating similar Studios. Your costs may vary based on a number of different factors, including, but not limited to, the geographic area in which you open your Studio, your local market conditions, the size of your Studio and your skills at operating a business. We strongly recommend that you use these categories and estimates as a guide to develop a business plan and budget. We also strongly recommend that you investigate the specific costs in your area. Your actual costs for each category and your actual total costs may be higher or lower than the costs estimated in this table. You should independently investigate the costs of opening a dance studio in the geographic area in which you intend to open a Studio. You should review all of the figures and categories in this table carefully with a business advisor before you make a decision to purchase the Franchise.

Neither we nor Franchisor offer any direct or indirect financing for your initial investment for a Studio (see **Item 10**). The availability and terms of financing with third party lenders and finance originators will depend on factors such as the availability of financing generally, your credit worthiness, the collateral which you may have available and policies of lending and financial institutions concerning the type of business operated.

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

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Products and Services

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

You must offer Studio customers only the products and services we and Franchisor approve in writing. In addition, you must offer the specific products and services that we and Franchisor require in the Manuals or otherwise in writing. We and Franchisor may change these specifications periodically, and we and Franchisor may designate specific products or services as optional or mandatory. You must offer all products or services that we and Franchisor designate as mandatory. You may sell products only in the varieties, forms and packages that we and Franchisor have approved. You must maintain a sufficient supply of required products to meet the inventory

standards that Franchisor prescribes in the Manuals (or to meet reasonably anticipated customer demand, if Franchisor has not prescribed specific standards).

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

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

You must send a minimum number, in the aggregate for any year, of amateur entries by students or Astaire Pros from your Studio to National Competitions and, if applicable, Regional Competitions. Commencing the first full calendar year of the Initial Term, your Operating Principal or Key Manager must also attend and participate in at least 2 National Competitions per calendar year and must attend and participate in all Regional Competitions.

Insurance

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

compliance with these insurance requirements as we or Franchisor periodically require evidencing the required coverage. We or Franchisor may require additional types of coverage or increase the required minimum amount of coverage upon 90 days' notice to you.

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

Studio Management and Technology System

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

Currently, Franchisor requires you to acquire and use a proprietary studio management software from its affiliate, FADSD. FADSD is the only approved supplier of Franchisor's proprietary studio management software. FADSD does not currently charge any fees for the acquisition or initial licensing of the studio management software, but FADSD reserves the right to charge an initial licensing fee in the future.

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

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

Authorized Suppliers and Approval Process

In addition to the above, Franchisor or we may require that you, at your expense, enter into agreements with suppliers approved by us or Franchisor. Currently you are required to purchase marketing materials (such as posters, banners, tables, clothes, plaques, and front door mats), certain construction materials for your build-out (such as lighting, flooring, lockers, tile, bathroom and shower fixtures, plastic laminate, paint, corner guards, reception desk and retail merchandise display wall), certain electronic and computer equipment (such as servers, computers, tablets,

software licenses, computer accessories, LED displays and mounting and cabling products), manuals, sales book, an initial mandatory start-up kit of inventory of branded FRED ASTAIRE DANCE STUDIOS® retail merchandise and dance shoes and equipment only from suppliers designated as required, recommended or approved by Franchisor. Franchisor also requires you to purchase certain supplies, marketing materials and equipment from Franchisor or its affiliates. We or Franchisor may change approved and required suppliers from time to time, and we, Franchisor, or our respective affiliates may be approved or designated suppliers for certain items.

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

If you desire to offer products or to lease, purchase or use any supplies, Operating Assets or services that we and Franchisor either have not pre-approved or from a supplier or service provider that we and Franchisor have not pre-approved, you must submit to us and Franchisor sufficient written information about the proposed new supplier to enable us and Franchisor to approve or reject either the supplier or the particular items. We and Franchisor have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us and Franchisor a charge not to exceed the reasonable cost of the inspection and our actual cost (including personnel and travel costs) of testing the proposed product or evaluating the proposed service or service provider whether or not the item, service, supplier or service provider is approved. We and Franchisor have the right to grant, deny or revoke approval of products, services, suppliers or service providers based solely on our judgment. We and Franchisor will notify you in writing of our decision as soon as practicable following our evaluation. If you do not receive our approval within 30 days after submitting all of the information that we request, our failure to respond will be deemed a rejection of the request. If you do not receive Franchisor's approval within 60 days after submitting all of the information that Franchisor requests, Franchisor's failure to respond will be deemed a rejection of the request. You acknowledge that the products and services that we and Franchisor approve for you to offer in your Studio may differ from those that we or Franchisor permit or require to be offered in other Studios.

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

We and Franchisor may limit the number of approved suppliers with whom you may deal, designate sources that you must use or refuse requests for alternative suppliers for any reason,

including that we or Franchisor have already designated an exclusive source (which may be us, Franchisor, or our respective affiliates) for any particular item or service if we or Franchisor believe doing so is in the best interests of our franchise system.

Proportion of Purchases Subject to Specifications

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

Revenue from Purchases

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

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

In our last fiscal year ending December 31, 2022, we received \$1,175,339 in revenue from franchisee participation in Regional Events. This was approximately 54% of our total revenue of \$2,183,134 as reported in its audited financial statements (see **Exhibit E**).

In our last fiscal year ending December 31, 2022, we received \$27,657 in revenue from DanceStore purchases by our sub-franchisees. This was approximately 0.02% of our total revenue of \$2,183,134.

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

Revenue from Rebates

We, Franchisor, or our respective affiliates may negotiate with suppliers, service providers and manufacturers to receive rebates, commission or other consideration based on certain items that you purchase or lease. The rebate programs vary depending on the supplier and the nature of the product or service. Franchisor or its affiliates may currently earn compensation or rebates on

account of franchisees' required purchases from certain approved suppliers. Not every supplier pays rebates or commissions.

In our last fiscal year ending December 31, 2022, we did not receive any rebates or commissions based on franchisees' required purchases.

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

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

Cooperatives and Purchase Arrangements

Neither we nor Franchisor are involved in any purchasing or distribution cooperatives. We or Franchisor may, but are not obligated to, negotiate purchase arrangements with suppliers for the benefit of franchisees. As of the issuance date of this Disclosure Document, neither we nor Franchisor have negotiated any such arrangements.

Material Benefits

Neither we nor Franchisor provide any material benefits to franchisees (for example, renewal or granting additional franchises) based upon their purchase of particular products or services or use of particular suppliers.

Site Selection and Development of the Studio

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

It is your responsibility to prepare all required construction plans and specifications to suit the premises for the Studio in accordance with Franchisor's approved plans and specifications and to make sure that these plans and specifications comply with applicable ordinances, building codes, permit requirements and lease requirements and restrictions. You are obligated, at your expense, to have an architect designated or approved by us or Franchisor prepare all required construction

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

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

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

Issuance of Specifications and Standards

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

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Sub-Franchise Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 6.3 and 6.4	Item 11
b.	Pre-opening purchases/leases	Sections 6.4, 6.15, and 6.18	Items 6, 7, 8 & 11
c.	Site development and other pre-opening requirements	Section 6.5	Items 7, 8 & 11
d.	Initial and ongoing training	Sections 4.1 and 6.7	Items 6, 7 & 11
e.	Opening	Section 6.6	Items 6 and 11
f.	Fees	Sections 7, 4.1.1.2, 4.1.3, 4.2, 4.3, 6.14, 6.17, 6.24, 9.3, 9.4, 11, and 13.3	Items 5, 6, 7 and 11
g.	Compliance with standards and policies/operating manual	Section 6	Items 7, 8, 11, 13, 14, 15 and 16
h.	Trademarks and proprietary information	Section 8	Items 13, 14 and 17
i.	Restrictions on products/services offered	Section 6.15	Items 8 and 16
j.	Warranty and customer service requirements	Sections 6.15, 6.19, and 6.21	Items 8 and 16
k.	Territorial development and sales quotas	Section 2.8	Items 6, 12 and 17
l.	Ongoing product/service purchases	Sections 6.15 and 6.18	Items 8 and 16
m.	Maintenance, appearance and remodeling requirements	Sections 6.5, 6.11, and 6.12	Items 7, 8 and 11
n.	Insurance	Section 6.24	Items 7 and 8
o.	Advertising	Section 7.3 and Section 9	Items 6, 7, 8 and 11
p.	Indemnification	Section 17	Item 6
q.	Owner's participation/management/staffing	Sections 2.10, 2.11, and 6.8	Items 11 and 15
r.	Records and reports	Section 6.26, 6.27 and 6.28	Items 6 and 17
s.	Inspections and audits	Section 11	Items 6 and 11
t.	Transfer	Section 13	Items 6 and 17
u.	Renewal	Sections 3.2, 3.3, and 3.4	Item 17
v.	Post-termination obligations	Section 16	Item 17
w.	Non-competition covenants	Section 12	Item 17
x.	Dispute resolution	Section 20	Item 17

ITEM 10 FINANCING

Neither we, Franchisor, nor our respective affiliates offer direct or indirect financing arrangements for any purpose in establishing or operating your Studio. Neither we, Franchisor, nor our respective affiliates guarantee your promissory note, lease or any other obligation you may make to third parties.

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

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

Pre-Opening Obligations

Before you open your Studio, we will:

1. Designate your Site Selection Area. (Sub-Franchise Agreement Sec. 2.4 and Exhibit A).
2. Provide you with Site selection guidelines and review and accept or reject the proposed Site for your Studio (as discussed in more detail in the Site Selection and Studio Development provisions below in this Item). The Site must meet our criteria for the location of a Studio, which includes a “core customer base” determined by us based on a myriad of factors, including demographic characteristics including the traffic patterns, parking, character of neighborhood and competition from and proximity to other businesses. Our criteria, and our evaluation of them, may vary periodically and from Site to Site. You must secure a Site that we have approved by signing a site lease or purchase agreement within 90 days after the effective date of the Sub-Franchise Agreement. We may extend this deadline by 90 days in our sole discretion. If we and you are unable to agree on a site for your Studio, we may terminate the Sub-Franchise Agreement. (Sub-Franchise Agreement Secs. 6.3 and 6.4).
3. Review and approve your LOI (letter of intent) before you sign such LOI (which approval may be through e-mail). We must also review and approve the proposed lease, sublease or purchase agreement (as applicable) for the approved Site for your Studio before you sign it. We will approve the lease, sublease or purchase agreement in writing. (Sub-Franchise Agreement Sec. 6.4).
4. Loan to you a set of sample architectural and design plans and mandatory and suggested specifications, including requirements for dimensions, design, color scheme, image, interior layout, décor, fixtures, equipment, signs and furnishings, for a Studio. You must independently, at your expense, have the architectural and design plans and specifications adapted for construction of the Studio in accordance with our approved plans and specifications. (Sub-Franchise Agreement Sec. 6.5).
5. Approve in writing, or our project manager will approve in writing, the architectural and engineering firms and general contractors to develop your architectural and design plans

and assist with the construction of your Studio. We require you to use only firms that we or our project manager have pre-approved or approved in writing. In developing your Studio, you must follow the steps described in the Site Selection and Studio Development provisions below in this Item. (Sub-Franchise Agreement Sec. 6.5).

6. Provide you with information regarding our approved, required and preferred suppliers and evaluate suppliers proposed by you. (Sub-Franchise Agreement Sec. 4.7 and 6.15).
7. Provide the Initial Training described below in this Item. (Sub-Franchise Agreement Sec. 4.1)
8. Assist you in planning the grand opening marketing program for your Studio, which will include parameters that must be met before you obtain our approval to open your Studio. (Sub-Franchise Agreement Sec. 9.3.4).
9. Advise you as to initial orders of merchandise and supplies, development of class schedules and local marketing and networking efforts. (Sub-Franchise Agreement Sec. 4.2).
10. Approve your Studio opening, provided that you have met all of our requirements for opening, including providing us with a certificate of occupancy and building the Studio in compliance with the plans that we approved. (Sub-Franchise Agreement Sec. 6.6).
11. Franchisor will provide you with an opening kit which will contain marketing materials as set forth in the Manuals.

Before you open your Studio, Franchisor will:

1. Provide you with access to Franchisors Manuals (in the medium it decides, which may be written or electronic), which will be on loan for as long as the Sub-Franchise Agreement or a successor Sub-Franchise Agreement remains in effect. (Sub-Franchise Agreement Sec. 4.4).
2. Provide you with information regarding Franchisor's approved, required and preferred suppliers. (Sub-Franchise Agreement Sec. 6.15)

Continuing Obligations

After you open the Studio, we will:

1. Provide you with information regarding approved, required and preferred suppliers and evaluate suppliers proposed by you. (Sub-Franchise Agreement Sec. 4.7 and 6.15).
2. If we do not require you to use only the advertising or promotional programs or materials that we produce, we will review any advertising or promotional programs or materials that you propose to use. We may grant or withhold our approval in our sole discretion. (Sub-Franchise Agreement Sec. 9.3.1).

3. Provide to you additional consulting services with respect to the operation of the Studio upon your reasonable request and subject to the availability of our personnel at a mutually convenient time. We will make available to you information about new developments, techniques and improvements in the areas of merchandising, advertising, management, operations and Studio design. We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum (including e-learning modules), meetings or seminars, teleconferences, webinars or in person. If such services are rendered in person other than at our offices, you must pay us a fee and our expenses. (Sub-Franchise Agreement Sec. 4.2).
4. Provide any necessary remedial training courses and require you to attend. We may charge you a reasonable fee for such training (see **Item 6**), and you must pay all expenses for you and your employees, including training materials, travel and living expenses. (Sub-Franchise Agreement Secs. 4.1.3).
5. Evaluate sites to which you propose to relocate your Studio in accordance with the Site Selection and Studio Development provisions described below in this Item. (Sub-Franchise Agreement Sec. 2.6).
6. Make periodic visits to the Studio, conduct audits of your Studio for compliance with the FADS System Standards and evaluations of the products and services rendered to customers (Sub-Franchise Agreement Sec. 11).

After you open the Studio, Franchisor will:

1. Provide you with information regarding approved, required and preferred suppliers and evaluate suppliers proposed by you. (Sub-Franchise Agreement Sec. 6.15).
2. Maintain and administer the general marketing and development fund (the “**FADS Advertising Fund**”). The FADS Advertising Fund is discussed in more detail below in this Item. (Sub-Franchise Agreement Sec. 9.2).
3. If Franchisor does not require you to use only the advertising or promotional programs or materials that it produces, Franchisor will review any advertising or promotional programs or materials that you propose to use. Franchisor may grant or withhold our approval in its sole discretion. (Sub-Franchise Agreement Sec. 9.3.1).
4. Provide to you additional consulting services with respect to the operation of the Studio upon your reasonable request and subject to the availability of Franchisor’s personnel at a mutually convenient time. Franchisor will make available to you information about new developments, techniques and improvements in the areas of merchandising, advertising, management, operations and Studio design. Franchisor may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum (including e-learning modules), meetings or seminars, teleconferences, webinars or in person. If such services are rendered in person other than

at our offices, you must pay us a fee and our expenses. (Sub-Franchise Agreement Sec. 4.2).

5. Establish and maintain an Internet website or home page for you and provide a link from our Website to information about your Studio. (Sub-Franchise Agreement Sec. 9.5.2).

Advertising, Marketing and Promotion

Our Marketing

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

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

Local Marketing

You must use your best efforts to promote the use of the Marks in your territory and market area. You must spend 2% of your Gross Revenues for the previous calendar quarter on local advertising and promotional activities (the “**Marketing Spending Requirement**”). Your Marketing Spending Requirement is in addition to your Advertising Fee. We and Franchisor have the right to designate the types of expenditures that will or will not count toward the Marketing Spending Requirement. At our request, you must submit appropriate documentation to verify compliance with the Marketing Spending Requirement.

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

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

Grand Opening Advertising

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

FADS Advertising Fund

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

1. The FADS Advertising Fund is intended to maximize general public recognition and acceptance of the Marks and to enhance the collective success of all Studios. Franchisor will direct all advertising programs produced using the FADS Advertising Fund, and Franchisor will have sole discretion to approve or disapprove the creative concepts, materials and media used in those programs, the placement of the advertisements and the allocation of the money in the FADS Advertising Fund to production, placement or other costs. In administering the FADS Advertising Fund, Franchisor and its affiliates undertake no obligation to make expenditures for you which are equivalent or proportional to your contribution or to ensure that you or any particular Studio benefits directly or pro rata from the placement of advertising.
2. The FADS Advertising Fund may be used to satisfy any and all costs associated with advertising (media and production), branding, marketing, public relations or promotional programs and materials, and any other activities that Franchisor believes would benefit the FRED ASTAIRE DANCE STUDIOS® brand or Studios generally, including local, regional or national advertising campaigns in various media; creation, maintenance and optimization of the Website or other websites; keyword or adword purchasing programs;

conducting and managing social media activities; direct mail advertising; market research, including secret shoppers and customer satisfaction surveys; branding studies; employing advertising or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events and community involvement activities; and providing promotional and other marketing materials and services to franchisees. Franchisor has the right to direct all marketing programs with the final decision over creative concepts, materials and media used in the programs and their placement.

3. All sums paid to the FADS Advertising Fund will be maintained in a separate account by Franchisor and may be used to defray any of Franchisor's administrative costs and overhead that Franchisor incurs in activities related to the administration or direction of the FADS Advertising Fund and advertising programs for franchisees and all Studios. The FADS Advertising Fund and its earnings will not otherwise inure to Franchisor's benefit. The FADS Advertising Fund is operated solely as a conduit for collecting and expending the Advertising Fees.
4. Franchisor will not use the FADS Advertising Fund for anything whose sole purpose is the marketing of franchises or prospective franchisees. However, the Website, public relations activities, community involvement activities and other activities supported by the FADS Advertising Fund may contain information about franchising opportunities.
5. In no event will Franchisor be deemed a fiduciary with respect to any Advertising Fees that Franchisor receives or administers. Franchisor has no fiduciary duty to you, or any other franchisees, or your Owners, or any Owners of other franchisees, with regard to the operation or administration of the FADS Advertising Fund. Franchisor is not required to have an independent audit of the FADS Advertising Fund completed. Franchisor will prepare an unaudited statement of contributions and expenditures for the FADS Advertising Fund make it available within 90 days after the close of Franchisor's fiscal year to franchisees who make a written request for a copy. Franchisor may use monies in the FADS Advertising Fund to pay for an independent audit of the FADS Advertising Fund, if Franchisor elects to have it audited.
6. It is anticipated that all FADS Advertising Fund contributions will be expended for programs during the fiscal year in which such contributions are made. If excess amounts remain in the FADS Advertising Fund at the end of the year, all expenditures in the following fiscal year will be made first out of such excess amounts, including any interest or other earnings of the FADS Advertising Fund, and next out of current contributions. Franchisor may spend in any fiscal year an amount greater or less than the contributions to the FADS Advertising Fund in that fiscal year. The FADS Advertising Fund may borrow from Franchisor, one of Franchisor's affiliates or other lenders to cover deficits of the FADS Advertising Fund. If Franchisor or its affiliates lend money to the FADS Advertising Fund, Franchisor may charge a reasonable rate of interest on the amount loaned.
7. Franchisor will, for any Studio operated by Franchisor or its affiliates, contribute to the FADS Advertising Fund on the same basis as a majority of franchisees.

8. Although the FADS Advertising Fund is intended to be of perpetual duration, Franchisor may terminate the FADS Advertising Fund. If the FADS Advertising Fund is terminated, Franchisor has no obligation to return or refund any Advertising Fees you have paid into the FADS Advertising Fund.

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

During Franchisor's 2022 fiscal year, Franchisor spent 36% of advertising fees on production, 10% on media placement, 10% on administrative expenses, and 44% on other costs.

Internet Website

Franchisor has established and maintains an Internet website at the uniform resource locator www.fredastaire.com that provides information about the FADS System and FRED ASTAIRE DANCE STUDIOS® (the “**Website**”). Franchisor has enhanced its Website to include a series of interior pages that identify Studios by address and telephone number. Franchisor may (but is not required to) include at the Website an interior page containing additional information about your Studio. All information is subject to Franchisor's approval before posting.

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

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

Digital Marketing

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

have the sole right to control all aspects of any Digital Marketing, including those related to your Studio.

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

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

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

Promotional Programs

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

Advertising Cooperatives

Neither we nor Franchisor currently have any advertising cooperatives and has no plans to form such cooperatives in the immediate future. However, you must join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or that are established at our direction for the purpose of promoting, coordinating and purchasing

advertising in local, regional or national areas where there are multiple Studios. Each Studio located within the designated area of a cooperative will be a member of the cooperative. We or members of the cooperative and their designated officials may be responsible for administering the cooperative. Studios that we or our affiliates own and operate are not obligated to participate in any cooperative we form or approve. Each cooperative must adopt written governing documents, which we have the right to mandate or approve. A copy of the governing documents of the cooperative (if one has been established) for your market area will be available upon request. If you join an advertising cooperative, the advertising cooperative may require you to spend additional funds on marketing programs conducted by the advertising cooperative, which may be in addition to your Advertising Fees, but will be counted toward your Marketing Spending Requirement. The cooperative will determine the amount of your contribution; provided that if the cooperative is unable or unwilling to designate the amount of the contribution, we may designate the contribution amount.

Advertising Councils

Neither we nor Franchisor currently have an advertising council composed of franchisees to advise us or Franchisor on advertising policies. We or Franchisor may decide to implement an advertising council in the future, using a form and process set forth in the Manuals. If we or Franchisor establish an advertising council, the council will have an advisory role but not any operational or decision-making power. We or Franchisor may change the structure and process of the council or dissolve the council at any time. If we or Franchisor establish a council, you must participate in all council-related activity that either the council or we or Franchisor determine are mandatory activities.

Computer System

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

Currently Franchisor requires you to install and maintain one server, two computers, three tablets, one printer, one television per ballroom and related equipment. Components of the Studio Management and Technology System must be connected to the Internet via a high-speed Internet connection.

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

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

You must, at all times, give Franchisor and us unrestricted and independent electronic access (including user IDs and passwords, if necessary) to the Studio Management and Technology System for the purposes of obtaining the information relating to your Studio. You must permit us and Franchisor to download and transfer data via a high-speed Internet connection or such other connection that we specify on a real-time basis. We and Franchisor may access and retrieve daily any information concerning the Studio stored on the Studio Management and Technology System or any off-site server, including information regarding gross revenues, customer information, inventory, expenditures, marketing information and such other information contained or stored on the Studio Management and Technology System. It will be a material event of default under the Sub-Franchise Agreement if you fail to make electronic access to the Studio Management and Technology System accessible to us and Franchisor at all times throughout the term of the Sub-Franchise Agreement. There are no contractual limitations on our or Franchisor's right to access data stored in the Studio Management and Technology System.

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

You must dedicate your computer system for use as the Studio Management and Technology System only and use the Studio Management and Technology System in accordance with Franchisor's policies and operational procedures. Your employees must complete any and all

training programs Franchisor reasonably requires for the proper operation and use of the Studio Management and Technology System. You may not use any other cash registers or computer systems in your Studio.

Site Selection and Studio Development

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

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

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

1. Your construction drawings (“CDs”) must be approved by us. You must receive a written certificate of approval from us before you apply for any state or local permits or place an order for furniture, equipment, supplies or fixtures. You and your general contractor are not permitted to change the plans once they have been approved by us, and any unauthorized changes will result in a delay in your opening. You will be required to fix any deviations before opening. Our review is limited to ensuring your compliance with our design requirements. We will not assess compliance with federal, state or local laws and regulations or any state and local environmental requirements and building codes.

Compliance with those laws is your responsibility. We may inspect the Site while you are developing your Studio.

2. You must provide us with a copy of all required permits and the proposed construction schedule from your general contractor.
3. Before any on-site Studio training and Studio opening, you must submit to us for review and approval: (i) a certificate of occupancy; (ii) copies of all required insurance policies or other evidence of coverage satisfactory to us; (iii) a complete set of required photographs of the Studio; (iv) a completed final pre-training/opening checklist (in a form that we specify); and (v) final build-out costs (in a form that we specify).
4. Once the above documentation is received and approved by us, you will receive final written approval from us. Your Studio will be considered open on the date of your grand opening.

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

Time to Opening

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

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

Manuals

After you sign the Sub-Franchise Agreement, Franchisor will provide you with electronic access to a copy of the Manuals. The Table of Contents of the Franchisee Manual is attached as **Exhibit F** to this Disclosure Document. Franchisor is currently in the process of updating the Manuals. As of the issuance date of this Disclosure Document, the Manuals consist of 403 pages. Franchisor may amend, modify or supplement the Manuals at any time, so long as such amendments, modifications or supplements will, in Franchisor's good faith opinion, benefit Franchisor, us, and existing and future franchisees or will otherwise improve the FADS System.

You must promptly comply with revised standards and procedures after Franchisor transmits the updates.

Initial Training

Your Required Trainees must personally attend and satisfactorily complete our initial training program (“**Initial Training**”) before you open your Studio. Initial Training currently consists of approximately 5 days of training to be held at our offices and/or such other site that we designate in writing, which may include another Studio, at least 10 days prior to your Opening Deadline. The Initial Training may also include e-learning modules. We hold Initial Training sessions by appointment only, and your Initial Training will be provided as soon as practicable after you sign your Sub-Franchise Agreement and schedule your Initial Training session. We reserve the right to modify the length, site, timing and subject matter of the Initial Training based on the trainees’ experience and role in day to day operations. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training. You are responsible for the travel and living expenses incurred by the Required Trainees, and any other trainees who you send, in connection with Initial Training.

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

As of the issuance date of this Disclosure Document, the Initial Training currently consists of the following:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-Site Training	Location
Introduction, mission and vision	0.75	0	Palm Beach Gardens, Florida or such other site that we designate in writing
Overview & getting started timeline	0.25	0	
Owner duties	1	0	
Studio development overview	0.5	0	
Site selection, LOIs & leases	0.5	0	
Construction & design	1.5	0	
Studio atmosphere & class experience	1	4	
Marketing & promotions	3	0	
Grand opening	0.5	0	
Brand standards	2	1	
Studio operations	2	2	

Subject	Hours of Classroom Training	Hours of On-Site Training	Location
AMP tutorial	3	2	
Proprietary Software tutorial	3	1	
Reporting & metrics	1.5	0.5	
Accounting & royalties	1	0	
Staff recruiting & human resources	1.5	0.5	
Q&A	1	1	
TOTAL	24	12	

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

The time periods allocated to the subjects listed above are approximations, and the time actually spent by you and your personnel may vary based on the experience and performance of those persons begin trained. The instructional materials used in the Initial Training program will consist primarily of the Manuals, PowerPoint presentations, marketing and promotional materials, videos and other handouts. Our Initial Training is conducted by the following employees. Their experience relating to the subjects taught and with respect to the operation of Studios are as follows:

Armando Martin has been our President, Treasurer and a member of the Board of Directors since 1987. Since 2002, Mr. Martin has also been the President, Treasurer and a member of the Board of Directors of Sundance Promotions, Inc. Mr. Martin has been associated with the dance instruction industry for more than 40 years.

Laura Martin has been our Vice President and a member of the Board of Directors since 1987. Since 2002, Ms. Martin has also been the Vice President and a member of the Board of Directors of Sundance Promotions, Inc. Ms. Martin has been associated with the dance instruction industry for more than 40 years.

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

Additional Training

We or Franchisor may periodically conduct mandatory or optional training programs for your Required Trainees or your employees at Franchisor’s or our office or another site that we designate. Except as described below, there will be no charge for training programs that we require

you or your employees to attend, but Franchisor may charge you a reasonable fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar or any other means as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs and attend conferences that we specify. We may require your Required Trainees to participate in refresher or advanced training each year.

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

Training by You

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

ITEM 12 TERRITORY

Franchise Program

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

You may sell products and services only from your Studio. You have no rights to sell products through the Internet or worldwide web, mail order or catalogs or through any other form of distribution channel or method. You have no right to use the Marks in connection with any business other than a Studio located at the Site.

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

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

to implement rules and restrictions regarding the solicitation of such customers in the future in our Manuals or otherwise in writing.

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

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

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

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

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

We will not reduce the size of your Territory even if the population in your Territory decreases or the demographics of your Territory change. However, if you fail to meet your

Performance Standards for two (2) consecutive years, then we may either (a) terminate your rights to your Territory; (b) reduce the scope of the geographic area comprising the Territory in which you will have rights; or (c) terminate the Sub-Franchise Agreement. The Performance Standards are described in **Note 3** in **Item 6**.

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

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

- (a) operate, or to grant other persons the right to operate, Studios outside of the Territory;
- (b) offer, promote and sell the products and services that Studios offer, promote, sell or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Territory;
- (c) sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including through e-commerce, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;
- (d) advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory and on the Internet (or any other existing or future form of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing using the Marks;
- (e) acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, or studios anywhere (including inside the Territory) and (i) if such businesses are not located in the Territory, convert the other businesses to the FRED ASTAIRE DANCE STUDIOS® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system (subject to the restriction on developing and offering new ballroom dance instruction franchises in Section 2.9.6 below); or (iii) permit the businesses to operate under another name; and
- (f) develop and offer franchise concepts that (i) do not use any of the Marks; (ii) do not offer ballroom dance instruction; and (iii) may offer, promote and sell products and services similar or complementary to the products and services that Studios offer.

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

Neither we nor Franchisor will compensate you for any actions we take in your Territory.

ITEM 13 TRADEMARKS

Principal Mark

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

Trademark Registration

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

Mark	Registration or Serial No.	Registration or Application Date	Use
FRED ASTAIRE DANCE STUDIOS	833115	August 1, 1967	Dance instruction
	2910230	December 14, 2004	Dance studio instructional services; organization and running of dance contests, recitals and competitions
	3121190	July 25, 2006	Clothing used in the field of dance classes, performances and competitions
ASTAIREWEAR	2952642	May 17, 2005	Clothing used in the field of dance classes, performances and competitions

Mark	Registration or Serial No.	Registration or Application Date	Use
SHARE THE EXPERIENCE	3076492	April 4, 2006	Dance events, instruction and schools
INTEGRITY IN ACTION	3240615	May 8, 2007	Dance events, instruction and schools; production of AV works for dance instruction
LIFE'S BETTER WHEN YOU DANCE	6165096	September 29, 2020	Dance events, instruction and schools; production of AV works for dance instruction and various promotional items

The registrations summarized in the table above have been renewed as applicable. Franchisor has filed all required affidavits in connection with the registration of the principal trademarks described above.

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

Fred Astaire

Astaire

For the Love of Dance

Freddy Ball

Trophy Ball

Trophy System

Astaire Pro

Share the Romance, Share the Dance

To Be the Best, Learn from the Best

To Be the Best, Join the Best

Cross Country Dance Championships

A Dance to Remember

Team Astaire

One Team, One Dream

Marriage is Better When You Dance

The World is Better When You Dance

Romance is Better When You Dance

Health is Better When You Dance

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

Area Franchise Agreement

In the Area Franchise Agreement between Franchisor and us, Franchisor has authorized us to use the Principal Mark and other related Marks in connection with the offer, sale and support of Studios in the Area Territory. The Area Franchise Agreement does not contain any significant limitations on our right to license the Marks to you. The Area Franchise Agreement was renewed on March 7, 2012, for a renewal term of 10 years. We have the right to renew the Area Franchise Agreement so long as we are not in material breach of the agreement, agree to the timely and prompt payment of all fees owed to Franchisor, and remain in material compliance with all obligations and requirements for sub-franchisors pursuant to the of the Area Franchise Agreement and the Franchisor’s operations manuals. Upon any expiration or termination of the Area Franchise Agreement our existing Sub-Franchise Agreements must be assigned to Franchisor.

License Agreement

Franchisor does not own the Marks. All of the Marks are owned by Franchisor’s affiliate FADS IP Holder (see **Item 1**) and licensed to Franchisor pursuant to a License Agreement, dated March 1, 1995 and renewed March 1, 2015 (the “**License Agreement**”). In the License Agreement, FADS IP Holder authorized Franchisor to use the Principal Mark and other related Marks in connection with the offer, sale and support of Studios. The License Agreement does not contain any significant limitations on Franchisor’s right to use or license the Marks to you and has a term of 20 years. Upon any expiration or termination of the License Agreement, Franchisor must

immediately discontinue the use of the Marks, and FADS IP Holder may unilaterally assume all of the Franchise Agreements licensing the use of the Marks. FADS IP Holder has agreed to assume all obligations under such agreements arising from and after their assignment.

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

Material Determinations

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

Use of the Marks

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

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

Notice of Contractor Status

You must display in a conspicuous site in or upon the Studio, or in a manner that Franchisor specifies, a sign containing the following notice (or an alternative notice that we specify): "This business is independently owned and operated by [name of franchisee] as an authorized licensed user of the trademark "Fred Astaire Dance Studios®", which is a registered trademark owned by Fred Astaire Dance Studios, Inc. and licensed to us by New York Dance Enterprises, Inc." You must include this notice, or similar language that Franchisor specifies, on all forms, advertising, promotional materials, business cards, receipts, letterhead, contracts, stationary and other written materials that Franchisor designates.

Infringements

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

Indemnification

The Sub-Franchise Agreement does not require we or the Franchisor to take any action to protect your right to use any of the Marks or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving any of the Marks.

Changes to the Marks

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

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

No patents are required to be disclosed in this Item.

Copyrights

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

Title	Registration No.	Registration or Application Date
Ballroom Dancing	PA0000751638	March 15, 1995
Bronze Dance Series	PAu002259952	December 8, 1997
Bronze Syllabus Dance Manual	TXu000832705	December 12, 1997
Fred Astaire Franchised Dance Studios Advanced Bronze Syllabus Dance Manual	TX0006142097	April 1, 2005
Fred Astaire Franchised Dance Studios Associate Major Silver Manual, version 2	TX0006142096	April 1, 2005
Fred Astaire Dance Studios Bronze Dance Manual	TX0001403681	August 8, 1984
Fred Astaire Franchised Dance Studios Bronze Course Plan	TX0006140315	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Advanced Foundation Program	TX0006140318	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Beginning Chart	TX0006140316	April 1, 2005
Fred Astaire Franchised Dance Studios Course Plan: Social Foundation Program	TX0006140317	April 1, 2005
Fred Astaire Franchised Dance Studios: Country Western Dancing	PA0000751633	March 15, 1995
Fred Astaire Franchised Dance Studios: Latin Dancing	PA0000751635	March 15, 1995
Fred Astaire Franchised Dance Studios: The Swing Dancing	PA0000751634	March 15, 1995
Fred Astaire Franchised Dance Studios: Top 40 Dancing	PA0000751632	March 15, 1995
Fred Astaire Franchised Dance Studios Gold Course Plan	TX0006140320	April 1, 2005
Fred Astaire Franchised Dance Studios Silver Course Plan	TX0006140319	April 1, 2005
Fred Astaire Gold DanceSport Syllabus	PA0001274017	April 1, 2005
The Silver Program	PA0001274016	April 1, 2005
Social & Dancesport Silver Syllabus Dance Manual	TX0005949685	January 13, 2004
Social Foundation Dance Series	PAu002260351	December 12, 1997
Syllabus Dance Manual	TXu000829617	December 12, 1997
Theatre Arts, Exhibition Ballroom Dancing	A86627	September 2, 1968
Theatre Arts Manual Incorporating Theatre Arts Dancing, Exhibition Ballroom Dancing, Open International Latin Dancing	TX000280339	February 2, 1978

Franchisor claims copyright ownership with respect to Franchisor's advertising materials and Manuals, as well as other materials Franchisor may periodically develop (collectively, the "**Unregistered Copyrights**" and, together with the Registered Copyrights, the "**Copyrights**").

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

Area Franchise Agreement

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

License Agreement

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

Material Determinations

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

Your Use of Copyrights

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

Infringements and Indemnification

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

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

Changes to the Copyrights

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

Authorized Images

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

Your Right to Use Authorized Images

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

Area Franchise Agreement

Other than the Area Franchise Agreement (see **Item 13**), there currently are no agreements that significantly limit our right to sub-license the use of the Authorized Images in the United States in a manner material to the franchise.

License Agreement

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

Material Determinations

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

Infringement and Indemnification

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

Changes to the Authorized Images

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

Development of New Concepts

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

Proprietary Information

During the term of your Sub-Franchise Agreement, we, Franchisor, or our respective affiliates may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how and other confidential information relating to the FADS System, our business, our vendor relationships, our classes or the construction, management, operation or promotion of the Studio (collectively, "**Proprietary Information**"). You may not, nor may you permit any person or Entity, to use or disclose any Proprietary Information (including any portion of the Manuals) to

any other person, except to the extent necessary for your employees to perform their functions in the operation of your Studio. You must take reasonable precautions necessary to protect Proprietary Information from unauthorized use or disclosure, including conducting orientation and training programs for your employees to inform them of your obligation to protect Proprietary Information and their related responsibilities and obligations. If we, Franchisor or our respective affiliates so request, you must obtain from your officers, directors, Owners, Key Managers and Astaire Pros confidentiality agreements in a form satisfactory to us, Franchisor, or our respective affiliates. You will be responsible for any unauthorized disclosure of Proprietary Information by any person to whom you have disclosed Proprietary Information.

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

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

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

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

Each Owner, including the Operating Principal, must sign the Personal Payment and Performance Guaranty (the "**Guaranty**"), which is attached as **Exhibit C** to the current form of Sub-Franchise Agreement, which is **Exhibit B** to this Disclosure Document. We may also require the spouse of any Owner to also sign the Guaranty. By signing the Guaranty, each guarantor is agreeing to assume and discharge all obligations of the franchisee under the Sub-Franchise Agreement and agreeing to comply with the confidentiality, indemnification, covenants not to compete and assignment provisions of the Sub-Franchise Agreement.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may offer for sale in your Studio only the products and services that we and Franchisor have approved in writing. In addition, you must offer the specific products and services that Franchisor identifies in the Manuals, or otherwise in writing, as required products and services.

We and Franchisor may designate specific products or services as optional or mandatory. You must offer all products or services that we and Franchisor designate as mandatory. You may sell products only in the varieties, forms and packages that we and Franchisor have approved. You must maintain a sufficient supply of required products to meet the inventory standards Franchisor may prescribe in the Manuals (or to meet reasonably anticipated customer demand, if Franchisor does not prescribe specific standards).

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

Neither we nor Franchisor impose restrictions on the retail customers you may serve at your Studio, but you may not make any sales of products or services outside of your Studio, conduct classes outside of your Studio or use vendor relationships that you establish through your association with us or the FRED ASTAIRE DANCE STUDIOS® brand for any other purpose besides the operation of your Studio, unless we and Franchisor consent in writing. You agree to purchase products solely for resale to retail customers and not for resale or redistribution to any other party, including other Studios. You may not offer products or services in connection with the Marks on any website on the Internet or any other electronic communication network unless we and Franchisor consent in writing.

ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Sub-Franchise Agreement	Summary
a.	Length of franchise term	Section 3.1	Ten years from the effective date of your Sub-Franchise Agreement

	Provision	Section in Sub-Franchise Agreement	Summary
b.	Renewal or extension of the term	Section 3.2	If you meet the conditions, you may enter into one successor ten-year renewal term, which may contain materially different terms than in your Sub-Franchise Agreement. The form of agreement for such renewal term shall provide for a further 10 year renewal term.
c.	Requirements for franchisee to renew or extend	Section 3.3	You notified us in writing at least six, but no more than twelve, months in advance. You signed and delivered to us our then current form of Sub-Franchise Agreement, which may contain terms materially different than those your original Sub-Franchise Agreement. You refurbished or renovated your Studio to our then current image and specifications. You signed and delivered a general release in favor of us and our affiliates. You, your Operating Principal and your Key Manager completed all of our then current training requirements. You secured the right from your landlord to continue operating at the Site during the renewal term; You substantially and timely complied with the terms and conditions of your Sub-Franchise Agreement during the initial term. No Event of Default (as defined in our current form of Sub-Franchise Agreement), or event which with the giving of notice or passage of time would constitute an Event of Default, exists.
d.	Termination by franchisee	Section 15.3	If we commit a material breach of the Sub-Franchise Agreement and fail to cure the breach or take reasonable steps to cure the breach within 60 days after we receive written notice from you, you may terminate the Sub-Franchise Agreement.
e.	Termination by franchisor without cause	Not applicable	
f.	Termination by franchisor with cause	Section 15.2	We can terminate the Sub-Franchise Agreement only if you default (see (g) and (h) of this table below).
g.	“Cause” defined – curable defaults	Section 15.1	10 business days to cure a failure to communicate with us after we send you written notice of our attempts to contact you; 30 days to cure any violation of the Modified Order; 30-45 days to cure failure to obtain CBE Requirements either from us or third parties; 24 hours to cure non-compliance with any law, regulation

	Provision	Section in Sub-Franchise Agreement	Summary
			or ordinance which results in a threat to the public's health or safety; 15 days to cure non-payment of any amounts owed to us or our affiliates or your failure to make sufficient funds available to us; and 30 days to cure a failure comply with any other provision of the Sub-Franchise Agreement that is not described here or in (h) of this table below.
h.	"Cause" defined – non-curable defaults	Section 15.1	You make a material misrepresentation or omission to us; your Required Trainees fail to satisfactorily complete initial training; you fail to meet your minimum Performance Standards; you fail to submit a site or fail to obtain our approval of a site or site lease in the prescribed time; you do not use any designated real estate broker or general contractor; you open your Studio without our consent; you fail to open your Studio in the prescribed time; you fail to rebuild your Studio after its destruction; you fail to timely refurbish your Studio; you fail to maintain possession of the premises and obtain a new, accepted site within 90 days after the expiration or termination of the lease; you suspend operations of your Studio for more than 10 consecutive business days without our written consent; you, your Operating Principal or your Key Manager miss two or more required conferences; you attend or send your students or instructors to an Independent Competition within 1 week before or after a National Competition or Regional Competition; you default under any other Sub-Franchise Agreement or other agreement with us if the default would permit the termination of the other Sub-Franchise Agreement or other agreement; you abandon or surrender your Studio; you or any of your Owners, officers or directors is charged with, convicted of or pleads nolo contendere to a felony, a crime involving moral turpitude or consumer fraud or any other crime or offense that impairs the goodwill associated with our Marks, or engages in activities or commits any act that impairs the good will associated with our Marks; you or any of your Owners, officers or directors engages in harassing or offensive conduct resulting in a complaint to us, our affiliates or a local, state or federal agency or authority that we reasonably determine is meritorious; you misuse the Marks; you use unapproved marketing

	Provision	Section in Sub-Franchise Agreement	Summary
			materials; you fail to participate in required marketing programs; you disclose Confidential Information (as defined in our current form of Sub-Franchise Agreement); you or your Owners make an improper transfer; you or your Owners violate the noncompete covenants of the Sub-Franchise Agreement; you become insolvent or bankrupt, you make an assignment for the benefit of your creditors, or a suit to foreclose any lien or mortgage against you is not dismissed within 30 days; you fail to pay suppliers and trade creditors an amount exceeding \$2,000 for more than 60 days; you fail to pay your taxes; you underreport Gross Revenues by more than 2% twice in any two year period or by 5% at any time; you fail to permit us to inspect or audit your books and records; you fail to timely file reports three times in twelve months; and you are in default three or more time in any 18 month period.
i.	Franchisee's obligations on termination/non-renewal	Section 16	Pay all amounts due to us or our affiliates; discontinue use of the Marks and the FADS System; return Confidential Information, customer data and Manuals; close vendor accounts; cancel assumed name registration; cancel or transfer telephone number, post office boxes, domain names, social media accounts and directory listings; complete de-identification of the Site; reimburse customers; refrain from disclosing Confidential Information; and comply with the noncompete covenants (see (o) and (r) of this table below).
j.	Assignment of contract by franchisor	Section 13.1	We may assign your Sub-Franchise Agreement to any person or entity that we choose in our sole discretion.
k.	"Transfer" by franchisee – defined	Sections 13.2	Includes the sale, assignment, pledge or encumbrance of the Sub-Franchise Agreement, the Studio, substantially all of the assets of the Studio or, if you are an Entity, ownership in you.
l.	Franchisor approval of transfer by franchisee	Section 13.2	You must obtain our consent before any transfer.

	Provision	Section in Sub-Franchise Agreement	Summary
m.	Conditions for franchisor approval of transfer	Section 13.3 & Section 13.4	The following conditions may apply: you must pay us a non-refundable deposit to review the transfer, you must pay us the Transfer Fee; all of your monetary obligations are satisfied; you are not in default; you and your Owners sign a general release; you and your Owners remain liable for obligations incurred or arising prior to the transfer; you comply with the noncompete covenants and confidentiality obligations; your landlord consents to the transfer of your lease; the new franchisee agrees to discharge all of your obligations; the new franchisee qualifies as a franchisee, meets our training requirements and signs our then current form of Sub-Franchise Agreement; the new franchisee upgrades the Studio to our then current image and specifications; the new franchisee covenants to continue to operate the Studio under the Marks; the franchisee's owners execute our then current form of Guaranty; and we determine the purchase price is acceptable and financing arrangements are subordinate to our interests.
n.	Franchisor's right of first refusal to acquire franchisee's business	Section 14	We can match any offer for your Studio, your Studio's assets or any ownership interest, except for certain transfers to spouses, trusts, children or existing Owners.
o.	Franchisor's option to purchase franchisee's business	Section 16.2	Upon expiration or termination of the Sub-Franchise Agreement, we can purchase any or all of the inventory, supplies, Operating Assets (as defined in our current form of Sub-Franchise Agreement) and other assets related to the operation of your Studio for the fair market value of the assets, less any amounts then owed to us by you. We may also assume your lease or sublease or purchase or lease the premises from you or your affiliates if you or your affiliates own the premises.
p.	Death or disability of franchisee	Section 13.7	Executor or representative must transfer your interest to a third party approved by us within 120 days. No Transfer Fee is required. If the deceased or incapacitated person is you or the Operating Principal, we will have the right to take over operation of your Studio until the transfer is completed and to charge a reasonable management fee for our services.

	Provision	Section in Sub-Franchise Agreement	Summary
q.	Non-competition covenants during the term of the franchise	Section 12.1.1	You and your Owners may not: own, manage, engage in, be employed by, advise, make loans to or have any other interest in (i) any business, including any gymnasium, studio, athletic club, exercise or aerobics facility or similar facility or business, that offers dance, dance fitness or performing arts products or services or any other product or service that we authorize you to provide using our Marks; or (ii) any entity that grants franchises or licenses for any of these types of businesses (a “ Competitive Business ”) at any site in the United States; divert or attempt to divert any business or customer or potential business or customer of the Studio to any Competitive Business by direct or indirect inducement; perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the FADS System; use any vendor relationship established through your associate with us for any purpose other than to purchase products or equipment for use or retail in your Studio; or directly or indirectly solicit for employment any individual who is currently, or who at any time within the immediate past 12 months has been, employed as an officer, manager, or director of us, Franchisor, or any of our affiliates.
r.	Non-competition covenants after the franchise is terminated or expires	Section 12.1.2	For 2 years after the Sub-Franchise Agreement expires or terminates, you and your Owners may not be involved in any Competitive Business that is (or is intended to be) located within a 25 mile radius of your former Studio or any other Studio that is operating or under development at that time and may not directly solicit for employment any officer, manager, director, or Astaire Pro who at any time within the immediate past 12 months has been employed by us, Franchisor, our affiliates, or other franchisees in the FADS System. Solicitation of individuals by general employment advertisements are not prohibited.
s.	Modification of the agreement	Section 19.5	Except for modifications to the Manuals, modifications to the Sub-Franchise Agreement may only be made by a written document signed and agreed to by both parties.
t.	Integration/merger clause	Section 19.1	Only the terms of the Sub-Franchise Agreement are binding (subject to state law). Any other promises made

	Provision	Section in Sub-Franchise Agreement	Summary
			outside of the Disclosure Document and the Sub-Franchise Agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 19.17	Prior to filing most proceedings, each party has the right to demand non-binding mediation.
v.	Choice of forum	Section 20.3	Subject to applicable state laws, you and your Owners must, and we may, bring claims in federal or state courts located in the state where our then current headquarters is located. Currently, our headquarters is located in Palm Beach Gardens, Florida.
w.	Choice of law	Section 20.2	Subject to applicable state laws, you and your Owners agree that the Sub-Franchise Agreement is governed by the law of the state where our then current headquarters is located without regard to conflicts or choice of law provisions. Currently, our headquarters is located in Palm Beach Gardens, Florida.

ITEM 18 PUBLIC FIGURES

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

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

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s franchise rule permits a franchisor to provide information about the actual or potential financial performance of its franchised or franchisor-owned Studios, 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) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised Studios. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Studio, however, we may provide you with the actual records of that Studio. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Armando Martin at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410 (561) 799-6276, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Sub-Franchisor Studio Business Summary for Years 2020 to 2022

Studio Business Type	Year	Studio Businesses at the Start of the Year	Studio Businesses at the End of the Year	Net Change
Franchised	2020	19	19	0
	2021	19	19	0
	2022	19	20	+1
Company-Owned	2020	0	0	0
	2021	0	0	0
	2022	0	0	0
Total Studio Businesses	2020	19	19	0
	2021	19	19	0
	2022	19	20	+1

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

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

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

State	Year	Number of Transfers
New York	2020	0
	2021	1
	2022	1
TOTAL:	2020	0
	2021	1
	2022	1

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

State	Year	Number of Transfers
Arizona	2020	1
	2021	0
	2022	1

State	Year	Number of Transfers
California	2020	0
	2021	1
	2022	0
Connecticut	2020	3
	2021	1
	2022	1
Florida	2020	0
	2021	2
	2022	3
Georgia	2020	0
	2021	0
	2022	1
Illinois	2020	1
	2021	1
	2022	1
Massachusetts	2020	1
	2021	0
	2022	0
New Jersey	2020	1
	2021	0
	2022	1
New York	2020	0
	2021	1
	2022	0
Ohio	2020	2
	2021	0
	2022	1
Pennsylvania	2020	0
	2021	0
	2022	1
Rhode Island	2020	0
	2021	0
	2022	1
Texas	2020	0
	2021	0
	2022	1
Virginia	2020	0
	2021	1
	2022	1

State	Year	Number of Transfers
Wisconsin	2020	1
	2021	2
	2022	1
US TOTALS:	2020	10
	2021	9
	2022	14
South Africa	2020	1
	2021	0
	2022	0
SYSTEM TOTALS:	2020	11
	2021	9
	2022	14

Table No. 3
Status of Sub-Franchisor Studio Businesses for Years 2020 to 2022

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Sub-Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
New York	2020	19	0	0	0	0	0	19
	2021	19	1	0	1	0	0	19
	2022	19	1	0	0	0	0	20
TOTAL	2020	19	0	0	0	0	0	19
	2021	19	1	0	1	0	0	19
	2022	19	1	0	0	0	0	20

Table No. 3
Status of System-Wide Studio Businesses for Years 2020 to 2022

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
AL	2020	3	0	0	0	0	1	2
	2021	2	0	1	0	0	0	1
	2022	1	1	0	0	0	0	2
AK	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
AZ	2020	9	0	0	0	0	0	9
	2021	9	1	0	0	0	0	10
	2022	10	2	0	0	0	0	12
AR	2020	0	1	0	0	0	0	1
	2021	1	1	0	0	0	0	2
	2022	2	1	0	0	0	0	3
CA	2020	7	1	0	0	0	1	7
	2021	7	0	0	0	0	0	7
	2022	7	1	0	0	0	0	8
CO	2020	2	0	0	0	0	0	2
	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
CT	2020	16	0	0	0	0	0	16
	2021	16	1	0	0	0	0	17
	2022	17	0	0	0	0	0	17
FL	2020	30	3	1	0	0	1	31
	2021	31	2	1	0	0	0	32
	2022	32	2	0	2	0	0	32
GA	2020	0	0	0	0	0	0	0
	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	0	2
ID	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
IL	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	1	0	0	0	0	10
IN	2020	6	0	0	0	0	0	6
	2021	6	0	1	0	0	0	5
	2022	5	1	0	0	0	0	6
IA	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
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

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

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Terminations	Non- Renewals	Reacquired by Franchisor	Ceased Operations (Other Reasons)	Studio Businesses at End of the Year
TX	2020	16	1	0	1	0	0	16
	2021	16	0	0	0	0	0	16
	2022	16	2	0	0	0	0	18
VA	2020	2	1	0	0	0	0	3
	2021	3	0	0	0	0	0	3
	2022	3	2	0	0	0	0	5
WI	2020	9	0	0	0	0	0	9
	2021	9	0	0	0	0	0	9
	2022	9	2	0	0	0	0	11
US TOTAL	2020	173	11	1	1	0	3	179
	2021	179	16	5	0	0	0	190
	2023	190	29	0	2	0	0	217
Austria	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Dominican Republic	2020	1	0	0	0	0	0	1
	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
Italy	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Jordan	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Lebanon	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Peru	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
	2022	1	0	0	0	0	0	1
Poland	2020	2	0	0	0	0	0	2
	2021	2	0	0	1	0	0	1
	2022	1	0	0	0	0	0	1
Romani	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1

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

Table No. 4
Status of Sub-Franchisor Owned Studio Businesses for Years 2020 to 2022

State	Year	Studio Businesses at Start of Year	Studio Businesses Opened	Studio Businesses Reacquired from Sub-Franchisees	Studio Businesses Closed	Studio Businesses Sold to Sub-Franchisees	Studio Businesses at End of the Year
Totals	2020	0	0	0	0	0	0
	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0

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

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

Table No. 5
Sub-Franchisor Projected New Studios as of December 31, 2022

State	Sub-Franchise Agreements Signed but Studio Not Opened	Projected New Sub-Franchised Studios in the 2023 Fiscal Year	Projected New Company Owned Studios in the 2023 Fiscal Year
New York	1	2	0
TOTALS	1	2	0

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

State	Franchise Agreements Signed but Studio Not Opened	Projected New Franchised Studios in the 2022 Fiscal Year	Projected New Company Owned Studios in the 2022 Fiscal Year
Connecticut	0	1	0
Florida	0	1	0
New Jersey	0	1	0
New York	1	0	0
Pennsylvania	0	1	0
South Carolina	0	1	0
Tennessee	0	1	0
Texas	5	0	0
Virginia	0	2	0
Dubai, UAE	1	0	0
Brescia, Italy	1	0	0
TOTALS	8	8	0

Current and Former Franchisees

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

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

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

Trademark Specific Franchisee Organizations

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

Confidentiality Agreements

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

During the Franchisor's last three fiscal years, Franchisor has not signed confidentiality agreements with current or former franchisees that would limit the ability of current or former franchisees from speaking openly with you about their experiences with the franchise system.

ITEM 21 FINANCIAL STATEMENTS

Attached as **Exhibit D** to this Disclosure Document is a copy of Franchisor's audited financial statements for the fiscal years ended December 31, 2020, December 31, 2021 and December 31, 2022.

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

ITEM 22 CONTRACTS

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

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

ITEM 23 RECEIPTS

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

New York Dance Enterprises, Inc.
4362 Northlake Boulevard, Suite 217
Palm Beach Gardens, Florida 33410
(561) 799-6276

**EXHIBIT A
TO THE
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

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

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
New York (State Administrator)	NYS Department of Law Investor Protection Bureau	28 Liberty Street, 21 st Floor New York, NY 10005 212-416-8236
New York (Agent)	New York Department of State	One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 518-473-2492

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



FRED ASTAIRE

DANCE STUDIOS®

FRED ASTAIRE DANCE STUDIOS® SUBFRANCHISE AGREEMENT

by and among

NEW YORK DANCE ENTERPRISES, INC.

as Area Franchisor

and

[Franchisee Individual or Company Name]

as Franchisee

and

[Names of Individual Owners of Franchisee Company]

as Owners

effective as of

[Month] [Day], [Year]

{HL878000.9}

STUDIO ID: _____

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FRED ASTAIRE DANCE STUDIOS®

SUBFRANCHISE AGREEMENT

This Fred Astaire Dance Studios® Subfranchise Agreement (together with all Exhibits hereto, this “**Agreement**”), effective as of [_____, ____] (the “**Effective Date**”, regardless of the dates of the Parties’ signatures), by and among, NEW YORK DANCE ENTERPRISES, INC., a New York corporation with its principal office at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410 (“**Area Franchisor**”, “**we**”, “**us**” or “**our**”), and [Franchisee Company], a [State] [limited liability company/corporation] with its principal office in [City, State] (“**Franchisee**”, “**you**” or “**your**”), and, if you are an Entity, solely for the purposes of **Articles 2, 10, 12, 16, 17, 18 and 20 and Sections 6.3, 6.12, 6.18.1, 6.22, 6.23, 7.9, 8.4, 8.9, 8.10, 19.3 and 19.17**, all of your owners of a legal and/or beneficial interest listed in **Exhibit A** (collectively, the “**Owners**”). Area Franchisor and Franchisee are each a “**Party**” and collectively, the “**Parties**.”

BACKGROUND

A. FADS USA, Inc. (f/k/a Megadance USA Corp.), a Delaware corporation with its principal office in Enfield, Connecticut (“**Franchisor**”) and Franchisor’s affiliates have accumulated knowledge and experience in the dance industry. On this basis Franchisor and Franchisor’s affiliates have expended considerable time, skill, effort and money to originate and develop (and continue to develop and modify) a unique and proprietary plan, method, specifications and operating procedures (collectively, the “**FADS System**”) for the operation of, sale of and support of studios offering dance instruction under the FRED ASTAIRE DANCE STUDIOS® mark.

B. The distinguishing characteristics of the FADS System include, but are not limited to, Franchisor’s studio designs, layouts and identification schemes (collectively, the “**Trade Dress**”), Franchisor’s specifications for equipment, inventory, and accessories; Franchisor’s dance programs and classes; Franchisor’s website or series of websites for the studios (the “**System Website**”); Franchisor’s relationships with vendors; Franchisor’s software and computer programs; Franchisor’s customer database; the accumulated experience reflected in Franchisor’s training and instruction programs, operating procedures, customer service standards, methods and marketing techniques; and the mandatory and suggested policies, procedures, standards, specifications, rules, and requirements (collectively, the “**FADS System Standards**”) set out in Franchisor’s manuals for the operation of studios (the “**Manuals**”) and otherwise in writing. Franchisor may change, improve, add to and further develop the elements of the FADS System from time to time.

C. Franchisor identifies the businesses operating under the FADS System by means of the mark “FRED ASTAIRE DANCE STUDIOS®” and certain other trademarks, service marks, trade names, signs, associated designs, artwork, and logos as set forth on **Exhibit B** (collectively, the “**Marks**”). Franchisor may designate for use in connection with the Studios other trade names, service marks, and trademarks as Marks from time to time. These marks will also be included in the term the “**Marks**.” Franchisor uses and sublicenses the Marks, Copyrights and Authorized

Images with the permission of Franchisor's affiliate, Fred Astaire Dance Studios, Inc., the owner of the Marks.

D. The dance studios operating under the FADS System and the Marks are referred to as "**Studios**" and are owned and operated by third party franchisees ("**Franchised Studios**").

E. Franchisor has granted us, as Area Franchisor, the limited right to sublicense the FADS System and the Marks for the development and operation of Studios, pursuant to an area franchise agreement between us and Franchisor.

F. You desire to open and operate a Studio, and we are willing to grant to you a license to open and operate a Studio on the terms and conditions of this Agreement.

G. If you are a corporation, limited liability company, partnership or other entity (each an "**Entity**"), the Owners are listed on **Exhibit A**. If you are an Entity, the individual owner who you must appoint to have authority over all business decisions related to your business and to have the power to bind you in all dealings with us will be referred to as your "**Operating Principal**."

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

1. CERTAIN DEFINITIONS.

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

1.1.1. "Agreement" has the meaning set forth in the Preamble.

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

1.1.3. "Applicable Laws" means all applicable federal, state and local laws, rules, regulations and ordinances.

1.1.4. "Area Franchisor" has the meaning set forth in the Preamble.

1.1.5. "Assets" means, collectively, all fixtures, furnishings, signs and equipment of and related to your Studio.

1.1.6. "Authorized Images" means certain images, photographs, videos, pictures or likenesses of Mr. Fred Astaire authorized for your use by Franchisor.

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

1.1.8. “Competitive Business” means, collectively, (i) any gymnasium, studio, athletic club, exercise or aerobics facility, or similar facility or business that offers dance and performing arts instruction and services; or (ii) any entity that grants franchises or licenses for any of these types of businesses.

1.1.9. “Confidential Information” has the meaning set forth in **Section 10.1** (Nature of Information).

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

1.1.11. “Controlling Ownership Interest” means either (i) 20% or more of your direct or indirect legal or beneficial ownership interests in your Entity or (ii) an interest that the acquisition of which grants the power (whether directly or indirectly) to direct or cause the direction of management and policies of you or the Studio to any individual or Entity, or group of individuals or Entities, that did not have that power before that acquisition.

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

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

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

1.1.15. “Effective Date” has the meaning set forth in the Preamble.

1.1.16. “Event of Default” has the meaning set forth in **Section 15.1** (Events of Default).

1.1.17. “Escrow Account” shall have the meaning set forth in **Section 6.21** (Compliance with FTC Order).

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

1.1.19. “FADS Conference” means FRED ASTAIRE DANCE STUDIOS® conferences, teleconferences, conventions, meetings and demonstrations.

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

1.1.21. “FADS System” has the meaning set forth in the Background.

1.1.22. “FADS System Standards” has the meaning set forth in the Background.

1.1.23. “Franchised Studio” has the meaning set forth in the Background.

1.1.24. “Franchisee” has the meaning set forth in the Preamble.

1.1.25. “Franchisor” has the meaning set forth in the Background.

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

1.1.27. “Guaranty” means the “Personal Payment and Performance Guaranty” that is attached to this Agreement as **Exhibit C**.

1.1.28. “Identifiers” means all authorized and unauthorized domain names, social media accounts, telephone numbers, post office boxes, and classified and other directory listings relating to, or used in connection with, your Studio or the Marks.

1.1.29. “Indemnified Parties” means us, Franchisor, Franchisor’s affiliates and our and their respective owners, directors, officers, employees, agents, representatives, successors and assignees.

1.1.30. “Independent Competition” means any Competition that is not organized or sponsored by Franchisor, Franchisor’s affiliates, us or another FRED ASTAIRE DANCE STUDIOS® area business.

1.1.31. “Independent Competition Fee” has the meaning set forth in Section 6.17.3.

1.1.32. “Initial Term” has the meaning set forth in **Section 3.1** (Initial Term).

1.1.33. “Initial Training” has the meaning set forth in **Section 4.1.1** (Initial Training).

1.1.34. “Innovation” means, collectively, all ideas, concepts, techniques or materials relating to a FRED ASTAIRE DANCE STUDIOS® Studio or the FADS System.

1.1.35. “Intellectual Property” means, collectively, (i) the Marks, (ii) the Trade Dress, (iii) the Copyrights, (iv) the Authorized Images, and (v) any trade secrets, methods, or procedures that are part of the FADS System.

1.1.36. “Key Manager” means a manager, who does not need to have an ownership interest in your Entity (if you are an Entity), to manage the day-to-day business of your Studio that has satisfactorily completed the training Franchisor and we require.

1.1.37. “License” means a non-exclusive license to operate one Studio using the Marks and the FADS System, as it may be changed, improved, modified or further developed from time to time, according to the terms of this Agreement.

1.1.38. “Location” means a location to be mutually agreed upon at the time of, or subsequent to, the execution of this Agreement, pursuant to **Section 6.3** (Location Selection) and listed on **Schedule 1** to **Exhibit A** to this Agreement.

1.1.39. “Location Lease” means any lease or sublease for your Location.

1.1.40. “Location Selection Area” means the area set forth on **Exhibit A** to this Agreement.

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

1.1.42. “Manuals” has the meaning set forth in the Background.

1.1.43. “Marks” has the meaning set forth in the Background.

1.1.44. “Mature Studio” means any Studio in the United States that has been open and in operation for 12 calendar months or more and that has submitted to us all required Gross Revenue reports for at least 49 weeks of the calendar year.

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

1.1.46. “Opening Deadline” has the meaning set forth in **Section 6.6** (Opening Deadline).

1.1.47. “Operating Principal” has the meaning set forth in the Background.

1.1.48. “Owners” has the meaning set forth in the Preamble.

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

1.1.50. “Performance Standards” has the meaning set forth **Section 2.8** (Performance Standards).

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

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

1.1.53. “Prepaid Liabilities” means any paid unused and unexpired dance lessons, dance instruction services, Competitions, or related services remaining under student enrollment agreements.

1.1.54. “Proceedings” means, collectively, any and all claims asserted or inquiries made (formally or informally), or legal actions, investigations, or other proceedings brought, by a third party and directly or indirectly arising out of or relating to any matter described in **Section 17.1** (Indemnification by You) against an Indemnified Party.

1.1.55. “Regional Competitions” means any Competition that we organize for participation by all Studios located in our territory.

1.1.56. “Regional Events” means any conferences, teleconferences, conventions, meetings, demonstrations, seminars and trainings that we organize or sponsor for all Studios located in our territory.

1.1.57. “**Renewal Term**” has the meaning set forth in **Section 3.2** (Renewal Term).

1.1.58. “**Studio**” has the meaning set forth in the Background.

1.1.59. “**Studio Management and Technology System**” means, collectively, the hardware, software, other equipment, and network connections that Franchisor specifies periodically in the Manuals necessary to operate Franchisor’s designated technology platform, the music system, the point of sale system, the customer relationship management system and the online reservation system.

1.1.60. “**System Website**” has the meaning set forth in the Background.

1.1.61. “**Term**” means, collectively, the Initial Term and any Renewal Term.

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

1.1.63. “**Trade Dress**” has the meaning set forth in the Background.

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

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

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

2. GRANT OF FRANCHISE

2.1. Grant of License. We hereby grant to you, and you hereby accept, the non-exclusive License. This License is strictly conditioned upon your operation of a Studio under the FADS System in accordance with the FADS System Standards and the terms of this Agreement. You and your Owners have no right to (i) sublicense the Marks or the FADS System to any other person or entity; (ii) use the Marks or the FADS System at any location other than the Location; or (iii) to use the Marks or the FADS System in any wholesale, ecommerce, or other channel of distribution besides the operation of your Studio at the Location.

2.2. Franchise Rights Personal.

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

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

2.3. No Grant or Authority. For the avoidance of doubt, no License, or any rights associated with the License, is granted to any Owner. No Owner will make any agreement, guaranty or representation on behalf of us, Franchisor or Franchisor's affiliates to a third party.

2.4. Location. The address listed on **Schedule 1 to Exhibit A**, if completed and signed by us, will be the "**Location**" referred to in this Agreement. A location is not accepted until you have received our acceptance in writing, as indicated by our delivery of the completed and signed **Schedule 1 to Exhibit A**.

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

2.6. Relocation. You may not relocate your Studio without our prior written consent. Such approval will not be unreasonably withheld, provided that: (i) according to **Section 6.3** (Location Selection), the new location for your Studio premises is satisfactory to us; (ii) according to **Section 6.4** (Location Acquisition), your lease, if any, for the new location complies with our and Franchisor's then-current requirements and you and your landlord execute the Lease Rider;

(iii) according to **Section 6.5** (Location Construction), you comply with our and Franchisor’s then-current requirements for constructing and furnishing the new location; (iv) the new location will not, as determined in our sole discretion, materially and adversely affect the Gross Revenue of any other Studio; (v) you have fully performed and complied with each provision of this Agreement within the last three (3) years prior to, and as of, the date we consent to such relocation; (vi) no Event of Default, or event which with the giving of notice or passage of time would constitute an Event of Default, exists as of the date we consent to such relocation; and (vii) you have met all of our and Franchisor’s then-current training requirements. If your Location Lease expires or is terminated, you must secure our approval of another location and enter into a Location Lease for the approved location within ten (10) days. We reserve the right to terminate this Agreement if you fail to secure a new approved location within ten (10) days after you lose the Location Lease.

2.7. Limited Territorial Protection. Except as provided in **Section 2.9** (Reservation of Rights), as long as you are in compliance with this Agreement (including your obligation to meet the Performance Standards in **Section 2.8** (Performance Standards)), we, Franchisor and Franchisor’s affiliates will not open, or license a third party to open, a Studio within your Territory.

2.8. Performance Standards. We expect you to meet certain performance levels during the Term of this Agreement (the “**Performance Standards**”). Your Performance Standards in the Territory are as follows for the following time periods during the Term:

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

Year 1 begins on the Opening Date and ends on the first December 31 after your Opening Date. Each subsequent year runs from January 1 to December 31. The Year 1 Performance Standard (i) is based upon a yearly Gross Revenue of \$149,650; and (ii) calculated pro rata on a daily basis, using a 365-day calendar and including the Opening Date and December 31. For example, if your Studio Opening Date is April 12, then your Year 1 Performance Standard is \$108,240, and if your Studio Opening Date is August 22, then your Year 1 Performance Standard is \$54,120. Your Year 1 Performance Standard calculation is **Schedule 2 to Exhibit A**, you must sign and return **Schedule 2 to Exhibit A** to us at least ten (10) days before your Opening Date.

You must meet the Performance Standards for the Territory during each of the time periods specified in the chart above. If you do not achieve the Performance Standards for two (2) consecutive years, then we may (i) terminate your rights to the Territory; (ii) reduce the scope of

the geographic area comprising the Territory in which you have rights; or (iii) terminate this Agreement.

2.9. Reservation of Rights. We, Franchisor and Franchisor's affiliates reserve all rights not specifically granted to you by the License. For the sake of example and not by way of limitation:

2.9.1. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to operate, or to grant other persons the right to operate, Studios outside of the Territory;

2.9.2. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to offer, promote and sell the products and services that Studios offer, promote, sell or use the FADS System or elements of the FADS System under any names, symbols, trademarks or service marks, including the Marks, through similar or dissimilar channels of distribution (other than the operation of a Studio) anywhere, including within and outside your Territory;

2.9.3. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to sell or offer, or license others to sell or offer, any products, services, or classes using the Marks or other marks through any alternative distribution channels (i.e., other than the operation of Studios), including through e-commerce, via recorded media, via online videos, or via broadcast media, anywhere, including inside and outside of the Territory;

2.9.4. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to advertise, or authorize others to advertise, using the Marks anywhere, including inside and outside of the Territory and on the Internet (or any other existing or future form of electronic commerce), and to create, operate, maintain and modify, or discontinue the use of a website and Digital Marketing using the Marks;

2.9.5. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to acquire, be acquired by, or merge with other companies with existing dance or fitness facilities, businesses, or studios anywhere (including inside the Territory) and (i) if such businesses are not located in the Territory, convert the other businesses to the FRED ASTAIRE DANCE STUDIOS® name; (ii) permit the other businesses to continue to operate under another name and offer unit franchises and area franchises in such other system (subject to the restriction on developing and offering new ballroom dance instruction franchises in **Section 2.9.6** below); or (iii) permit the businesses to operate under another name; and

2.9.6. We, Franchisor and Franchisor's affiliates have the right, directly or indirectly, to develop and offer franchise concepts that (i) do not use any of the Marks; (ii) do not offer ballroom dance instruction; and (iii) may offer, promote and sell products and services similar or complementary to the products and services that Studios offer.

2.10. Operating Principal and Key Manager. If you are an Entity, you must appoint an Operating Principal to have authority over all business decisions related to your Studio and must have the power to bind you in all dealings with us. Your Operating Principal must have at least a 10% ownership interest in your Entity. We must approve the Operating Principal, and the

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

2.11. Ownership and Guaranty.

2.11.1. Owners. If you are an Entity, all of your owners of a legal or beneficial interest in the Entity are Owners and are listed in **Exhibit A**. If you are individuals, the individuals have an ownership interest in the Studio as listed in **Exhibit A**.

2.11.2. Guaranty. If you are an Entity, each of your Owners must execute the Guaranty. We also require the spouse of any Owner to also sign the Guaranty. By executing the Guaranty, each guarantor will be bound by the provisions contained in this Agreement, including the restrictions set forth in **Section 12.1** (Covenant Not to Compete). Further, a violation of any of the provisions of this Agreement, including the covenants contained in **Section 12.1**, by any guarantor will also constitute a violation by you of your obligations under this Agreement.

2.11.3. Governing Documents. If you are (or Transfer this Agreement to) an Entity, you agree to furnish us with a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books or records, including certificates of good standing from your state. The Owners may not enter into any shareholders' agreement, management or operating agreement, voting trust, or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. During the Term, your governing documents must provide that no Transfer of any ownership interest may be made, except in accordance with **Section 13** (Transfer and Assignment) of this Agreement. Any securities that you issue must bear a conspicuous printed legend stating such restriction, and you agree to provide us, at our request, a copy of any form of printed security that you issue.

3. TERM AND RENEWAL

3.1. Initial Term. Unless terminated pursuant to **Section 15** (Termination and Default), the initial term of the License under this Agreement begins on the Effective Date and extends for an initial ten (10) year period (the "**Initial Term**").

3.2. Renewal Term. Upon the expiration of the Initial Term and if you (i) are not in default under this Agreement; (ii) have substantially complied with this Agreement throughout the Term; (iii) have timely paid all monies due to us, Franchisor and Franchisor's affiliates; and (iv) comply with **Section 3.3** (Renewal Procedures), you may, at your option, obtain from us one (1) additional consecutive ten (10) year renewal term (the "**Renewal Term**").

3.3. Renewal Procedures. You may exercise your rights to a Renewal Term by:

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

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

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

3.3.4. executing a general release, in a form we prescribe, of any and all claims against us, Franchisor, Franchisor's affiliates, our or their past, present, and future officers, directors, shareholders, and employees arising out of, or relating to, your Studio;

3.3.5. completing, and having your Operating Principal and Key Manager complete, all of our and Franchisor's then-current training requirements, including any additional training that we may require;

3.3.6. securing the right from your landlord to continue operating at the Location for the remainder of such Renewal Term; and

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

3.4. Delays for Government Regulatory Requirements. If we are unable to grant you a Renewal Term at the time required as described above due to federal or state governmental requirements regarding the offering and sale of franchises and, at such time, all of the conditions contained in **Section 3.3** (Renewal Procedures) have been met, then this Agreement will continue to be in effect until you give us, at least thirty (30) days in advance, written notice of your intent to terminate this Agreement or you fail to enter into a Renewal Agreement after we have given you a thirty (30) day-period in which to do so. We will offer you the right to enter into a Renewal Term (which will terminate on the same date it would have terminated had there been no delay) as soon as we are legally permitted to do so.

4. OUR AND FRANCHISOR'S ASSISTANCE

4.1. Training.

4.1.1. Initial Training.

4.1.1.1. *Initial Training of Required Trainees.* Prior to opening your Studio, you (or your Operating Principal, if you are an Entity) and your Key Manager. (collectively, the “**Required Trainees**”) must personally attend and satisfactorily complete our initial training program (the “**Initial Training**”). If you do not satisfactorily complete our Initial Training at least ten (10) days prior to the Opening Deadline, we may require you to delay the opening of your Studio until you do so. We will provide Initial Training as soon as practicable after the execution and delivery of this Agreement at our offices or at any other location that we designate. We may waive a portion of Initial Training or alter the training schedule if we determine that your Required Trainees have sufficient prior experience or training or have previously been trained at one of our Studios. Each subsequent Operating Principal and Key Manager must attend and satisfactorily complete our Initial Training unless we otherwise agree in writing, but we may permit them to attend Initial Training remotely via recorded media, teleconference, videoconference, the Internet, webinar or any other means, as we determine.

4.1.1.2. *Cost of Initial Training.* We will provide instructors, facilities, and materials for up to two of your representatives (including your Required Trainees), provided that all of your trainees are trained during the same training session. If space is available, you may bring more than two representatives to Initial Training. We reserve the right to charge a reasonable, market-rate fee for (i) each person in excess of two trainees; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent Operating Principal, Key Manager or employee who attends the course.

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

4.1.2. Additional Training. We may periodically conduct mandatory training programs for you, your Required Trainees or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend after the Initial Training. You will be responsible for all costs and expenses (including, for example and not limitation, expenses for travel, food and lodging) incurred by you and your employees to attend any mandatory additional training. We may provide additional training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other

means, as we determine. We may require your Required Trainees, Astaire Pros, or other managerial employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in refresher or advanced training in each year of the Term.

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

4.1.4. Continuing Business Education.

4.1.4.1. You and your Operating Principal are required to obtain twenty-four (24) hours of business education for every two (2) year period following completion of Initial Training (the “**CBE Requirement**”). You may satisfy your CBE Requirement by attending optional training programs that we provide or third-party training programs focused on general business issues, business ethics or franchising issues. Other than your Initial Training, any mandatory training programs that we require pursuant to **Section 4.1.2** (Additional Training) will count toward your CBE Requirement.

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

4.1.5. Franchisor Training Opportunities. Franchisor and Franchisor’s affiliates may periodically conduct optional training programs for you, your Required Trainees or your employees at their offices or another location that they designate. They may charge a reasonable, market-rate fee for any such training program. You will be responsible for all costs and expenses (including expenses for travel, food, lodging and registration) incurred by you and your employees to attend any such optional Franchisor training. Franchisor and Franchisor’s affiliates may provide such training in person or via recorded media, teleconference, videoconference, the Internet, webinar, or any other means.

4.1.6. Training Expenses. You are responsible for any travel and living expenses (including meals, transportation, and accommodations), wages and other expenses incurred by your trainees relating to any training programs or FADS Conferences. You are responsible for reimbursing us or Franchisor for any travel and living expenses incurred by our or Franchisor’s employees or agents related to providing any additional training, remedial training, or consulting services at your Studio.

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

4.3. FADS Conferences. You, your Operating Principal or your Key Manager(s) must attend FADS Conferences that Franchisor may require in the Manuals or otherwise in writing. Franchisor, in Franchisor's sole discretion, will designate the time and place of any FADS Conferences, which may be held in-person or remotely via teleconference or webinar. We or Franchisor shall identify any required FADS Conferences for the following calendar year that you, your Operating Principal or your Key Manager(s) must attend. In each year, you and your employees shall not be required to attend in person more than three days of FADS Conferences that Franchisor or Franchisor's affiliates organize. Franchisor or Franchisor's affiliates will be responsible for arranging FADS Conferences and providing meeting materials. You are responsible for all costs, including travel and living expenses and any registration costs, associated with your, your Operating Principal or your Key Manager(s) attendance at any FADS Conference. For the avoidance of doubt, any Competitions and any Exhibitions that we, Franchisor, Franchisor's affiliates or any area businesses sponsor and organize do not constitute FADS Conferences under this **Section 4.2**. Franchisor and Franchisor's affiliates reserves the right to hold FADS Conferences concurrently with Competitions or Exhibitions.

4.4. Manuals.

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

amend or supersede the terms of this Agreement in any material respect. You must promptly comply with revised FADS System Standards.

4.4.2. Use of Manuals. You agree to keep your copy of the Manuals up-to-date. If there is any dispute as to the current contents of the Manuals, the terms of Franchisor's master copies of these documents maintained at our headquarters will control. You acknowledge that Franchisor owns the copyright to the Manuals and that your copies of the Manuals remain Franchisor's property and must be returned to Franchisor immediately upon expiration or termination of this Agreement. You must treat the Manuals, and the information contained therein, as confidential and must maintain the confidentiality of such information. You may not, without Franchisor's prior written consent, copy, duplicate, record, use, or otherwise reproduce in any way the Manuals, in whole or in part, or otherwise make their contents available to any unauthorized person, except as provided in **Section 10** (Confidential Information).

4.5. System Website. Franchisor, or Franchisor's designee (which may be an affiliate of Franchisor), will promote the FADS System, including the Marks, through the System Website. Franchisor will make reasonable efforts to ensure the continuing operation of the System Website, but Franchisor shall have no liability for System Website downtime, including downtime due to technological maintenance or repair, or other causes beyond Franchisor's control.

4.6. Research and Development. We and Franchisor will continue to research and develop ideas for programs, products and services as deemed appropriate by us and Franchisor, in our respective sole discretions.

4.7. Group Purchasing. We and Franchisor will provide you with the opportunity to participate, on the same basis as other Franchised Studios, in group purchasing programs for products, supplies, Assets, equipment and services, which Franchisor or Franchisor's affiliates may from time to time develop, on terms that we or Franchisor determines in our or its sole discretion. We, Franchisor and Franchisor's affiliates have the right to set up exclusive dealing arrangements with selected vendors, including approved suppliers, and receive payments from those vendors for any preferred vendor designation.

4.8. Open and Regional Competitions. We, Franchisor and Franchisor's affiliates will host or sponsor a series of National Competitions and Regional Competitions.

4.9. Franchisor Solely Responsible for Franchisor Obligations. YOU AGREE THAT WE ARE NOT AND WILL NOT BE RESPONSIBLE FOR THE FULFILLMENT OF ANY RESPONSIBILITY OR THE TAKING OF ANY ACTION ATTRIBUTED TO FRANCHISOR WITHIN OR IN CONNECTION WITH THIS AGREEMENT, AND YOU FURTHER AGREE THAT YOU WILL LOOK SOLELY TO FRANCHISOR FOR THE FULFILLMENT OF ANY SUCH RESPONSIBILITY OR THE TAKING OF ANY SUCH ACTION.

5. OTHER SERVICES PROVIDED BY US

5.1. Location Selection Assistance. We will provide you with location selection guidelines, counseling, and assistance that we consider necessary and appropriate, and such on-site evaluation as we consider necessary and appropriate, as part of our evaluation of your request for acceptance of the location of your Studio pursuant to **Section 6.3** (Location Selection). We may provide you with a list of real estate brokers to assist you in locating a location, and we may require you to use a real estate broker that we designate.

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

5.3. Ongoing Assistance.

5.3.1. Consultation. We will provide you with limited ongoing technical, managerial, and administrative advice and guidance by telephone, email, and other forms of communication from our office, as you may from time to time reasonably request in order for you to perform your duties under this Agreement.

5.3.2. Budget Assistance. We will confer with you at the end of each calendar year of the Term to assist you with planning and budgeting for the following calendar year.

5.3.3. Marketing Plan. We will, upon reasonable request, assist you in gathering information on the demographics of your Territory and the sources of advertising that are available in the area and assist you with developing and implementing a marketing plan for both new students and staff. Neither we nor Franchisor guarantee or warrant any specific level of success from the marketing plan.

5.3.4. Business Plan. We will assist you in compiling and implementing a business plan, consistent with the Manuals and the FADS System Standards, at the time of opening of the Studio, at the time of your renewal of this Agreement or the transfer of this Agreement or the Studio.

5.4. Regional Events. We will organize Regional Events, which are in addition to, and not intended to replace, your participation in National Competitions and Regional Competitions. We will make available to you in October of each year of the Initial Term a calendar of Regional Events for the upcoming calendar year.

6. YOUR DUTIES

6.1. Compliance with FADS System Standards. You acknowledge and agree that your advertising, operation and maintenance of the Studio in accordance with the FADS System Standards are essential to preserve our, Franchisor's, and Franchisor's affiliate's goodwill, including the goodwill of the FADS System and the Marks. Therefore, at all times during the Term, you agree to operate and maintain your Studio in accordance with the FADS System

Standards, as periodically modified and supplemented during the Term. You agree to comply with FADS System Standards prescribed from time to time in the Manuals, or otherwise communicated to you in writing or other tangible form. The FADS System Standards may regulate any one or more of the following:

- 6.1.1.** design, layout, decor, appearance and lighting;
- 6.1.2.** periodic maintenance, cleaning, sanitation and remodeling;
- 6.1.3.** types, models and brands of required fixtures, furnishings, equipment and signs;
- 6.1.4.** required or authorized services and products;
- 6.1.5.** designated or approved suppliers, which may include Franchisor or Franchisor's affiliates, for required or authorized services and products;
- 6.1.6.** terms and conditions of the sale and delivery of, and terms and methods of payment for, products and services, that you obtain from us, Franchisor or Franchisor's affiliates, approved suppliers, unaffiliated suppliers or others;
- 6.1.7.** sales, marketing, advertising, contests, promotional programs and materials and media used in such programs;
- 6.1.8.** use and display of the Marks and Authorized Images;
- 6.1.9.** staffing levels for Studios and matters relating to managing the Studio's communication of the identities of the Studio's personnel;
- 6.1.10.** the qualifications, training, dress and appearance of Studio staff and personnel;
- 6.1.11.** days and hours of operation of Studios;
- 6.1.12.** acceptance of, or participation in, credit cards, gift certificates, coupons, other payment systems and check verification services or contests, giveaways, and the like;
- 6.1.13.** bookkeeping, accounting, data processing and record keeping systems, including software, and forms; methods, formats, content and frequency of reports of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us and Franchisor;
- 6.1.14.** obtaining required licenses and permits;
- 6.1.15.** adhering to good business practices;

6.1.16. observing high standards of honesty, integrity, fair dealing and ethical business conduct in all commercial dealings; and

6.1.17. regulation of such other aspects of the operation and maintenance of the Studio that are determined from time to time by us or Franchisor to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks, the FADS System or the Studios.

6.2. Modification of FADS System Standards. Franchisor may periodically modify FADS System Standards, which may accommodate regional or local variations. Any such modifications may obligate you to invest additional capital in the Studio or incur higher operating costs. You understand, acknowledge and agree that changes to the FADS System Standards may include, among other things, (i) changes to the Marks, Authorized Images, products and services to be offered at the Studio; (ii) interior and exterior specifications; and (iii) specifications for equipment and Assets. You agree to comply with such changes to the FADS System Standards.

6.3. Location Selection. You must locate a site in the Location Selection Area that is reasonably suited for the conduct of a Studio and is consistent with any location selection guidelines that we and Franchisor may provide. Before entering into any lease or purchase agreement for the location, you must submit a location proposal package describing details about the proposed location and any other information that we reasonably require. You acknowledge that we may refuse to accept a proposed location for any reason. If we accept the proposed location and you obtain it, we will insert a description of the specific location on **Schedule 1 to Exhibit A.** **YOU AND YOUR OWNERS ACKNOWLEDGE, UNDERSTAND AND AGREE THAT OUR ACCEPTANCE OF A PROPOSED SITE IS NOT A WARRANTY OR REPRESENTATION BY US OF ANY KIND AS TO THE POTENTIAL SUCCESS OR PROFITABILITY OF YOUR STUDIO. IT IS SOLELY YOUR RESPONSIBILITY TO SELECT A SUITABLE LOCATION FOR YOUR STUDIO.**

6.4. Location Acquisition. Before you or an affiliate make a binding commitment to purchase, lease or sublease a site, we must accept the location in writing and approve in writing the proposed lease or purchase agreement or any letter of intent between you or an affiliate and the third-party seller or lessor. If you or your affiliate leases the Location, you must arrange for the execution of the lease rider in the form of **Exhibit F** by you and your landlord in connection with any Location Lease and any other provisions that we may reasonably require. We may require you to engage an attorney to review your Location Lease or purchase agreement for the Location that we have accepted and to supply us with reasonable documentation in connection with such review, including a lease abstract and confirmation that the terms in the agreement reflect the terms in any letter of intent between you or an affiliate and the third-party seller or lessor. You must secure a Location that we have approved by signing a Location Lease or purchase agreement either concurrently with the execution of this Agreement or within ninety (90) days after the Effective Date. We may extend this deadline by ninety (90) days in our sole discretion, and we may require you to execute a general release as a condition of us agreeing to grant such extension. You must deliver to us the completely executed purchase agreement or Location Lease and lease rider within ten (10) days after execution of the Location Lease or purchase agreement, and you may not amend or renew any Location Lease without our written consent. You must comply with the terms and

conditions of your Location Lease. We are not obligated to execute your lease or guarantee a lease for you.

6.5. Location Construction.

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

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

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

6.6. Opening Deadline. You must complete construction of and open your Studio for business by the Opening Deadline, unless we grant you an extension in writing. If we grant an extension, as a condition of us agreeing to grant such extension, we reserve the right to require you to execute a general release. You may not open your Studio until you have received our written approval, which we will not provide until we have viewed the certificate of occupancy and confirmed that you have complied with the Plans. You must open your Studio for business to the public within ten (10) business days from the date we give our written approval. Time is of the essence in constructing the premises for and opening your Studio.

6.7. Training by You. In addition to the Initial Training we provide, you or your Operating Principal and your Key Manager(s) are responsible for training all of your other employees, including subsequent Key Managers, in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees in accordance with

the FADS System Standards, we may (i) require you to delay the opening of your Studio; (ii) prohibit you from training additional employees; and (iii) require you to successfully complete remedial training, as described in **Section 4.1.3** (Remedial Training).

6.8. Management and Personnel.

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

6.8.2. Employment Decisions and Policies. YOU ARE SOLELY RESPONSIBLE FOR ALL LABOR AND EMPLOYMENT-RELATED MATTERS AND DECISIONS RELATED TO YOUR STUDIO, INCLUDING HIRING, FIRING, PROMOTING, DEMOTING AND COMPENSATING (INCLUDING COMPENSATION THROUGH WAGES, BONUSES OR BENEFITS) YOUR EMPLOYEES. You must ensure that your employees are qualified to perform their duties in accordance with our FADS System and standards. Neither we nor Franchisor require you to implement any employment-related policies or procedures or security-related policies or procedures that we or Franchisor (at our or their option) may make available to you in the Manuals or otherwise for your optional use. You shall determine to what extent, if any, these policies and procedures may be applicable to your operations at your Studio.

6.8.3. Replacement Key Manager. If your Key Manager ceases to be employed by you at your Studio, you must hire a new Key Manager and train them (as set forth in Section 6.7) within thirty (30) days after your former Key Manager's employment at your Studio ends.

6.9. Operation of the Studio; No Other Business. You will not use the Location for any purpose other than the operation of your Studio in compliance with the FADS System and the Manuals. You will not lease, sublease, or assign the Location Lease for all or any portion of the Location without our prior written consent. You may not offer or allow others to offer classes at your Studio other than FRED ASTAIRE DANCE STUDIOS® classes taught by Astaire Pros. You, your Owners and your affiliates may not provide exercise classes, tanning services, personal training or fitness services, massage services, or any other health-related, exercise-related or fitness-related services to your Studio's customers (whether those services are provided at your Studio or any other location). You, your Owners and your affiliates may not operate any retail location providing any products or services that are ancillary to your Studio's business to customers (such as, for example, a juice or smoothie bar) from a location at or near the Location. You must keep your Studio open for business to the public at least during the hours we or Franchisor prescribes from time to time in the Manuals or otherwise approves, unless prohibited by Applicable Law or by the Location Lease (if any) for your Studio premises.

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

6.11. Upkeep of the Studio. You must keep the exterior (including parking lot) and interior of your Studio and the Assets in the highest degree of cleanliness, orderliness, sanitation, and repair in accordance with the Manuals. You must place or display at the Location (interior and exterior) only those signs, emblems, designs, artwork, lettering, logos and display and advertising materials that we or Franchisor periodically requires or authorizes. You may not make any material alteration, addition, replacement, or improvement to your Studio, including its Assets, without our prior written consent.

6.12. Refurbishing and Renovation. You agree to take the following actions during the Term at your expense: (i) thorough cleaning, repainting and redecorating of the interior and exterior of your Studio at intervals that we or Franchisor may periodically designate and at our direction; (ii) interior and exterior repair of your Studio as needed; and (iii) repair or replacement, at our or Franchisor’s direction, of damaged, worn-out or obsolete Assets at intervals that we or Franchisor may periodically specify (or, if we or Franchisor do not specify an interval for replacing any item, as that item needs to be repaired or replaced). Upon our written request, you and your Owners acknowledge and agree that you must refurbish your Studio at your expense to conform the decor, Trade Dress, color schemes, signage, and presentation of the Marks to Franchisor’s then-current image. Such refurbishing may include remodeling, redecoration, and other modifications to existing improvements and updating or replacing any Assets. You and your Owners acknowledge and understand that this obligation could result in significantly remodeling and renovating, your Studio, or in your spending substantial amounts for new Assets. Within one hundred twenty (120) days after receiving written notice from us or Franchisor, you must have plans prepared according to the FADS System Standards Franchisor prescribes. You must submit those plans to us for our approval. You must complete all work according to the plans we approve within the time period that we reasonably specify.

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

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

6.15. Products, Supplies, Assets and Services.

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

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

6.15.3. Revenue from Purchases. You acknowledge and agree that Franchisor or Franchisor’s affiliates may derive revenue based on your purchases and leases, including from charging you for products and services Franchisor or Franchisor’s affiliates provide to you and from promotional allowances, volume discounts, and other payments made to Franchisor by suppliers or distributors that Franchisor designates or approves for some or all of Franchisor’s franchisees. Franchisor and Franchisor’s affiliates may use all amounts received from suppliers or distributors, whether or not based on your or other franchisees’ actual or prospective dealings with them, without restriction for any purposes Franchisor or Franchisor’s affiliates deem appropriate.

6.15.4. Approval Process. If you would like to offer products or use any supplies, Assets or services that we and Franchisor have not approved or to purchase or lease from a supplier or service provider that we and Franchisor have not approved, you must submit a written

request for approval and provide us and Franchisor with any information that we and Franchisor request. We and Franchisor have the right to inspect the proposed supplier's facilities and test samples of the proposed products and to evaluate the proposed service provider and the proposed service offerings. You agree to pay us and Franchisor a charge not to exceed the reasonable cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs, whether or not the item, service, supplier, or service provider is approved. We and Franchisor have the right to grant, deny, or revoke approval of products, services, suppliers, or service providers based solely on our or their judgment. We and Franchisor will notify you in writing of our or their decision as soon as practicable following our evaluation. If you do not receive our approval within thirty (30) days after submitting all of the information that we request, our failure to respond will be deemed a disapproval of the request. If you do not receive Franchisor's approval within sixty (60) days after submitting all of the information that Franchisor requests, Franchisor's failure to respond will be deemed a disapproval of the request. You acknowledge that the products and services that we and Franchisor approve for you to offer in your Studio may differ from those that we permit or require to be offered in other Studios.

6.15.5. Revocation of Approval. We and Franchisor reserve the right to reinspect the facilities and products of any approved supplier and to reevaluate the services provided by any service provider and to revoke approval of the item, service, supplier, or service provider if any fail to meet any of our then-current criteria. If you receive a notice of revocation of approval, you agree to cease purchasing or leasing the formerly-approved item or service or any items or services from the formerly-approved supplier or service provider, and you must dispose of your remaining inventory of the formerly-approved items and services as we or Franchisor direct. If we or Franchisor revoke approval of a previously-approved product that you have been selling to customers or service that you have been offering to customers, you must immediately discontinue offering the service and may continue to sell the product only from your existing inventory for up to thirty (30) days following our disapproval. We and Franchisor have the right to shorten this period if, in our or Franchisor's opinion, the continued sale of the product would prove detrimental to our reputation. After the thirty (30) day period, or such shorter period that we or Franchisor may designate, you must dispose of your remaining formerly-approved inventory as we direct.

6.15.6. NO WARRANTY. ALTHOUGH APPROVED BY US AND FRANCHISOR, NEITHER WE, FRANCHISOR NOR FRANCHISOR'S AFFILIATES MAKE ANY WARRANTY OF ANY KIND, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, AND EXPRESSLY DISCLAIM ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE AND NON-INFRINGEMENT, WITH RESPECT TO ALL PRODUCTS, SERVICES, FIXTURES, EQUIPMENT, FURNITURE, SIGNS, DÉCOR ITEMS, FLOORING, TRADE DRESS, SUPPLIES OR OTHER ITEMS THAT ARE MANUFACTURED OR DISTRIBUTED BY THIRD PARTIES AND APPROVED FOR USE IN THE FADS SYSTEM.

6.16. Promotional Programs. You must participate in all in-Studio promotional programs that we and Franchisor offer to Studios. You will follow Franchisor's guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate

discounts and other promotional programs as Franchisor sets forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards or coupons (including Groupons and similar discounts) unless approved or offered by us, Franchisor or Franchisor's affiliates.

6.17. Competitions.

6.17.1. National Competitions. During the period from the Effective Date to the first December 31st of the Initial Term, you are not required to send any Packages from your Studio to any National Competition, but you are required to send your Operating Principal or Key Manager to at least one National Competition (if offered during the period). You understand and acknowledge that this period may be less than twelve (12) months. For each subsequent calendar year during the Initial Term, you must send a total number, in the aggregate for that calendar year, of Packages to National Competitions equal to your Gross Revenue for the previous calendar year divided by \$200,000, and your Operating Principal or Key Manager must attend and participate in at least two (2) National Competitions each calendar year. Notwithstanding the forgoing, you must support, promote and encourage student and staff participation and attendance at all National Competitions. The location of such National Competitions will be designated by Franchisor, and all costs of attendance will be borne by you. If, in any calendar year, you fail to send the total required number, in the aggregate for that calendar year, of Packages to National Competitions, you agree to pay to Franchisor \$200 per Package that you failed to send within fifteen (15) days of an invoice from Franchisor. Franchisor reserves the right to increase such fee once annually upon one hundred eighty (180) days' written notice to you; provided that Franchisor will not increase the fee more than ten percent (10%) per year. Failure to comply with this requirement for two (2) consecutive years constitutes an Event of Default under this Agreement.

6.17.2. Regional Competitions. During the period from the Effective Date to the first December 31st of the Initial Term, you are not required to send any students or Astaire Pros from your Studio to any Regional Competition, but you are required to send your Operating Principal or Key Manager to at least one Regional Competition (if offered during the period). You understand and acknowledge that this period may be less than twelve (12) months. For each subsequent calendar year during the Initial Term, you must send a total number, in the aggregate for that calendar year, of Packages to Regional Competitions equal to your Gross Revenue for the previous calendar year divided by \$50,000, and your Operating Principal or Key Manager must attend and participate in all of the Regional Competitions. Notwithstanding the forgoing, you must support, promote and encourage student and staff participation and attendance at all Regional Competitions. The location of such Regional Competitions will be designated by us, and all costs of attendance will be borne by you. If, in any calendar year, you fail to send the total required number, in the aggregate for that calendar year, of Packages to Regional Competitions, you agree to pay to us \$200 per Package that you failed to send within fifteen (15) days of an invoice from us. Failure to comply with this requirement for two (2) consecutive years constitutes an Event of Default under this Agreement.

6.17.3. Independent Competitions. You may not attend an Independent Competition without our, and, if applicable, Franchisor's, prior written consent. Such approval will not be unreasonably withheld. If (i) you failed to send the total required number, in the

aggregate for that calendar year, of Packages to National Competitions or Regional Competitions; and (ii) you failed to obtain written approval from us for any Independent Competition we or Franchisor have not pre-approved, then you must pay to us \$200 (the “**Independent Competition Fee**”) per Package that you send to such Independent Competition no later than fifteen (15) days before the date of such Independent Competition. We reserve the right to increase the Independent Competition Fee once annually upon one hundred eighty (180) days’ written notice to you. You may not, without our prior written permission, send any Package to any Independent Competition held the same week as any National Competition or Regional Competition, and you acknowledge that doing so constitutes an Event of Default under this Agreement.

6.18. Studio Management and Technology System.

6.18.1. Acquisition and Updates. You must obtain, maintain, and use the Studio Management and Technology System. You must use the Studio Management and Technology System to (i) enter and track purchase orders and receipts, classes and attendance, and customer information; (ii) update inventory; (iii) enter and manage your customer’s contact information; (iv) generate sales reports and analysis relating to your Studio; and (iv) provide other services relating to the operation of your Studio. If we or Franchisor require you to use any proprietary software or to purchase any software from a designated vendor, you must execute and pay any fees associated with any software license agreements or any related software maintenance agreements that we, Franchisor or the licensor of the software require. You and your Owners acknowledge, understand and agree that you must replace, upgrade, or update at your expense the Studio Management and Technology System as we or Franchisor may require periodically without limitation. We and Franchisor will establish reasonable deadlines for implementation of any changes to the Studio Management and Technology System requirements.

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

6.18.3. Technology Failures. You are solely responsible for any and all consequences that may arise if the system is not properly operated, maintained and upgraded or if

the Studio Management and Technology System (or any of its components) fails to operate on a continuous basis or as Franchisor, we, or you expect. You are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us, Franchisor, and Franchisor Affiliates, as the direct or indirect result of such disruptions, failures or attacks.

6.19. Student Enrollment Agreements. You must ensure that every student enrollment agreement and waiver you use complies with all of our and Franchisor's requirements and all Applicable Laws. You must send us and Franchisor copies of all customer agreements and waivers you intend to use at least thirty (30) days before you begin using such documents for approval by us and Franchisor. Such approval by us and Franchisor shall not be unreasonably withheld.

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

6.21. Compliance with FTC Order. You must comply with the terms and provisions of the Federal Trade Commission Modified Order, Docket #8560, attached hereto as **Exhibit E** and incorporated herein by reference, including, but not limited to, the cancellation and refund provisions set forth therein and all such modifications thereto as may be imposed upon us and you by operation of law or otherwise. Currently compliance with the FTC Order requires that commencing on the Effective Date of this Agreement, an interest-bearing escrow account under our, Franchisor's or its affiliate's control will be opened at a financial institution, in a location to be determined by us, Franchisor or its affiliate, for Prepaid Liabilities (the "**Escrow Account**") to provide refunds to students upon: (i) request by the student; and (ii) the closure or other termination of the Franchised Studio, as required by the FTC Modified Order. Franchisor may in writing or in the Manuals modify the FTC compliance system in a manner that Franchisor reasonably believes complies with the FTC Modified Order on thirty (30) days prior written notice, and you agree to comply with the terms and conditions of such modified FTC compliance system.

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

out as a separate legal entity; and (z) strictly comply with all organizational formalities to maintain its separate existence.

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

6.24. Insurance.

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

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

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

6.24.4. Purpose of Coverage. Your obligation to obtain and maintain the insurance policies in the amounts required by us or Franchisor shall not be limited in any way by reason of any insurance that we or Franchisor may maintain, nor does your procurement of required

insurance relieve you of liability under the indemnity obligations described in **Section 17** (Indemnification). Your insurance procurement obligations under this **Section 6.24** (Insurance) are separate and independent of your indemnity obligations. We and Franchisor do not represent or warrant that any insurance that you are required to purchase will provide adequate coverage for you. The minimum requirements of insurance specified in this Agreement and the Manuals are for our protection. You should consult with your own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection you need and desire, in addition to the coverage and limits required by us.

6.24.5. Pre-Paid Lesson Liability Program. Unless otherwise approved by us in writing, you must participate in Franchisor's pre-paid lesson liability program, as described in the Operations Manual or otherwise in writing. As part of this program, you must maintain an escrow account with Franchisor's affiliate. You must pay Franchisor's affiliate between \$5,000 to \$25,000, as Franchisor determines, when your Franchised Studio opens and then 3% of Gross Revenues per month, until your escrow account reaches the account balance that Franchisor requires. You may draw upon these amounts to refund prepaid dance lessons. Franchisor may modify the required account balance at any time upon 60 days' written notice. In addition, you must pay another affiliate of Franchisor's monthly insurance premiums to cover prepaid dance lessons. If you have refunded any amounts for prepaid dance lessons from the escrow account held by Franchisor's affiliate on your behalf, you can submit a claim with Franchisor's affiliate that will be administered by a third party. If you receive insurance proceeds as a result of any claims that you submit, such proceeds will be deposited into your escrow account to reach the prior account balance. Franchisor may modify or cease offering the pre-paid lesson liability program at any time. In the event you are not required to participate in Franchisor's pre-paid lesson liability program, and unless otherwise approved by us in writing, each and every week your Franchised Studio is in operation, you will send to us a check to deposit into the Escrow Account equal to three percent (3%) of the total Gross Revenues taken in by the Franchised Studio for that particular week for dance lessons and all prepaid sums for dance instruction services for that particular week. The check for such funds shall be mailed to us at the same time as your weekly franchise fees are paid. The purpose of the weekly three percent (3%) deposit is to accumulate an amount equal to your current balance of Prepaid Liabilities as reflected on your Prepaid Liabilities reports.

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

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

will specify. At our request, you must retain and use, at your expense, the services of an accountant or accounting firm.

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

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

7. FEES

7.1. Franchise Fee. You must pay to us an initial franchise fee of thirty thousand dollars (\$30,000) ("**Franchise Fee**"), payable either upon execution of this Agreement, or as otherwise agreed to between us, in consideration of the rights granted in **Section 2** (Grant of Franchise). The Franchise Fee will be deemed fully earned and payable as of the date you sign this Agreement. You acknowledge, agree and understand that we have no obligation to refund the Franchise Fee, in whole or in part, for any reason.

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

7.3. Advertising Fees.

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

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

7.3.3. Use of Advertising Fund. Please see **Section 9.2.1** (Use of Fund) for an explanation as to how we may and may not use the monies in the FADS Advertising Fund.

7.4. Technology Fee. You will pay to Franchisor, a Franchisor affiliate or a third party that Franchisor designates a technology fee for various technology services that Franchisor will provide or arrange for Franchisor’s affiliates or third parties to provide, which services are subject to change over time (a “**Technology Fee**”). The current Technology Fee is (A) \$50 per week for the first year of the Initial Term; (B) \$75 per week for the second year of the Initial Term; and (C) \$100 per week for each subsequent year of the Initial Term. After the third year of the Initial Term, Franchisor reserves the right to increase the Technology Fee once annually in increments of \$25 per week to a maximum of \$250 per week, by providing you with written notice of any change at least one hundred eighty (180) days prior to the implementation of the new fee amount. The Technology Fee currently includes, for the sake of example and not limitation, fees related to (i) Franchisor’s proprietary studio operational software; (ii) Franchisor’s intranet and FADS System software and applications; (iii) internet domain names and e-mail addresses; and (iv) server hosting and data protection. Franchisor may add, delete or otherwise modify the products and services that are included in the Technology Fee at any time. Franchisor will begin to assess the Technology Fee starting on the date that you begin operating your Studio, with the first week assessed on a pro rata basis from such date.

7.5. Transfer Fee. If you Transfer your Studio or this Agreement, you must pay us a Transfer Fee as specified in **Section 13.3** (Control Transfer) and **Section 13.4** (Non-Control Transfer).

7.6. Non-Compliance Fee. Starting January 1, 2022, if we determine that you have violated any of your obligations under this Agreement, including any failure to comply with any standards set forth in the Manuals, we may send you a notice of violation and assess a fee in an amount up to \$150 (the “**Non-Compliance Fee**”). Franchisor may charge you a Non-Compliance Fee if we exhaust all of our non-litigation remedies after a violation of any of your obligations under this Agreement, including any failure to comply with any standards set forth in the Manuals, or if we fail to take any action for thirty (30) days after any such a violation by you. The Non-Compliance Fee must be paid within fifteen (15) days from your receipt of an invoice from us or Franchisor. The Non-Compliance Fee applies for each notice of violation sent to you, even if the violation is of the same provision of the Agreement or same standard set forth in the Manuals for which you previously received a notice of violation. We and Franchisor reserve all other rights and remedies available to us and Franchisor under this Agreement and any other agreement you may have with us, Franchisor or Franchisor’s affiliates.

7.7. Payment of Fees.

7.7.1. Payments to Us. The Royalty Fee is due to us and must be reported to us at the times and in the manner that we specify from time to time or otherwise in writing to you. Currently, business weeks in the FADS System run a Saturday to Friday basis. You must pay us your Royalty Fee weekly within seven (7) calendar days after the end of each week, based on your Gross Revenue for the preceding week. For example, your Royalty Fees for a week ending Friday, January 15, are due to us Friday, January 22. The first Royalty Fee will be due in the first full week after the Opening Date and shall be paid based on all Gross Revenue accrued prior to the Opening Date and during your first full or partial week of operations. All other fees and payments due to us must be paid to us within thirty (30) calendar days of your receipt of an invoice from us.

7.7.2. Payments to Franchisor. The Advertising Fee and Technology Fee are due to Franchisor and must be reported to Franchisor at the times and in the manner that Franchisor specifies from time to time in the Manuals or otherwise in writing to you. Currently, business weeks in the FADS System run on a Saturday to Friday basis. You must pay Franchisor your Advertising Fee and Technology Fee weekly within seven (7) calendar days after the end of each week, based on your Gross Revenue for the preceding week. For example, your Advertising Fee and Technology Fee for a week ending Friday, January 15, are due to Franchisor Friday, January 22. The first Advertising Fee and Technology Fee will be due in the first full week after the Opening Date and shall be paid based on all Gross Revenue accrued prior to the Opening Date and during your first full or partial week of operations. All other fees and payments due to Franchisor must be paid to Franchisor within fifteen (15) calendar days of your receipt of an invoice from Franchisor.

7.8. Method of Payment. You must make all payments to us and Franchisor by the method or methods that we and Franchisor specify from time to time in writing or in the Manuals, which may include payment via wire transfer or electronic debit to your business checking account.

You must furnish us or Franchisor and your bank with all authorizations necessary to effect payment by the methods we specify. Franchisor currently requires you to make payment by electronic debit from your business checking account. Before you begin operating your Studio, you agree to sign and deliver to Franchisor the authorization agreement in the form of **Exhibit D** to authorize Franchisor to debit your business checking account automatically for all payments and amounts due to Franchisor under this Agreement. Franchisor will auto-debit all fees and payments you owe Franchisor and Franchisor's affiliates. Franchisor will debit your business checking account for these amounts on their due dates. Funds must be available in your business checking account to cover Franchisor's withdrawals.

7.9. Interest and Late Fees. If any payment due to us or Franchisor is not received in full by the due date, you agree to pay us or Franchisor daily interest on the amount owed, calculated from the due date until paid, at the rate of 10% per annum (or the maximum rate permitted by Applicable Law, if less than 10%) and compound weekly. You and your Owners agree to reimburse us and Franchisor for any fees or costs incurred by or charged to us or Franchisor if your business checking account does not have the necessary funds to cover our or Franchisor's withdrawal of fees and payments owed. You and your Owners acknowledge, understand and agree that this **Section 7.9** is not our or Franchisor's agreement to accept any payments after they are due and that late payments are a default under this Agreement. Notwithstanding any designation by you or your Owners, we and Franchisor have sole and absolute discretion to apply any payments received from you to any indebtedness of yours.

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

7.11. No Set Off. You may not, under any circumstances, set off, deduct or otherwise withhold any fees, interest charges, late fees or any other monies payable under this Agreement on grounds of our or Franchisor's alleged non-performance of any obligations or for any other reason.

8. INTELLECTUAL PROPERTY

8.1. Marks and Trade Dress.

8.1.1. Acknowledgements. You and your Owners acknowledge that Franchisor or Franchisor's affiliates are the owner of the Marks and the Trade Dress, that you have no interest in the Marks and the Trade Dress beyond the non-exclusive License granted to you in this Agreement, and that, as between Franchisor or Franchisor's affiliates and you and your Owners, Franchisor or Franchisor's affiliates have the exclusive right and interest in and to the

Marks and the Trade Dress and the goodwill associated with and symbolized by them. Upon the expiration or termination of this Agreement, no monetary amount will be attributable to goodwill of any kind associated with your activities as a franchisee under this Agreement or otherwise. You and your Owners acknowledge that any unauthorized use of the Marks or Trade Dress by you or your Owners constitutes (i) an infringement of Franchisor or Franchisor's affiliates' rights in and to the Marks and Trade Dress; and (ii) an Event of Default under this Agreement.

8.1.2. Rights. Your right to use the Marks and the Trade Dress applies only to your Studio operated at the Location as expressly provided in this Agreement, including advertising related to your Studio. You may only use in your Studio the Marks and the Trade Dress Franchisor designates, and only in strict compliance with written rules that Franchisor prescribes from time to time. You must not use any Mark (i) as part of any corporate or legal business name; (ii) with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos we have licensed to you under the License); (iii) in selling any unauthorized services or products; (iv) as part of any domain name, electronic address, metatag, social media account, or otherwise in connection with any website or other electronic medium without our consent; or (v) in any other manner Franchisor has not expressly authorized in writing. No materials on which any of the Marks or the Trade Dress appears will be used by you without Franchisor's prior written approval, which Franchisor may revoke at any time upon reasonable notice to you. You must display the Marks in a manner that Franchisor specifies on signage at your Studio and on all written materials, forms, advertising, promotional materials, supplies, employee uniforms, business cards, receipts, letterhead, contracts, stationary, and other materials Franchisor designates. Your employees, contractors, representatives and agents may not use the Marks or Trade Dress in any manner without Franchisor's prior written approval or as specifically authorized in the Manuals. You agree to communicate and enforce any and all policies and restrictions on usage to your employees, agents and representatives.

8.2. Copyrights. You and your Owners acknowledge and agree that the Copyrights belong solely and exclusively to Franchisor or Franchisor's affiliates. You have no interest in the Copyrights beyond the non-exclusive License granted to you in this Agreement.

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

8.4. No Contesting Franchisor's Rights. During the Term of this Agreement and after its expiration or termination, you and your Owners agree not to, directly or indirectly, contest Franchisor or Franchisor's affiliates' ownership, title, right or interest in or to, or Franchisor's or Franchisor's affiliates' license to use, or the validity of, the Intellectual Property, or contest Franchisor's or Franchisor's affiliates' sole right to register, use, assign to an affiliate or license others to use the Intellectual Property.

8.5. Challenges to Intellectual Property. Franchisor has the right, upon reasonable notice to you, to change, discontinue, or substitute for any of the Intellectual Property and to adopt entirely different or new Intellectual Property for use with the FADS System without any liability to you, in Franchisor's sole discretion. You and your Owners agree to implement any such change at your own expense within the time Franchisor reasonably specifies.

8.6. Third Party Challenges. You and your Owners agree to notify us and Franchisor within three (3) days of any unauthorized use of the Intellectual Property of which you or your Owners have knowledge. You and your Owners also agree to inform us and Franchisor promptly of any challenge by any person or Entity to the validity of Franchisor or Franchisor's affiliate's ownership of or our right to license others to use any of the Intellectual Property. Franchisor has the right, but no obligation, to initiate, direct, and control any litigation or administrative proceeding relating to the Intellectual Property, including, but not limited to, any settlement. Franchisor will be entitled to retain any and all proceeds, damages, and other sums, including attorneys' fees, recovered or owed to Franchisor or Franchisor's affiliates in connection with any such action. You and your Owners agree to execute all documents and render any other assistance Franchisor may deem necessary to any such proceeding or any effort to maintain the continued validity and enforceability of the Intellectual Property.

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

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

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

their representatives in registering, perfecting, maintaining and canceling the registration of this Agreement as stated in this **Section 8.9**.

8.10. Innovation. All Innovations, whether or not protectable intellectual property and whether created by or for you or your Owners, employees, or contractors, must be promptly disclosed to us and Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of the FADS System and the Intellectual Property, and works made-for-hire for Franchisor. To the extent any Innovation does not qualify as a work made-for-hire for Franchisor, by this **Section 8.10** you assign ownership of that Innovation, and all related rights to that Innovation, to Franchisor and agree to sign (and to cause your Owners, employees, and contractors to sign) whatever assignment or other documents we or Franchisor requests to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the Innovation. You may not use any Innovation in operating your Studio or otherwise without Franchisor's prior approval.

9. ADVERTISING AND MARKETING

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

9.2. FADS Advertising Fund.

9.2.1. Use of Fund. Franchisor may use monies in the FADS Advertising Fund and any earnings on the FADS Advertising Fund account for any costs associated with advertising (media and production), branding, marketing, public relations or promotional programs and materials, and any other activities we believe would benefit the FRED ASTAIRE DANCE STUDIOS® brand or the Studios generally, including advertising campaigns in various media; creation, maintenance, and optimization of the FADS System Website or other websites; keyword or adword purchasing programs; conducting and managing social media activities; direct mail advertising; market research, including secret shoppers and customer satisfaction surveys; branding studies; employing advertising or public relations agencies; purchasing promotional items; conducting and administering promotions, contests, giveaways, public relations events, and community involvement activities; and providing promotional and other marketing materials and services to Franchised Studios. Franchisor will not use the FADS Advertising Fund for anything whose sole purpose is the marketing of franchises; however, you acknowledge that the FADS System Website, public relations activities, community involvement activities, and other activities supported by the FADS Advertising Fund may contain information about franchising opportunities. Franchisor will not use any contributions to the FADS Advertising Fund to defray Franchisor's general operating expenses, such as salaries of Franchisor's personnel, except for reasonable administrative costs and overhead Franchisor incurs in activities reasonably related to the administration of the FADS Advertising Fund or the management of FADS Advertising Fund-supported programs. Franchisor may use monies in the FADS Advertising Fund to pay for an independent audit of the FADS Advertising Fund, if Franchisor elects to have it audited.

Franchisor does not guaranty, and Franchisor does not represent or warrant, that you will benefit from the FADS Advertising Fund in proportion to your contributions to the FADS Advertising Fund.

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

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

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

9.3. Local Marketing.

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

9.3.2. Approval of Advertising Materials. You do not need to seek prior approval to use or produce any advertising or marketing materials that have been either prepared or previously approved by Franchisor. Prior to using or producing any advertising or marketing materials that Franchisor has not prepared or previously approved, you must submit specimens of said materials for Franchisor's written approval, which Franchisor may grant or withhold in Franchisor's sole discretion. Franchisor may require you to use only the advertising or promotional programs or materials that Franchisor produces. If we do permit you to conduct your own advertising, you must do so in a dignified manner and conform to any standards and requirements specified in the Manuals. Franchisor will have the final decision on all creative development of advertising and promotional messages. If Franchisor's written approval is not received within fourteen (14) days from the date Franchisor received the material, the material is deemed approved. Franchisor reserves the right to require you to discontinue the use of any advertising or marketing materials. Franchisor will provide you with an opening kit which will contain marketing materials as set forth in the Manuals.

9.3.3. Minimum Marketing Expenditure. Beginning in the first full month after the Opening Date, you must spend two percent (2.00%) of your Gross Revenues for the previous calendar quarter (the "**Marketing Requirement**"). Your Marketing Requirement is in addition to your Advertising Fee. At our request, you must submit appropriate documentation to verify compliance with the Marketing Requirement.

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

9.4. Advertising Cooperative. You agree to join and actively participate in any advertising cooperatives and to abide by the bylaws, rules and regulations duly required by the advertising cooperative, which we have the right to mandate or approve. If you join an advertising cooperative, the advertising cooperative may require you to spend additional funds on marketing programs conducted by the advertising cooperative, which may be in addition to your Advertising Fees, but will be counted toward your Marketing Requirement and, to the extent such additional spending is mandated by Franchisor, shall not exceed the Marketing Requirement. Franchisor shall have the right to approve any marketing materials or marketing programs developed by any advertising cooperative.

9.5. Digital Marketing.

9.5.1. Restrictions. Franchisor or Franchisor's affiliates may, in their sole discretion, establish and operate Digital Marketing that are intended to promote the Marks, your Studio and the entire network of Studios. Franchisor will have the sole right to control all aspects of any Digital Marketing, including those related to your Studio. Unless Franchisor consents

otherwise in writing, you and your employees may not, directly or indirectly, conduct or be involved in any Digital Marketing that use the Marks or that relate to the Studios or the network. If Franchisor does permit you or your employees to conduct any Digital Marketing, you or your employees must comply with any policies, standards, guidelines, or content requirements that Franchisor establishes periodically and must immediately modify or delete any Digital Marketing that Franchisor determines, in Franchisor's sole discretion, is not compliant with such policies, standards, guidelines or requirements. Franchisor may withdraw Franchisor's approval for any Digital Marketing at any time.

9.5.2. System Website. As part of Franchisor's Digital Marketing, Franchisor or one of Franchisor's designees will operate and maintain a System Website, which will include basic information related to your Studio, the ability for customers to purchase classes at your Studio and access to your Studio's reservation system. You must promptly provide us or Franchisor with any information that we or Franchisor request regarding your Studio for inclusion on the System Website.

9.5.3. Daily Deals. As part of the Digital Marketing, we, Franchisor or Franchisor's affiliates have the right, but not the obligation to, offer Deals. If we, Franchisor or Franchisor's affiliates offer any Deals, we, Franchisor and Franchisor's affiliates have the right to collect any revenue from such Deals, including any customer payments to such third parties, provided that all such amounts we and they receive will be deposited into the FADS Advertising Fund. You must provide classes or other products or services to any customers redeeming any vouchers, gift certificates or coupons related to such Deals in accordance with the standards and other terms that we periodically specify. Except as we or Franchisor otherwise approve, you must treat customers who purchase Deals in the same manner as any other customer and must not limit their access to your Studio or classes. You will not be entitled to receive any payment or reimbursement from us, Franchisor, Franchisor's affiliates, customers who purchase Deals or third parties for any classes, products or services that you provide to customers who purchase Deals.

10. CONFIDENTIAL INFORMATION

10.1. Nature of Information. You and your Owners acknowledge that prior to or during the Term, we and Franchisor may disclose in confidence to you, either orally or in writing, certain trade secrets, know-how, and other confidential information relating to the FADS System, our and Franchisor's business, our and Franchisor's vendor relationships, our and Franchisor's franchise relationships, our or Franchisor's classes, or the construction, management, operation, or promotion of Studios (collectively, the "**Confidential Information**"), including (i) location selection criteria and methodologies; (ii) methods, formats, systems, FADS System Standards, sales and marketing techniques, knowledge and experience used in developing and operating Studios, including information in the Manuals; (iii) marketing research and promotional, marketing, advertising, public relations, customer relationship management and other brand-related materials and programs for Studios; (iv) knowledge of specifications for and suppliers of, and methods of ordering, certain items that Studios use or sell; (v) knowledge of the operating results and financial performance of other Studios; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) knowledge of lead generation strategies and processes; (viii) Personal Information; and (ix) any other

information we or Franchisor reasonably designate from time to time as confidential or proprietary. “**Confidential Information**” does not include (a) information that is part of the public domain or becomes part of the public domain through no fault of you or your Owners; (b) information disclosed to you by a third party having legitimate and unrestricted possession of such information; or (c) information that you can demonstrate by clear and convincing evidence was within your legitimate and unrestricted possession when the Parties began discussing the sale of the franchise.

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

10.3. Personal Information.

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

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

10.3.3. Use of Personal Information. You have the right to use Personal Information while this Agreement or a successor franchise agreement is in effect, but only to market FRED ASTAIRE DANCE STUDIOS® products and services to customers in accordance

with Applicable Laws and the policies that we and Franchisor establish periodically. You may not sell, transfer, or use Personal Information for any purpose other than marketing FRED ASTAIRE DANCE STUDIOS® products and services. We, Franchisor and Franchisor's affiliates may use Personal Information in any manner or for any purpose, except, during the Term, we, Franchisor and Franchisor's our affiliates will not use the Personal Information that we or they derive from your Studio to market dance instruction, fitness and exercise classes or franchises for another brand that competes directly with the Studios. You must secure from your customers, prospective customers and others all consents and authorizations, and provide them all disclosures, that Applicable Law requires (i) to transmit Personal Information to us, Franchisor and Franchisor's affiliates and (ii) for us, Franchisor and Franchisor's affiliates to use that Personal Information, in the manner that this Agreement contemplates.

11. AUDITS AND INSPECTIONS

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

11.2. Audit.

11.2.1. Right to Audit. We have the right, but not the obligation, during business hours, without prior notice, to audit or cause to be audited any business records, bookkeeping and accounting records, business license applications, sales and income tax (if any) records and returns required to be maintained pursuant to **Section 6.26** (General Reporting), **Section 6.27** (Reports and Financial Statements) or **Section 6.28** (Additional Information), and we may review, or cause to be reviewed, the records maintained by any bank or other financial institution used by you in connection with your Studio. You will cooperate fully with our representatives and independent accountants hired to conduct any inspection or audit. If the records and information are in the possession of a third party, you will either obtain the records or information or provide an

authorization from the third party allowing us to perform the inspection and audit at the third party's location.

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

11.2.3. Payment of Understated Amounts. If any inspection or audit discloses an understatement of the Gross Revenues, then you will pay us within fifteen (15) days after receipt of the inspection or audit report all sums due to us on the amount of such understatement (for example, any Royalty Fees, Advertising Fees or other amounts properly owed to us or Franchisor), plus interest and fees for late payments in accordance with **Section 7.9** (Interest and Late Fees) from the date the amounts were originally due through the date of payment.

12. YOUR COVENANTS

12.1. Covenant Not to Compete.

12.1.1. During the Term. You and your Owners acknowledge and agree that you and your Owners will receive valuable, specialized training and confidential information regarding the manufacturing, operational, sales, promotional and marketing methods of the FRED ASTAIRE DANCE STUDIOS® concept. During the Term, you and your Owners will not, without our and Franchisor's prior written consent, either directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any other person or Entity:

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

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

12.1.1.3.solicit for purposes of employment any officer, manager, or director of us or any area business who is then employed by, or who has within the last twelve (12) months been employed as an officer, manager, or director of us or any area business;

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

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

12.1.2. 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 and your Owners may not, without our and Franchisor's prior written consent, (i) directly or indirectly own, manage, engage in, be employed in a managerial position by, advise, make loans to, or have any other interest in any Competitive Business that is (or is intended to be) located within a 25-mile radius of your former Studio or any Studio that is operating or under development at the time of such expiration, termination or Transfer; or (ii) directly solicit for employment any officer, manager, director, or Astaire Pro who at any time within the immediate past twelve (12) months has been employed by us, Franchisor, Franchisor's affiliates, an area business or any Studio; provided, however, that the foregoing subsection (ii) shall not prevent any employment solicitation of a general and not direct nature that is a public solicitation of prospective employees and not directed specifically to any such officer, manager, director or Astaire Pro. With respect to the Owners, the Owners agree that the time period in this **Section 12.1.2** 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.

12.2. Publicly Traded Corporations. Ownership of less than ten percent (10%) of the outstanding voting stock of any class of stock of a publicly traded corporation will not, by itself, violate **Section 12**.

12.3. Covenants of Owners and Managers. The Owners personally bind themselves to this **Section 12** by signing this Agreement or the attached Guaranty. We or Franchisor also may, in our or Franchisor's sole discretion, require you to obtain from your officers, directors, managers, Key Managers, Owners' spouses, Astaire Pros, and other individuals that we or Franchisor may designate, in our or Franchisor's reasonable discretion, executed agreements containing nondisclosure and noncompete covenants similar in substance to those contained in this **Section 12** as Franchisor prescribes in the Manuals or otherwise. The agreements must be in a form acceptable to us and Franchisor and specifically identify us and Franchisor as having the independent right to enforce them.

12.4. Enforcement of Covenants.

12.4.1. Restrictions Reasonable. You and your Owners acknowledge and agree that (i) the time, territory, and scope of the covenants provided in this **Section 12** are reasonable and necessary for the protection of our and Franchisor's legitimate business interests; (ii) you and your Owners have received sufficient and valid consideration in exchange for those covenants; (iii) enforcement of the same would not impose undue hardship; and (iv) the period of protection provided by these covenants will not be reduced by any period of time during which you or your Owners are in violation of the provisions of those covenants or any period of time required for enforcement of those covenants.

12.4.2. Blue Pencil. To the extent that this **Section 12** is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time but may be made enforceable by reductions of any or all thereof, the same will be enforced to the fullest extent permissible. You and your Owners agree that the existence of any claim you or your Owners may have against us or Franchisor, whether or not arising from this Agreement, will not constitute a defense to our or Franchisor's enforcement of the covenants contained in this **Section 12**. You and your Owners acknowledge that any breach or threatened breach of this **Section 12** will cause us and Franchisor irreparable injury for which no adequate remedy at law is available, and you and your Owners' consent to the issuance of an injunction prohibiting any conduct violating the terms of this **Section 12**. Such injunctive relief will be in addition to any other remedies that we or Franchisor may have.

13. TRANSFER AND ASSIGNMENT

13.1. Transfer by Us. We may assign this Agreement and all of our rights, duties, and obligations under this Agreement to any person or Entity that we choose with Franchisor's approval. Upon any such assignment, we will be released from all of our duties and obligations hereunder, and you will look solely to our assignee for the performance of such duties and obligations.

13.2. No Transfer without Consent. This Agreement and the License are personal to you, and we have granted the License in reliance on your (and, if you are an Entity, your Owners') business skill, financial capacity and personal character. Accordingly, neither you nor any of the Owners or any successors to any part of your interest in this Agreement or the License may make any Transfer or permit any Transfer to occur without obtaining our prior written consent, except as provided in **Section 13.6** (Permitted Transfers). If you or any of your Owners desire to make a Transfer, you must promptly provide us and Franchisor with written notice. Any purported Transfer, without our prior written consent, will be null and void and will constitute an Event of Default, for which we may terminate this Agreement without opportunity to cure. We have sole and absolute discretion to withhold our consent, except as otherwise provided in **Sections 13.3** through **13.7**. We have the right to communicate with both you, your counsel, and the proposed transferee on any aspect of a proposed Transfer. You agree to provide any information and documentation relating to the proposed Transfer that we reasonably require. No Transfer that requires our consent may be completed until at least sixty (60) days after we receive written notice of the proposed Transfer. Our consent to a Transfer does not constitute a waiver of any claims that we or Franchisor has against the transferor, nor is it a waiver of our or Franchisor's right to demand exact compliance with the terms of this Agreement. If your Studio is not open and operating, we will not consent to your Transfer of this Agreement, and we are under no obligation to do so.

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

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

13.3.2. You or your transferee must pay to us a Transfer Fee equal to the greater of \$4,000 or two percent (2.00%) of the purchase price for the Control Transfer. You must make such payment by wire transfer from the proceeds of the sale at the closing. For the avoidance of confusion, your non-refundable deposit of \$4,000 in Section 13.3.1 is applied to the Transfer Fee you owe at closing;

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

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

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

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

13.3.7. You and your Owners must continue to be bound by the provisions of **Section 8** (Intellectual Property), **Section 10** (Confidential Information), **Section 12** (Your Covenants), **Section 17** (Indemnification) and **Section 20** (Dispute Resolution) as if they were the franchisee and this Agreement had expired or terminated as of the effective date of the Transfer;

13.3.8. You must provide us with written notice from your landlord indicating that your landlord has agreed to transfer the Location Lease to your transferee;

13.3.9. Your proposed transferee (or, if the transferee is not an individual, all owners of any legal or beneficial interest in the transferee) must demonstrate to our satisfaction that the proposed transferee meets all of our then-current qualifications to become a Fred Astaire Dance Studios® franchisee. Your proposed transferee may not have any involvement with a Competing Business. If your proposed transferee is already a FRED ASTAIRE DANCE STUDIOS® franchisee, the proposed transferee (i) must not be in default under any of their agreements with us and (ii) must have a good record of customer service and compliance with our FADS System Standards;

13.3.10. Your proposed transferee and their representatives must successfully complete our and Franchisor's then-current training requirements at their expense;

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

13.3.12. Your proposed transferee (and, if the transferee is not an individual, such owners of a legal or beneficial interest in the transferee as we may request) must execute, for a term ending on the last day of the Term and with such Renewal Term as is provided by this Agreement, our then-current franchise agreement for new franchisees and such other agreements as we may require, which agreements will supersede this Agreement in all respects. The terms of the new franchise agreement may differ significantly from the terms of this Agreement. The prospective transferee will not be required to pay any initial Franchise Fee;

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

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

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

13.4. Non-Control Transfer. For any Transfer that does not result in a Control Transfer, you must give us advance notice and submit a copy of all proposed contracts and other information concerning the Transfer and transferee that we may request. We will have the right to require you to pay a Transfer Fee that is equal to \$2,500. We will have a reasonable time (not less than thirty (30) days) after we have received all requested information to evaluate the proposed Transfer. You or your transferee must satisfy, in addition to others that we may specify, the conditions in **Sections 13.3.4** (comply with obligations), **13.3.5** (sign general release), **13.3.6** (remain liable for pre-Transfer obligations), **13.3.7** (remain bound to certain provisions), **13.3.9** (transferee meets qualifications), and **13.3.11** (sign assignment and guaranty). You and your Owners must sign the documents that we then specify to reflect your new ownership structure. We may withhold our consent on any reasonable grounds or give our consent subject to reasonable conditions.

13.5. Transfer to an Entity. If you are not an Entity, we will consent to the assignment of this Agreement to an Entity that you form for the convenience of ownership, provided that: (i) the Entity has and will have no other business besides operating a Studio; (ii) you satisfy the conditions in **Sections 13.3.4** (comply with obligations), **13.3.5** (sign general release), **13.3.6** (remain liable for pre-Transfer obligations), **13.3.7** (remain bound to certain provisions) and **13.3.11** (sign assignment and guaranty); (iii) execute an entity assignment agreement in our then-

current form; and (iv) the Owners hold equity interests in the new Entity in the proportion shown on the schedule to our then-current form of entity assignment agreement.

13.6. Permitted Transfers. The other provisions in this **Section 13** and **Section 14** (Right of First Refusal) do not apply to the following Transfers:

13.6.1. Security Interests. You may grant a security interest in the Location (if you own the Location), your Studio, any Assets, this Agreement, or any direct or indirect legal or beneficial interest in you to a financial institution or other party that provided or provides any financing your acquisition, development, or operation of your Studio, but only if that party signs our then current form of lender consent to protect our and Franchisor's rights under this Agreement. Any foreclosures or other exercise of the rights granted under that security interest are subject to all applicable terms and conditions of this **Section 13**.

13.6.2. Transfer to a Trust. Any Owner who is an individual may Transfer his or her ownership interest in you (or any of your Owners that is an Entity) to a trust that he or she establishes for estate planning purposes, as long as (i) he or she is a trustee of the trust and otherwise controls the exercise of the rights in you (or your Owner) held by the trust and (ii) you notify us and Franchisor in writing of the Transfer at least fifteen (15) days before its anticipated effective date. Dissolution of or transfers from any trust described in this **Section 13.6.2** are subject to all applicable terms and conditions of this **Section 13**.

13.7. Death or Incapacity.

13.7.1. Interim Management. To protect the Marks, the goodwill associated therewith, and the FADS System, in the event of your death or disability of any kind which impairs the management, operation or service of the Studio, we have the right at any time to install appropriate personnel of our choosing, even those of another franchisee, to manage or operate your Studio, and you agree to pay us or our designee reasonable compensation for such services.

13.7.2. Transfer. If you or any Owner dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must apply to us in writing within three (3) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to Transfer the person's interest. The Transfer will be subject to the provisions of this **Section 13**, as applicable, except there shall be no Transfer Fee due. In the case of Transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of **Section 13.3.9** (transferee meets qualifications), the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for Transfers contained in this Agreement. If an interest is not disposed of under this **Section 13.7** within 120 days after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under **Section 15.2** (Our Remedies)

13.7.3. Definition of Incapacity. For purposes of this **Section 13**, "incapacity" means (i) any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement for a period of ninety (90) or more consecutive days or (ii) for 120 or more total days during a calendar year.

14. RIGHT OF FIRST REFUSAL

14.1. Notice. If any party holding any interest in the Studio, this Agreement or in substantially all of its assets (the transfer of which interest would have the effect of transferring this Agreement, a controlling interest in the Studio or in substantially all of the Studio's assets), or if you desire to accept any *bona fide* offer from a third party to purchase such interest, you must notify us in writing of the terms of such offer within fifteen (15) days, and must provide such information and documentation relating to the offer as we may require from time to time in writing.

14.2. Right to Match Offer. We will have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to you that we intend to purchase your interest on the same terms and conditions offered by the third party. In the event that we elect to purchase your interest, no material change in any offer, and no other offers by a third party for such interest, must be considered with respect to our right of first refusal. In the event that we elect to purchase the seller's interest, closing on such purchase must occur within ninety (90) days from the date of notice to the seller of the election to purchase by us.

14.3. New Offer. In the event that we have elected not to purchase the seller's interest, any material change in the terms of any offer prior to closing by any third party will constitute a new offer subject to the same rights of first refusal by us to exercise the option afforded by this **Section 14.**

14.4. Consideration and Appraisal. In the event the consideration, terms, or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, or conditions, then we may purchase the interest in your business proposed to be sold for the reasonable equivalent in cash. If the Parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, or conditions offered by the third party, an independent appraiser must be designated by mutual agreement of us and you, and his or her determination will be binding. If we and you cannot agree upon the selection of a single appraiser, then each Party will designate one (1) such appraiser and the two (2) designated appraisers, in turn, will designate a third-party appraiser and the determination of the three (3) appraisers will be binding.

15. DEFAULT AND TERMINATION

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

15.1.1. You or any Owner make any material misrepresentations or omissions in connection with your application to us for the franchise, this Agreement, or any related documents, or you submit to us any report or statement that you know or should know to be false or misleading;

15.1.2. Your Required Trainees fail to successfully complete the Initial Training to our satisfaction at least ten (10) days before the Opening Deadline;

15.1.3. You fail to achieve the minimum Performance Standards for two consecutive years;

15.1.4. You fail to submit information regarding the proposed Studio location, fail to obtain our acceptance for a location, or fail to obtain our approval for a Location Lease within the time periods specified in **Section 6.3** (Location Selection) and **Section 6.4** (Location Acquisition);

15.1.5. You open your Studio without our written consent;

15.1.6. You fail to open for business by the Opening Deadline in accordance with **Section 6.6** (Opening Deadline);

15.1.7. You fail to make changes to the Location and your Studio as required in **Section 6.12** (Refurbishing and Renovations) within the applicable time periods;

15.1.8. You fail to maintain possession of the Location and fail to secure our approval of or enter into a lease for a new, accepted location within ninety (90) days after the expiration or termination of the Location Lease;

15.1.9. You voluntarily suspend operation of your Studio without our prior written consent for ten (10) or more consecutive business days on which you were required to operate, unless we determine, in our sole discretion, that the failure was beyond your control;

15.1.10. After multiple attempts to reach you via telephone, e-mail, or other written correspondence, you fail to communicate with us within ten (10) business days after we send you a written communication in accordance with **Section 19.14** (Notices) notifying you of our attempts to reach you and our need to receive a response from you;

15.1.11. You fail, in two (2) consecutive calendar years, to send the total required number, in the aggregate for that calendar year, of Packages to National Competitions or Regional Competitions pursuant to **Section 6.17.1** (National Competitions) and **Section 6.17.2** (Regional Competitions).

15.1.12. Without our prior written permission, you attend, market to any students or send students to any Independent Competition held the same week as any National Competition or Regional Competition.

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

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

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

15.1.16. You abandon, surrender, transfer control of or fail to actively operate your Studio;

15.1.17. You, any Owner, or any of your officers or directors are charged with, convicted of or plead nolo contendere to a felony, a crime involving moral turpitude or consumer fraud, or any other crime or offense that we believe is likely to have an adverse effect on our franchise system, the Marks and any associated goodwill, or the Fred Astaire Dance Studios® concept (an "**Adverse Effect**");

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

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

15.1.20. You use any of the Marks or any other identifying characteristic of Franchisor other than in the operation or promotion of your Studio;

15.1.21. You use promotional, marketing, advertising, public relations, customer relationship management or other brand-related materials and programs that we or Franchisor have not prepared or previously approved without our or Franchisor's prior consent;

15.1.22. You fail to participate in Digital Marketing programs, research programs, and promotional, marketing, advertising, public relations, customer relationship management, and other programs we or Franchisor require;

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

15.1.24. Any Transfer occurs that does not comply with **Section 13** (Transfer and Assignment), including a failure to transfer to a qualified successor after death or disability within the time allowed by **Section 13.7** (Death or Incapacity);

15.1.25. You or any Owner violates the noncompete covenants in **Section 12** of this Agreement;

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

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

15.1.28. You (i) fail, refuse, or neglect to pay any monies owing to us, Franchisor or Franchisor's affiliates or fail to make sufficient funds available to us, Franchisor or Franchisor's affiliates as provided in **Section 7.8** (Methods of Payment) within fifteen (15) days after receiving written notice of your default or thirty (30) days after due date of the payment, whichever is the shorter period; (ii) have previously been given at least two notices of nonpayment for any reason within the last twenty-four (24) months and you subsequently fail to timely pay when due any monies; or (iii) fail to do all things necessary to give us access to the information contained in your Studio Management and Technology System pursuant to **Section 6.18** (Studio Management and Technology System) within fifteen (15) days after receiving written notice;

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

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

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

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

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

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

15.1.35. You are in default three (3) or more times within any eighteen (18) month period, whether or not the defaults are similar and whether or not they are cured.

15.2. Our Remedies.

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

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

15.2.2.1. temporarily or permanently reduce the size of the Territory, in which event the restrictions on us and our affiliates under **Section 2.7** (Limited Territorial Protection) will not apply in the geographic area that was removed from the Territory;

15.2.2.2. notify Franchisor to temporarily remove information concerning your Studio from the System Website or stop your or your Studio's participation in any other programs or benefits offered on or through the System Website;

15.2.2.3. suspend your right to participate in one or more programs or benefits that the FADS Advertising Fund provides;

15.2.2.4. suspend any other services that we, Franchisor or Franchisor's affiliates provide to you under this Agreement or any other agreement, including any services relating to the Studio Management and Technology System;

15.2.2.5. suspend or terminate any temporary or permanent fee reductions to which we might have agreed (whether as a policy, in an amendment to this Agreement, or otherwise);

15.2.2.6. suspend our or Franchisor's performance of, or compliance with, any of our or Franchisor's obligations to you under this Agreement or other agreements;

15.2.2.7. undertake or perform on your behalf any obligation or duty that you are required to, but fail to, perform under this Agreement. You will reimburse us upon demand for all costs and expenses that we reasonably incur in performing any such obligation or duty; and/or

15.2.2.8. enter your Studio's premises and assume the management of your Studio ourselves or appoint a third party (who may be another franchisee) to manage your Studio. All funds from the operation of your Studio while we or our appointee assumes its management will be kept in a separate account, and all of the expenses of your Studio will be charged to that account. We or our appointee may charge you (in addition to the amounts due under this Agreement) a reasonable market rate management fee during the period of management, plus any direct out-of-pocket costs and expenses. We or our appointee has a duty to utilize only reasonable efforts and will not be liable to you for any debts, losses, or obligations your Studio incurs, or to any of your creditors for any products or services your Studio purchases, while managing it. You and your Owners shall not take any action or fail to take any action that would interfere with our or our appointee's exclusive right to manage your Studio and may, in our sole discretion, be prohibited from visiting your Studio so as to not interfere with its operations. Our (or our appointee's) management of your Studio will continue for intervals lasting up to ninety (90) days each (and, in any event, for no more than a total of one year), and we will during each interval periodically evaluate whether you are capable of resuming your Studio's operation and periodically discuss your Studio's status with you.

15.2.3. Exercise of Other Remedies. Our exercise of our rights under **Section 15.2.2** (Other Remedies) will not (i) be a defense for you to our enforcement of any other provision of this Agreement or waive or release you from any of your other obligations under this Agreement; (ii) constitute an actual or constructive termination of this Agreement; or (iii) be our sole or exclusive remedy for your default. You must continue to comply with all of your obligations under this Agreement following our exercise of any of these rights. If we exercise any of our rights under **Section 15.2.2** (Other Remedies), we may thereafter terminate this Agreement without providing you any additional corrective or cure period, unless the default giving rise to our right to terminate this Agreement has been cured to our reasonable satisfaction.

15.3. Termination by You. You may terminate this Agreement only if: (i) we commit a material breach of this Agreement; (ii) you give us written notice of the breach; (iii) we fail to cure the breach, or to take reasonable steps to begin curing the breach, within sixty (60) days after receipt of your notice; and (iv) you are in full compliance with your obligations under this Agreement. If we cannot reasonably correct the breach within this sixty (60) day period but provide you, within this sixty (60) day period, with reasonable evidence of our effort to correct the breach within a reasonable time period, then the cure period shall run through the end of such reasonable time period. Termination will be effective no less than ten (10) days after you deliver to us written notice of termination for failure to cure within the allowed period. Any attempt to terminate this Agreement without complying with this **Section 15.3** (including by taking steps to de-identify your Studio or otherwise cease operations under this Agreement) will constitute an Event of Default by you.

16. YOUR OBLIGATIONS UPON TERMINATION OR EXPIRATION

16.1. Your Obligations. You and your Owners covenant and agree that upon expiration or termination of this Agreement for any reason, unless we direct you otherwise:

16.1.1. Payment of Costs and Amounts Due. You and your Owners will pay upon demand all sums owing to us, Franchisor and Franchisor's affiliates. If this Agreement is terminated due to an Event of Default, you and your Owners must promptly pay all damages, costs, and expenses, including reasonable attorneys' fees, incurred by us as a result of your Event of Default. These payment obligations will give rise to and remain, until paid in full, a lien in favor of us against your Studio premises and any and all of the personal property, fixtures, equipment and inventory that you own at the time of the occurrence of the Event of Default. We are hereby authorized at any time after the Effective Date to make any filings and to execute such documents on your behalf to perfect the lien created hereby. You and your Owners also must pay to us all damages, costs, and expenses, including reasonable attorneys' fees that we incur after the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provision of this **Section 16** (Your Obligations Upon Expiration or Termination).

16.1.2. Discontinue Use of FADS System and Intellectual Property. You must immediately cease using, by advertising or in any other manner, (i) the Intellectual Property (including the Marks and the Trade Dress); (ii) the FADS System and all other elements associated with the FADS System; and (iii) any colorable imitation of any of the Intellectual Property or any trademark, service mark, trade dress, or commercial symbol that is confusingly similar to any of the Marks or the Trade Dress.

16.1.3. Return of Confidential Information. You must immediately return to us, Franchisor or Franchisor's affiliates at your expense, all copies of the Manuals, all of your Personal Information and all other Confidential Information (and all copies thereof). You and your Owners may not use any Confidential Information or sell, trade or otherwise profit in any way from any Confidential Information at any time following the expiration or termination of this Agreement.

16.1.4. Cease Identification. You and your Owners must immediately take all action required (i) to cancel all assumed name or equivalent registrations relating to your use of the Marks and (ii) to cancel or transfer to Franchisor or Franchisor's designee all Identifiers. You and your Owners acknowledge and agree that Franchisor has the sole rights to and interest in all Identifiers. If you fail to comply with this **Section 16.1.4**, you and your Owners hereby authorize us and Franchisor and irrevocably appoint us, Franchisor or Franchisor's designee as your or our Owners' attorney-in-fact to direct the telephone company, postal service, registrar, Internet Service Provider and all listing agencies to transfer such Identifiers to us, Franchisor or Franchisor's affiliate. The telephone company, the postal service, registrars, Internet Service Providers and each listing agency may accept such direction by us, Franchisor or Franchisor's affiliate pursuant to this Agreement as conclusive evidence of Franchisor's exclusive rights in such Identifiers and our and Franchisor's authority to direct their transfer.

16.1.5. De-Identification of Location. If we do not exercise our option to acquire the Location Lease or the Location, you will make such modifications or alterations to the Location immediately upon termination or expiration of this Agreement that we deem necessary to distinguish the appearance of the Location from a FRED ASTAIRE DANCE STUDIOS® studio, including, but not limited to, removing the signs, the Marks, and any Trade Dress so as to indicate to the public that you are no longer associated with us or Franchisor. If you do not comply

with the requirements of this **Section 16.1.5**, we or Franchisor may enter your Studio without being guilty of trespass or any other tort, for the purpose of making or causing to be made any required changes. You agree to reimburse us or Franchisor on demand for our or Franchisor's expenses in making such changes.

16.1.6. Complete Accounting of Escrow Account. You must cooperate with us to undertake a complete accounting and reconciliation of the Escrow Account. No monies may be disbursed from the Escrow Account until the following conditions have been met: (i) there has been a complete reconciliation of the Prepaid Liabilities with the Escrow Account and a disbursement of all funds due to students for Prepaid Liabilities; and (ii) following all payments to students, you have paid us, or Franchisor, all monies due for services rendered prior to the termination of this Agreement.

16.1.7. Reimbursement of Prepaid Liabilities. In addition to any procedures required by Applicable Law, we may require you to notify all of your Studio's customers of the termination or expiration of this Agreement and offer each of them the option to receive a refund of all Prepaid Liabilities, which you are solely responsible for refunding to them in a manner that we may specify. We must approve in writing the content of any such notice, prior to you contacting any of your Studio's customers, or may elect to send the notice on your behalf

16.1.8. Duty to Cooperate. You and your Owners must fully cooperate with us in transitioning your customers to a different Studio and notifying customers of the change in Studio ownership or the closing of your Studio, as applicable. We must approve in writing the content of any communication about your Studio or to your Studio's customers about any change in Studio ownership or the closing of your Studio. You and your Owners also must fully cooperate with us and Franchisor in any litigation proceeding related to, or arising out of, your Studio or this Agreement.

16.1.9. Covenants Independent. The covenants contained in this **Section 16** will be construed as independent of any other provision of this Agreement and the existence of any claim or cause of action of you against us, whether predicated upon this Agreement or otherwise, will not constitute a defense to the enforcement by us of the covenants set forth in this **Section 16** or in **Section 17** (Indemnification) hereof.

16.1.10. Promote Separate Identity. You and your Owners will not, directly or indirectly, in any manner, identify yourself, or any individual connected with you, as a former FRED ASTAIRE DANCE STUDIOS® franchisee or as otherwise having been associated with us, or use in any manner or for any purpose any of the Marks.

16.1.11. Noncompete. You and your Owners must comply with the covenant not to compete in **Section 12.1** of this Agreement.

16.2. Our Right to Purchase Assets.

16.2.1. Exercise of Option. Upon termination of this Agreement for any reason (other than your termination in accordance with **Section 15.3** (Termination by You)) or expiration

of this Agreement without our and your signing a successor franchise agreement, we have the option, exercisable by giving you written notice within fifteen (15) days after the date of termination or expiration (the “**Exercise Notice**”), to purchase the inventory, supplies, Operating Assets, and other assets used in the operation of your Studio that we designate (the “**Purchased Assets**”). We have the unrestricted right to exclude any assets we specify relating to your Studio from the Purchased Assets and not acquire them. You agree to provide us the financial statements and other information we reasonably require, and to allow us to inspect your Studio and its assets, to determine whether to exercise our option under this **Section 16.2**. If you or one of your affiliates owns the Location, we may elect to include a fee simple interest in the Location as part of the Purchased Assets or, at our option, lease the Location from you or that affiliate for an initial five-year term with one renewal term of five years (at our option) on commercially reasonable terms. You and your Owners agree to cause your affiliate to comply with these requirements. If you lease the Location from an unaffiliated lessor, you agree (at our option) to assign the Lease to us or to enter into a sublease for the remainder of the Lease term on the same terms (including renewal options) as the Lease.

16.2.2. Operations Pending Purchase. While we are deciding whether to exercise our option under this **Section 16.2** (Our Right to Purchase Assets), and, if we do exercise that option, during the period beginning with our delivery of the Exercise Notice and continuing through the closing of our purchase or our decision not to complete the purchase, you must continue to operate your Studio in accordance with this Agreement. However, we may, at any time during that period, assume the management of your Studio ourselves or appoint a third party (who may be our affiliate, Franchisor or Franchisor’s affiliate) to manage your Studio pursuant to the terms of **Section 16.2.2**.

16.2.3. Purchase Price. The purchase price for the Purchased Assets will be their fair market value for use in the operation of a Competitive Business (but not a FRED ASTAIRE DANCE STUDIOS® studio). However, the purchase price will not include any value for any rights granted by this Agreement, goodwill attributable to the Marks, Franchisor’s brand image, any Confidential Information or Franchisor’s other intellectual property rights, or participation in the network of Studios. For purposes of determining the fair market value of all equipment (including the exercise equipment and Studio Management and Technology System) used in operating your Studio, the equipment’s useful life shall be determined to be no more than three (3) years. If we and you cannot agree on fair market value for the Purchased Assets, we will select an independent appraiser after consultation with you, and his or her determination of fair market value will be the final and binding purchase price. Additionally, if the termination is the result of an Event of Default, we may purchase the Purchased Assets at a twenty-five percent (25%) discount of the fair market value of the Purchased Assets as determined by an independent appraiser.

16.2.4. Closing. We will pay the purchase price at the closing, which will take place within sixty (60) days after the purchase price is determined, although we may decide after the purchase price is determined not to complete the purchase. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you owe us or our affiliates. We are entitled to all customary representations, warranties and indemnities in our asset purchase, including representations and warranties as to ownership and condition of, and title to, assets, liens

and encumbrances on assets, validity of contracts and agreements, and liabilities affecting the assets, contingent or otherwise, and indemnities for all actions, events and conditions that existed or occurred in connection with your Studio or your business prior to the closing of our purchase. At the closing, you agree to deliver instruments transferring to us: (i) good and merchantable title to the Purchased Assets, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and transfer taxes paid by you; and (ii) all of your Studio's licenses and permits which may be assigned or transferred. If you cannot deliver clear title to all of the Purchased Assets, or if there are other unresolved issues, the sale will be closed through an escrow. You and your Owners further agree to sign general releases, in a form satisfactory to us, of any and all claims against us, Franchisor, Franchisor's affiliates and our and their respective owners, officers, directors, employees, agents, representatives, successors and assigns.

16.2.5. Assignment. We may assign our rights under this **Section 16.2** (Our Right to Purchase Studio Assets) to any Entity (who may be our affiliate), and that Entity will have all of the rights and obligations under this **Section 16.2.5**.

16.3. Injunctive and Other Relief. You and your Owners acknowledge that your failure to abide by the provisions of this **Section 16** will result in irreparable harm to us and Franchisor, and that our and Franchisor's remedy at law for damages will be inadequate. Accordingly, you and your Owners agree that if you breach any provisions of this **Section 16**, we and Franchisor are entitled to injunctive relief (including the remedy of specific performance) in addition to any other remedies available at law or in equity.

17. INDEMNIFICATION

17.1. Indemnification by You. You and your Owners agree to indemnify and hold harmless the Indemnified Parties against, and to reimburse any one or more of the Indemnified Parties for, all Losses (defined below) directly or indirectly arising out of or relating to: (i) the operation of your Studio; (ii) the business you conduct under this Agreement; (iii) your breach of this Agreement; (iv) your noncompliance with any FADS System Standard, rule or regulation, including those concerning your Studio's construction, design or operation; (v) your noncompliance or alleged noncompliance with any Applicable Laws, including any allegation that we or another Indemnified Party is a joint employer or otherwise responsible for your acts or omissions relating to your employees; or (vi) claims alleging either intentional or negligent conduct, acts or omissions by you (or your contractors or any of your or their employees, agents or representatives), or by us or our affiliates (or our or their contractors or any of our or their employees, agents or representatives), subject to **Section 17.3** (Willful Misconduct or Gross Negligence).

17.2. Indemnification Procedure. You and your Owners agree to defend the Indemnified Parties in any Proceedings, including those alleging the Indemnified Party's negligence, gross negligence, willful misconduct or willful wrongful omissions. Each Indemnified Party may at your expense defend and otherwise respond to and address any claim asserted or inquiry made, or Proceeding brought, that is subject to this **Section 17** (instead of having you defend it as required above), and agree to settlements or take any other remedial, corrective, or other actions, for all of which defense and response costs and other Losses you are solely

responsible, subject to **Section 17.3** (Willful Misconduct or Gross Negligence). An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its Losses, in order to maintain and recover fully a claim against you, and you agree that a failure to pursue a recovery or mitigate a Loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this **Section 17**. Your and your Owners' obligations in this **Section 17** will survive the expiration or termination of this Agreement.

17.3. Willful Misconduct and Gross Negligence. Despite **Section 17.1** (Indemnification by You), you and your Owners have no obligation to indemnify or hold harmless an Indemnified Party for, and we will reimburse you or your Owners for, any Losses (including costs of defending any Proceeding under **Section 17.2** (Indemnification Procedure)) to the extent such Losses are determined in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction to have been caused solely and directly by the Indemnified Party's willful misconduct or gross negligence, so long as the claim to which those Losses relate is not asserted on the basis of theories of vicarious liability (including agency, apparent agency, or employment) or our failure to compel you to comply with this Agreement. However, nothing in this **Section 17.3** limits your and your Owners' obligation to defend us and the other Indemnified Parties under **Section 17.2**.

18. MATERIAL INDUCEMENTS

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

18.1.1. to the importance of operating your Studio in strict conformity with the Manuals and FADS System;

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

18.1.3. that an investment in a Studio involves business risks;

18.1.4. that the success of this business venture is primarily dependent on your business abilities and efforts;

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

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

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

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

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

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

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

18.1.12. that you and your Owners will not borrow or receive as a gift any money from any person, at any time, who is or was previously a student or family member of a student of your Studio or of any other Studio;

18.1.13. that, if a present or former student or family member of a student of your Studio or of any other Studio holds an ownership or equity interest in, or is a shareholder in any corporation or entity that holds any ownership or other equitable interest in, your Studio, such person holds at least a 51% ownership interest in your Studio; and

18.1.14. that you understand and acknowledge that the Manuals and any policies, including the FADS System, that Franchisor adopts and implements may be changed by Franchisor from time to time.

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

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

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

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

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

19. GENERAL PROVISIONS

19.1. Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement between you and us with respect to your Studio and supersede all prior discussions, understandings, representations and agreements concerning the same subject matter. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representations that we made in the most recent Franchise Disclosure Document that we delivered to you or your representatives. This Agreement includes the terms and conditions on all Exhibits and Schedules attached hereto, which are expressly incorporated into this Agreement by this reference.

19.2. Relationship of Parties. This Agreement does not create, nor does any conduct by us or Franchisor create, a fiduciary or other special relationship or make you, us or Franchisor an

agent, legal representative, joint venturer, partner, employee or servant of each other for any purpose. You are not authorized to make any contract, agreement, warranty, or representation on our or Franchisor's behalf, or to create any obligation, express or implied, on our or Franchisor's behalf. You are, and shall remain, an independent contractor responsible for all obligations and liabilities of, and for all loss or damage to, your Studio, including any personal property or real property and for all claims or demands based on damage or destruction of property or based on injury, illness or death of any person or persons, directly or indirectly, resulting from the operation of your Studio. Further, we, you and Franchisor are not and do not intend to be partners, associates, or joint employers in any way, and we and Franchisor shall not be construed to be jointly liable for any of your acts or omissions under any circumstances. **WE AND FRANCHISOR HAVE NO RELATIONSHIP WITH YOUR EMPLOYEES, AND YOU HAVE NO RELATIONSHIP WITH OUR OR FRANCHISOR'S EMPLOYEES.**

19.3. Joint Employer or Implied Employment Relationship. This Agreement shall not create any employment relationship between us or Franchisor, on the one hand, and you or any of your Owners, on the other hand, or your personnel, employees or any independent contractor hired by you. **YOU AND YOUR OWNERS ASSUME ALL OBLIGATIONS AND RESPONSIBILITIES WITH RESPECT TO THEIR RESPECTIVE EMPLOYEES UNDER LOCAL LABOR OR SOCIAL SECURITY LAWS AND ALL OTHER APPLICABLE LAWS.**

19.4. Construction. The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days.

19.5. Amendments and Modifications. This Agreement may be amended or modified only by a written document signed by each party to this Agreement. The Manuals and any policies, including the FADS System, that we or Franchisor adopt and implement may be changed by us or Franchisor from time to time without your consent.

19.6. Third Party Beneficiaries. YOU AND WE ACKNOWLEDGE AND AGREE THAT WE ARE GRANTING TO YOU A LICENSE TO USE FRANCHISOR'S MARKS AND FADS SYSTEM. AS SUCH, YOU AND WE ACKNOWLEDGE AND AGREE THAT FRANCHISOR AND FRANCHISOR'S AFFILIATES ARE EXPRESSLY INTENDED TO BE THIRD PARTY BENEFICIARIES OF EACH AND EVERY PROVISION OF THIS AGREEMENT, WITH FULL RIGHTS AND REMEDIES TO INDEPENDENTLY ENFORCE THIS AGREEMENT.

19.7. Waiver. Any term or condition of this Agreement may be waived at any time by the party which is entitled to the benefit of the term or condition, but such waiver must be in writing. No course of dealing or performance by any party, and no failure, omission, delay, or forbearance by any party, in whole or in part, in exercising any right, power, benefit, or remedy, will constitute a waiver of such right, power, benefit, or remedy. Our waiver of any particular default does not affect or impair our rights with respect to any subsequent default you may commit. Our waiver of a default by another Franchised Studio does not affect or impair our right to demand

your strict compliance with the terms of this Agreement. We have no obligation to deal with similarly situated Franchised Studios in the same manner. Our acceptance of any payments due from you does not waive any prior defaults.

19.8. Survival. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement will survive such expiration, termination, or Transfer, including, but not limited to, **Section 8** (Intellectual Property), **Section 10** (Confidentiality), **Section 12** (Your Covenants), **Section 17** (Indemnification), **Section 19** (General Provisions) and **Section 20** (Dispute Resolution).

19.9. Severability. Each provision of this Agreement is severable from the others. If any provision of this Agreement or any of the documents executed in conjunction with this Agreement is for any reason determined by a court to be invalid, illegal, or unenforceable, the invalidity, illegality, or unenforceability will not affect any other remaining provisions of this Agreement or any other document. The remaining provisions will continue to be given full force and effect and bind us and you.

19.10. Counterparts. This Agreement may be executed and delivered in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement shall not be binding on either party until it is executed by all Parties.

19.11. Force Majeure. Neither of the Parties will be liable for loss or damage or deemed to be in breach of this Agreement if failure to perform obligations results from: (a) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state or municipal government or a department or agency thereof; (b) acts of God, war or terror; and (c) acts or omissions of a similar event or cause. However, such delays or events do not excuse payments of amounts owed at any time.

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

19.13. Timely Performance Crucial. Time is of the essence in this Agreement.

19.14. Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be given by one of the following methods of delivery: (i) personally; (ii) by certified or registered mail, postage prepaid; (iii) by overnight delivery service; (iv) by electronic mail; or (v) by facsimile (if the sender receives machine confirmation of successful transmission). Notices to you will be sent to the address set forth on **Exhibit A**. Notices to us or Franchisor must be sent to:

If to Area Franchisor:

New York Dance Enterprises, Inc.
4362 Northlake Boulevard, Suite 217
Palm Beach Gardens, Florida 33410
Attn: President
Fax: (561) 799-5903
E-mail: AMartin@fredastaire.com

If to Franchisor:

FADS USA, Inc.
151 Hazard Avenue, Suite 12-13
Enfield, Connecticut 06082
Attn: Legal Department
Fax: (413) 565-2298
E-mail: legal@fredastaire.com

Area Franchisor, Franchisee and Franchisor may change its mailing address or facsimile number by giving the written notice to the others. Notices will be deemed received the same day when delivered personally or via electronic mail, upon attempted delivery when sent by registered or certified mail or overnight delivery service or the next business day when sent by facsimile.

19.15. Criminal or Civil Penalties. No Party shall engage in any activity that would expose the other Party to a risk of criminal or civil penalties under Applicable Law.

19.16. Successors and Assigns. Except as expressly provided otherwise herein, this Agreement is binding upon, and will inure to, the benefit of the parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

19.17. Dispute Resolution. You (and your Owners) agree that you (and your Owners) must participate in any mediation proceedings between or involving you (and your Owners) and us, Franchisor, any other Franchised Studio and any area business pursuant to **Section 20** (Dispute Resolution).

19.18. Exercise of Business Judgment. Franchisor has the right, in Franchisor's sole judgment, to operate, develop and change the FADS System in any manner that is not specifically prohibited by this Agreement. Whenever we or Franchisor has reserved in this Agreement a right to take or withhold an action, or to grant or decline to grant you a right to take or omit an action, we or Franchisor may, except as otherwise specifically provided in this Agreement, make such a decision or exercise such rights based on the information readily available to us or Franchisor and our or Franchisor's judgment of what is in our or Franchisor's best interests at the time our or Franchisor's decision is made, regardless of whether we or Franchisor could have made other reasonable or even arguably preferable alternative decisions or whether our or Franchisor's decision or the action we or Franchisor take promotes our or Franchisor's financial or other individual interest.

19.19. Varying Standards. Because complete and detailed uniformity under many varying conditions may not be possible or practical, we and Franchisor specifically reserve the right and privilege, in our or Franchisor's sole and absolute discretion and as we or Franchisor may

deem in the best interests of all concerned in any specific instance, to vary standards and license agreement provisions for any franchisee or prospective franchisee based upon the peculiarities of a particular location or circumstance, density of population, business potential, population or trade area, existing business practices, or any other condition which we or Franchisor deem to be of importance to the successful operation of such Franchised Studio's business. You will not have the right to complain about a variation from standard specifications and practices granted to any other Franchised Studio and will not be entitled to require us or Franchisor to grant you a like or similar variation.

19.20. Additional or Inconsistent Terms. The Parties may provide additional terms by including the terms on **Exhibit A**. To the extent that any provisions of **Exhibit A** are in direct conflict with the provisions of this Agreement, the provisions of **Exhibit A** shall control.

20. DISPUTE RESOLUTION

20.1. Mandatory Mediation. We, you and your Owners acknowledge that during the Term of this Agreement disputes may arise between the Parties that may be resolvable through mediation. To facilitate such resolution, we, you and your Owners agree that, prior to filing any judicial proceeding, except injunctive and related relief as provided in this **Section 20**, each party shall submit the dispute between them for non-binding mediation at a mutually agreeable location. If we, you and your Owners cannot agree on a location, the mediation will be conducted in the city where our then current headquarters is located. The mediation will be conducted under the “Fast Track Mediation Rules” of the International Institute for Conflict Prevention and Resolution (the “**CPR Institute**”). The mediator shall be selected by the CPR Institute. We, you and your Owners agree that statements made by us, you, your Owners or any other party in any such mediation proceeding will not be admissible in any future litigation, arbitration or other legal proceeding. Each party shall bear its own costs and expenses of conducting the mediation and share equally the costs of any third parties who are required to participate in the mediation. It is the intent of the parties that any dispute between the parties be resolved through mediation within fifteen (15) days following the appointment of the mediator. The mediation obligations of this **Section 20.1** shall not apply to claims by either party relating to the Marks, the non-payment or underpayment of any monies due under this Agreement (including claims for lost profits), the noncompetition covenants or requests for temporary restraining orders, preliminary injunctions or other procedures in a court of competent jurisdiction to obtain interim relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending the resolution of the actual dispute.

20.2. Governing Law. UNLESS OTHERWISE REQUIRED BY APPLICABLE LAW, THIS AGREEMENT AND OUR RELATIONSHIP WITH YOU AND YOUR OWNERS ARE GOVERNED BY THE LAW OF THE STATE WHERE OUR THEN CURRENT HEADQUARTERS IS LOCATED WITHOUT REGARD TO ITS CONFLICT OF LAWS PROVISIONS OR RULES. REFERENCES TO ANY LAW OR REGULATION ALSO REFER TO ANY SUCCESSOR LAWS OR REGULATIONS AND ANY IMPLEMENTING REGULATIONS FOR ANY STATUTE, AS IN EFFECT AT THE RELEVANT TIME. REFERENCES TO A GOVERNMENTAL AGENCY ALSO REFER TO ANY SUCCESSOR REGULATORY BODY THAT SUCCEEDS TO THE FUNCTION OF SUCH AGENCY.

20.3. Jurisdiction. UNLESS OTHERWISE REQUIRED BY APPLICABLE LAW, YOU, YOUR OWNERS AND WE CONSENT AND IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION LOCATED IN SUCH STATE OR FEDERAL COURT CLOSEST TO OUR THEN CURRENT HEADQUARTERS. YOU, YOUR OWNERS AND WE WAIVE ANY OBJECTION TO THE JURISDICTION AND VENUE OF SUCH COURTS. NOTWITHSTANDING THE FOREGOING, WE MAY BRING AN ACTION FOR A TEMPORARY RESTRAINING ORDER OR FOR TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF, OR TO ENFORCE AN ARBITRATION AWARD, IN ANY FEDERAL OR STATE COURT IN THE STATE IN WHICH YOU OR YOUR OWNERS RESIDE, YOUR STUDIO IS LOCATED OR YOUR OWNERS RESIDE.

20.4. Our Right to Injunctive Relief. Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You and your Owners agree that we will not be required to prove actual damages or post a bond in excess of \$1,000 or other security in seeking or obtaining injunctive relief (both preliminary and permanent) or specific performance with respect to this Agreement.

20.5. Waiver of Jury Trial. YOU, YOUR OWNERS AND WE EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER YOU, YOUR OWNERS OR US.

20.6. Waiver of Punitive Damages. EXCEPT WITH RESPECT TO INDEMNIFYING THE OTHER PARTY PURSUANT TO THE TERMS OF THIS AGREEMENT FOR CLAIMS OF OTHERS SEEKING TO RECOVER PUNITIVE OR EXEMPLARY DAMAGES, AND EXCEPT FOR CLAIMS FOR UNAUTHORIZED USE OF THE MARKS OR MISAPPROPRIATION OR CONVERSION OF ANY CONFIDENTIAL INFORMATION, WE, YOU AND YOUR OWNERS WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN YOU OR YOUR OWNERS AND US, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL OR DIRECT DAMAGES HE, SHE OR IT SUSTAINS.

20.7. Limitation of Claims. EXCEPT FOR CLAIMS ARISING FROM (A) YOUR NON-PAYMENT OF AMOUNTS DUE UNDER THIS AGREEMENT (INCLUDING CLAIMS FOR LOST PROFITS); (B) ENFORCEMENT OF OUR AUDIT OR INSPECTION RIGHTS UNDER **SECTION 11.1** AND **SECTION 11.2**; (C) ENFORCEMENT OF THE RESTRICTIVE COVENANTS CONTAINED IN **SECTION 12** (YOUR COVENANTS); OR (D) ENFORCEMENT OF THE CONFIDENTIALITY COVENANTS CONTAINED IN **SECTION 10** (CONFIDENTIAL INFORMATION), ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR OUR AND FRANCHISOR'S RELATIONSHIP WITH YOU AND YOUR OWNERS WILL BE BARRED UNLESS A PROCEEDING IS COMMENCED WITHIN ONE (1) YEAR FROM THE DATE ON WHICH THE PARTY

ASSERTING SUCH CLAIM KNEW, OR SHOULD HAVE KNOWN, OF THE FACTS GIVING RISE TO SUCH CLAIM(S).

20.8. Damages for Intellectual Property Infringement. If you or your Owners violate Franchisor's or Franchisor's affiliate's rights to the Intellectual Property under any Applicable Law, Franchisor's right to injunctive relief will not preclude a recovery of money damages from you or your Owners as provided by Applicable Law.

20.9. No Class or Group Actions. YOU AND YOUR OWNERS AGREE THAT FOR THE FADS SYSTEM TO FUNCTION PROPERLY WE AND FRANCHISOR CANNOT BE BURDENED WITH THE COSTS OF LITIGATING NETWORK-WIDE DISPUTES. YOU AND YOUR OWNERS AGREE THAT ANY DISPUTE BETWEEN YOU, YOUR OWNERS AND US OR FRANCHISOR IS UNIQUE AS TO ITS FACTS, MUST BE RESOLVED ON AN INDIVIDUAL BASIS AND THAT YOU OR YOUR OWNERS NOT INSTITUTE, JOIN OR PARTICIPATE IN ANY CLASS OR GROUP ACTION AGAINST US, FRANCHISOR OR FRANCHISOR'S AFFILIATES.

20.10. Attorneys' Fees and Costs.

20.10.1. You Reimburse Us. You and your Owners agree to reimburse us or Franchisor for all expenses we or Franchisor reasonably incur (including reasonable accountants' and attorneys' fees and court costs): (i) to enforce the terms of this Agreement or any obligation owed to us or Franchisor by you or your Owners (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in such court or formal legal proceeding); and (ii) in the defense of any claim you or the Owners assert against us on which we or Franchisor substantially prevail in court or other formal legal proceedings.

20.10.2. We Reimburse You. We or Franchisor agree to reimburse you or your Owners for all expenses you or your Owners reasonably incur (including reasonable accountants' and attorneys' fees and court costs): (a) to enforce the terms of this Agreement or any obligation owed to you or your Owners by us or Franchisor (whether or not you initiate a legal proceeding, unless you or your Owners initiate and fail to substantially prevail in such court or formal legal proceeding); and (b) in the defense of any claim we or Franchisor assert against you or your Owners on which you or your Owners substantially prevail in court or other formal legal proceedings.

- Signature Pages Follow -

IN WITNESS WHEREOF, the Parties hereto have executed this Fred Astaire Dance Studios® Subfranchise Agreement as of the dates written below and effective as of the Effective Date.

AREA FRANCHISOR

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Title: _____

Date: _____

FRANCHISEE

If Entity:

Name of Entity

Signature

Name: _____

Title: _____

Date: _____

If Individual(s):

Signature

Name: _____

Date: _____

Signature

Name: _____

Date: _____

OWNER(S)

_____, individually

_____, individually

**EXHIBIT A
TO THE
SUBFRANCHISE AGREEMENT**

FRANCHISEE SPECIFIC INFORMATION

1. Franchise Agreement Effective Date: _____

2. Franchisee Name: _____

3. Franchisee State of Incorporation/Organization: _____

4. Ownership of Franchisee:

If the franchisee is one or more individual persons, the following individual persons constitute all of the owners of franchisee:

Name	Ownership Percentage

If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a legal interest in the franchisee:

Name	Ownership Percentage

If the franchisee is an Entity (as defined in the Agreement), the following persons constitute all of the owners of a beneficial interest in the franchisee:

Name	Legal Owner Name	Ownership Percentage in Legal Owner

5. Franchise Fee: _____

6. Location Selection Area: _____

7. Anticipated Opening Date: _____

8. Operating Principal:_____

9. Key Manager:_____

10. Opening Deadline:_____

11. Address, E-Mail Address and Fax Number for Notices to Franchisee:

12. Address, E-mail Address and Fax Number for Notices to Ownership:

13. Additional and/or Inconsistent Terms to the Agreement (if any):

- Signature Pages to this Exhibit A Follow -

**SIGNATURE PAGE TO
EXHIBIT A TO SUBFRANCHISE AGREEMENT**

AREA FRANCHISOR

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Title: _____

Date: _____

FRANCHISEE

If Entity:

Name of Entity

Signature

Name: _____

Title: _____

Date: _____

If Individual(s):

Signature

Name: _____

Date: _____

Signature

Name: _____

Date: _____

**SCHEDULE 1 TO EXHIBIT A TO THE
SUBFRANCHISE AGREEMENT**

FRANCHISEE LOCATION INFORMATION

1. Location: The Location's address is:

2. Territory:

The Territory referred to in the Agreement is the geographic area described above and identified in the map attached as **Schedule 1-A**.

Area Franchisor and Franchisee agree that, effective on the later of the dates specified below on this **Schedule 1**, (i) the address listed above under "Location" is the Location pursuant to **Section 2.4** (Location) and **Section 6.3** (Location Selection) of the Agreement; and (ii) the area listed above under "Territory" is the Territory pursuant to **Section 2.5** (Definition of Territory) of the Agreement.

AREA FRANCHISOR

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Date: _____

FRANCHISEE

If Entity:

If Individual(s):

Name of Entity

Signature

Signature

Name: _____

Name: _____

Date: _____

Title: _____

Signature

Date: _____

Name: _____

Date: _____

**SCHEDULE 1-A TO EXHIBIT A TO THE
SUBFRANCHISE AGREEMENT**

TERRITORY MAP

**SCHEDULE 2 TO EXHIBIT A TO THE
SUBFRANCHISE AGREEMENT**

FRANCHISEE YEAR 1 PERFORMANCE STANDARD CALCULATION

1. Opening Date: _____

2. Number of Days in Year 1: _____

The number of days (i) is based on a 365-day year, regardless of whether the current calendar year actually contains 366; and (ii) includes both the Opening Date and December 31.

3. Calculation:

\$149,650 ÷ 365 = \$410

\$410 x [Number of Days] = _____

4. Year 1 Performance Standard: _____

Area Franchisor and Franchisee agree that, effective on the later of the dates specified below on this **Schedule 2**, the Gross Revenue amount listed under “Year 1 Performance Standard” is the Year 1 Performance Standard pursuant to **Section 2.8** (Performance Standards) of the Agreement.

AREA FRANCHISOR

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Date: _____

FRANCHISEE

If Entity:

Name of Entity

Signature

Name: _____

Title: _____

Date: _____

s

If Individual(s):

Signature

Name: _____

Date: _____

Signature

Name: _____

Date: _____

**EXHIBIT B TO THE
SUBFRANCHISE AGREEMENT**

MARKS

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

Mark	Registration No.	Registration or Application Date	
FRED ASTAIRE DANCE STUDIOS	833115	August 1, 1967	
	2910230	December 14, 2004	
	3121190	July 25, 2006	
ASTAIREWEAR	2952642	May 17, 2005	
SHARE THE EXPERIENCE	3076492	April 4, 2006	
INTEGRITY IN ACTION	3240615	May 8, 2007	
LIFE’S BETTER WHEN YOU DANCE	6165096	Sept. 29, 2020	

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

Fred Astaire

Astaire

For the Love of Dance

Freddy Ball

Trophy Ball

Trophy System

Astaire Pro

Share the Romance, Share the Dance

To Be the Best, Learn from the Best

To Be the Best, Join the Best

Cross Country Dance Championships

A Dance to Remember

Astaire Management Program (AMP)

Fred Astaire Access

[Team Astaire](#)

[One Team, One Dream](#)

[Marriage is Better When You Dance](#)

[The World is Better When You Dance](#)

[Romance is Better When you Dance](#)

[Health is Better When you Dance](#)

**EXHIBIT C TO THE
SUBFRANCHISE AGREEMENT**

PERSONAL PAYMENT AND PERFORMANCE GUARANTY

In consideration of, and as an inducement to, the execution by NEW YORK DANCE ENTERPRISES, INC. (“**Area Franchisor**”) of that certain Fred Astaire Dance Studios® Subfranchise Agreement, effective as of _____, 20__ (as the same from time to time may be amended, modified, extended or renewed, the “**Subfranchise Agreement**”), by and between Area Franchisor and [Franchisee Name] (“**Franchisee**”), the undersigned (the undersigned, collectively, the “**Guarantor**”), for (i) the term of the Subfranchise Agreement, and any extension or renewal thereof, and (ii) after the Term of the Subfranchise Agreement until all obligations of Franchisee to Area Franchisor, FADS USA, Inc. (“**Franchisor**”) and Franchisor’s affiliates under the Subfranchise Agreement have been satisfied, does hereby jointly and severally, personally, absolutely and unconditionally covenant and agree as follows:

Section 1. Guarantor jointly and severally, absolutely and unconditionally guarantees to Area Franchisor, Franchisor and Franchisor’s affiliates: (a) the full and punctual payment of all sums payable by Franchisee to Area Franchisor, Franchisor and Franchisor’s affiliates, when and as the same shall become due and payable; and (b) the full and prompt performance and observance by Franchisee of each and all of the covenants and agreements required to be performed or observed by Franchisee, whether direct or indirect, absolute or contingent, of every kind and nature, whether now existing or incurred from time to time hereafter, whether incurred pursuant to the Subfranchise Agreement, any development or other agreement, any promissory note or otherwise (collectively, the “**Agreements**”), together with any extension, renewal, or modification thereof in whole or in part (all of the foregoing collectively referred to as the “**Guaranteed Obligations**”).

For the sake of clarity, and not by way of limitation or exclusion, (i) the Guarantor acknowledges, understands and agrees that the provisions of **Section 8** (Intellectual Property), **Section 10** (Confidentiality), **Section 11** (Audits and Inspections), **Section 12** (Your Covenants), **Section 16** (Your Obligations Upon Termination or Expiration) and **Section 17** (Indemnification) of the Subfranchise Agreement are Guaranteed Obligations; and (ii) the Guarantor represents and warrants to Area Franchisor, Franchisor and Franchisor’s affiliates that the Guarantor was provided a copy of the Subfranchise Agreement and has read and understood the foregoing provisions of the Subfranchise Agreement. Guarantor further acknowledges, understands and agrees that the Guarantor will comply with the Guaranteed Obligations, including, without limitation, the aforementioned articles, as though the Guarantor was the “Franchisee” named in the Subfranchise Agreement.

The Guarantor agrees to take any and all actions as may be necessary and/or appropriate to cause Franchisee to comply with the Agreements and the Guaranteed Obligations, and the Guarantor agrees not to take any action that would cause Franchisee to be in breach of the Agreements.

Section 2. It is the intent of the Guarantor that this Guaranty is a guaranty of payment and performance and not merely one of collection. Guarantor agrees that its obligations hereunder shall

be binding upon Guarantor and its respective heirs, personal representatives, successors and assigns and shall remain in full force and effect irrespective of:

(a) any modification, amendment, renewal, extension, assignment or other alteration of the Agreements, or any release by Area Franchisor, Franchisor or Franchisor's affiliates of any other party liable for the Guaranteed Obligations;

(b) any failure or lack of diligence in collection or protection, failure in presentment or demand, protest, notice of protest, notice of default and of nonpayment, any failure of notice of acceptance of this Guaranty, any failure to give notice of failure of Franchisee or any other person or entity to keep and perform any covenant or agreement under the terms of the Agreements, or failure to resort, for payment, to Franchisee or to any other guarantor or other rights or remedies, and Guarantor hereby expressly waives all of the foregoing;

(c) any defense that Franchisee or any other person or entity might have by reason of any action in bankruptcy or other statutory or common law proceedings for debtor relief by Franchisee or any other guarantor to the payment of the Guaranteed Obligations (other than payment thereof), or to the performance or observance of any provisions of any of the Agreements; and

(d) any act or failure to act with regard to the Agreements or any of the Guaranteed Obligations or anything which might vary the risk of Guarantor; provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty that the Guaranteed Obligations of Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except by the payment and performance of all Guaranteed Obligations when due.

Section 3. Guarantor agrees to indemnify and hold Area Franchisor, Franchisor and Franchisor's affiliates harmless for any loss, liability, damage or expense (including reasonable attorney's fees, court costs and expenses) arising from (i) the failure of Franchisee to perform the Guaranteed Obligations; and/or (ii) the enforcement of this Guaranty against Guarantor. Upon Franchisee's default under the Agreements and, within five (5) business days after notice from Area Franchisor, Franchisor or Franchisor's affiliates, Guarantor shall pay or perform the Guaranteed Obligations in default, as applicable, without offset, deduction or counterclaim.

Section 4. Guarantor waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever, including without limitation notices of acceptance hereof, of the existence or creation of any Guaranteed Obligations, of the amounts and terms thereof, of all defaults, disputes, or controversies between Area Franchisor, Franchisor or Franchisor's affiliates and Franchisee and of the settlement, compromise, or adjustment thereof. Guarantor specifically waives any rights that may be conferred upon Guarantor as a guarantor or surety under the applicable law of any state. This Guaranty is primary and not secondary and will be enforceable without Area Franchisor, Franchisor or Franchisor's affiliates having to proceed first against Franchisee or against any or all of the Guarantors or against any other security for the Guaranteed Obligations. Area Franchisor, Franchisor and Franchisor's affiliates shall not be required to pursue any remedies that it may have

against Franchisee or other parties as a condition to the enforcement of this Guaranty, it being intended that Guarantor's obligations under this Guaranty shall be independent of, and in addition to, the Guaranteed Obligations. It is understood that Guarantor may be joined in any action against Franchisee and that recovery may be had against Guarantor in such action, or in any independent action of Guarantor. The remedies provided herein shall be nonexclusive and cumulative of all other rights, powers and remedies provided under the Subfranchise Agreement or by law or in equity.

Section 5. Until all Guaranteed Obligations of Franchisee to Area Franchisor, Franchisor and Franchisor's affiliates have been satisfied, this Guaranty of the Guaranteed Obligations shall remain in full force and effect. If at any time payment of any of the Guaranteed Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Franchisee, the obligations of Guarantor with respect to such payment shall be reinstated at such time as though such payment had not been made. The Guarantor expressly acknowledges that the Guaranteed Obligations hereunder may survive the termination of the Agreements.

Section 6. Guarantor agrees that this Guaranty shall be a continuing guaranty and shall inure to the benefit of and may be enforced by Area Franchisor, Franchisor and Franchisor's affiliates and any assignee of Area Franchisor, Franchisor or Franchisor's affiliates. Guarantor hereby consents to any assignment or transfer of the Agreements without notice. Guarantor agrees this Guaranty shall be binding upon and enforceable against Guarantor and its respective heirs, personal representatives, successors and assigns.

Section 7. No delay or failure on the part of Area Franchisor, Franchisor or Franchisor's affiliates in the exercise of any right or remedy will operate as a waiver thereof, and no single or partial exercise by Area Franchisor, Franchisor or Franchisor's affiliates of any right or remedy will preclude other further exercise of such right or any other right or remedy. Area Franchisor's, Franchisor's or Franchisor's affiliates' failure to enforce all or any portion of its rights under this Guaranty shall not constitute a waiver of its ability to do so at any point in the future.

Section 8. The Guarantor represents and agrees that the Guarantor has received and reviewed a copy of the Agreements, including the Subfranchise Agreement, and has had the opportunity to consult with counsel to understand the meaning and import of the Agreements, including the Subfranchise Agreement, and this Guaranty.

Section 9. **Section 20** (Dispute Resolution) of the Subfranchise Agreement is hereby incorporated herein by reference and will be applicable to any and all disputes between Guarantor and Area Franchisor, Franchisor or Franchisor's affiliate. Guarantor acknowledges, understands and agrees that the Guarantor will comply with the provisions of **Section 20** (Dispute Resolution) of the Subfranchise Agreement, as though the Guarantor was the "Franchisee" named in the Subfranchise Agreement. Guarantor further acknowledges that the Guarantor was provided a copy of the Subfranchise Agreement and has read and understood the foregoing provision of the Subfranchise Agreement.

Nothing in this Guaranty is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant”, unfair competition, fiduciary or other doctrine of law of any state, which would not otherwise apply. Any litigation initiated under this Guaranty shall be instituted exclusively at Area Franchisor’s, Franchisor’s or Franchisor’s affiliates’ discretion in the most immediate state judicial district and court encompassing Area Franchisor’s headquarters and having subject matter jurisdiction thereof or the United States District Court encompassing Area Franchisor’s headquarters. Guarantor expressly agrees that Guarantor is subject to the jurisdiction and venue of those courts for purposes of such litigation. Guarantor hereby waives and covenants never to assert any claim that Guarantor is not subject to personal jurisdiction in those courts or that venue in those courts is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*).

Section 10. To the fullest extent permitted by law, Guarantor also waives all rights to a trial by jury in any action related to this Guaranty. If this Guaranty is enforced by suit or otherwise or if Area Franchisor, Franchisor or Franchisor’s affiliates exercise any of its remedies under the Agreements, Guarantor shall reimburse Area Franchisor, Franchisor or Franchisor’s affiliates, upon demand, for all reasonable expenses incurred in connection therewith, including reasonable attorneys’ fees, court costs and expenses.

Guarantor (or each Guarantor if multiple Guarantors) represents and warrants that he, she or it has the legal right and capacity to execute this Guaranty, and Guarantor (or each Guarantor if multiple) waives the benefit of Guarantor’s homestead exemption. If multiple Guarantors, the obligations of each Guarantor shall be joint and several. The release of any one or more Guarantors shall not affect the liability of any remaining Guarantor not expressly released. Area Franchisor, Franchisor and Franchisor’s affiliates may proceed against one or more Guarantors without releasing the remaining Guarantors.

- Signature Pages Follow -

IN WITNESS WHEREOF, the undersigned Guarantor have caused this Personal Payment and Performance Guaranty to be duly executed as of the day and year first written above.

Name: _____

Date: _____

Name: _____

Date: _____

Name: _____

Date: _____

Name: _____

Date: _____

[To Be Signed by All Owners/Individual Franchisees and Their Spouses]

**EXHIBIT D1 TO THE
SUBFRANCHISE AGREEMENT**

FRANCHISOR'S ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Taxpayer Name:_____

Federal Employer Identification Number:_____

Address:_____

Telephone Number:_____

The undersigned hereby authorizes FADS USA, Inc. (f/k/a Megadance USA Corp.), its parent company or any affiliated entity (collectively, "FADS"), to initiate weekly account clearing house ("ACH") debit entries against the bank account described as follows:

Financial Institution Name:_____

Financial Institution Address:_____

Account Name:_____

Account Number:_____ **Routing Number:**_____

Type of Account (circle one): CHECKING SAVINGS

***** ATTACH A VOIDED CHECK OR OTHER ACCOUNT VERIFICATION *****

The undersigned authorizes FADS to initiate weekly debit entries (withdrawals) on the bank account at the financial institution identified above. Payments will be made by ACH debit entries in payment of amounts for amounts that become payable by the undersigned to FADS under the Subfranchise Agreement. The dollar amount to be debited per payment will vary.

Subject to the provisions of this authorization, you are hereby directed to honor any such ACH debit entry initiated by FADS. This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by me/us on behalf of the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this authorization. Please honor ACH debit entries initiated in accordance with the terms of this authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

AUTHORIZED BY:_____

NAME:_____

TITLE:_____

DATE:_____

**EXHIBIT D2 TO THE
SUBFRANCHISE AGREEMENT**

SUB-FRANCHISOR'S ELECTRONIC TRANSFER OF FUNDS AUTHORIZATION

Taxpayer Name:_____

Federal Employer Identification Number:_____

Address:_____

Telephone Number:_____

The undersigned hereby authorizes New York Dance Enterprises, Inc. or any affiliated entity (collectively, "Sub-Franchisor"), to initiate weekly account clearing house ("ACH") debit entries against the bank account described as follows:

Financial Institution Name:_____

Financial Institution Address:_____

Account Name:_____

Account Number:_____ **Routing Number:**_____

Type of Account (circle one): CHECKING SAVINGS

***** ATTACH A VOIDED CHECK OR OTHER ACCOUNT VERIFICATION *****

The undersigned authorizes Sub-Franchisor to initiate weekly debit entries (withdrawals) on the bank account at the financial institution identified above. Payments will be made by ACH debit entries in payment of amounts for amounts that become payable by the undersigned to Sub-Franchisor under the Subfranchise Agreement. The dollar amount to be debited per payment will vary.

Subject to the provisions of this authorization, you are hereby directed to honor any such ACH debit entry initiated by Sub-Franchisor. This authorization is binding and will remain in full force and effect until 90 days prior written notice has been given to you by me/us on behalf of the undersigned. The undersigned is responsible for, and must pay on demand, all costs or charges relating to the handling of ACH debit entries pursuant to this authorization. Please honor ACH debit entries initiated in accordance with the terms of this authorization, subject to there being sufficient funds in the undersigned's account to cover such ACH debit entries.

AUTHORIZED BY:_____

NAME:_____

TITLE:_____

DATE:_____

**EXHIBIT E TO THE
SUBFRANCHISE AGREEMENT**

FTC MODIFIED ORDER

FTC ORDER

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

COMMISSIONERS:

Daniel Oliver, Chairman
Terry Calvani
Mary L. Azcuenaga
Andrew J. Strenio, Jr.
Margot E. Machol

_____	)	
In the Matter of	)	
	)	Docket No. 8560
RONBY CORPORATION, et al.	)	

ORDER MODIFYING ORDER TO CEASE AND DESIST

The Commission on January 26, 1989, issued its order to show cause why this proceeding should not be reopened and its order of March 12, 1964 (“the Commission order of 1964”), modified.

Ronby Corporation, Chester F. Casanave and Charles L. Casanave having consented to the reopening of this proceeding, to being added as parties respondent thereunder and to the modification of the Commission order of 1964, as set forth in the show cause order, and the Commission having placed the show cause order on the public record for thirty (30) days and no comments having been filed by interested Persons,

NOW, THEREFORE, IT IS HEREBY ORDERED that the Commission order of 1964 be, and it hereby is, modified as follows:

1. by inserting a Roman numeral one (I) before the It is ordered preamble of the 1964 order;
2. by substituting revised language in the It is ordered preamble of the 1964 order, as provided below;
3. by substituting revised language in numbered paragraphs 1., 4., 5., 6., 7. and 9. of the newly designated Part I of the order, as provided below;
4. by deleting paragraphs 3. and 8. thereof;
5. by renumbering paragraphs 4., 5., 6., 7. and 9. thereof as paragraphs 3., 4., 5., 6. and 7., respectively; and

6. by adding new Parts II, III, IV, V, VI and VII, as provided below.

IT IS FURTHER ORDERED that RONBY CORPORATION, a corporation, CHESTER F. CASANAVE and CHARLES L. CASANAVE be, and they hereby are, joined as respondents in this matter.

IT IS FURTHER ORDERED, that this matter be styled as The Matter of RONBY CORPORATION, et al.

ORDER I

IT IS ORDERED that respondents RONBY CORPORATION, a corporation, and CHESTER F. CASANAVE and CHARLES L. CASANAVE, individually, and as officers of said corporation, their successors and assigns, and their officers, agents, representatives, and employees, directly or through any area franchisor, franchise, or licensee, or any corporate or other device, in connection with the solicitation, advertising or sale of any dance instruction or dance instruction service in or affecting commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. representing, directly or by implication, that a course of dancing instruction or a specified number of dancing lessons, or a dance instruction service or any other service or thing of value, will be furnished, unless the period or periods of bona fide dancing instruction or other service or thing of value is in fact furnished as represented;
2. refusing to honor the terms and provisions of any offer or promise;
3. requesting any student or prospective student to sign an uncompleted contract or agreement, or misrepresenting to any student or prospective student what is or will be due or payable;
4. using in any single day “relay salesmanship,” that is consecutive sales talks or efforts of more than one representative, with or without the employment of hidden listening devices, to induce the purchase of dancing instructions;
5. representing in any manner that a dancing instructor job is obtainable at a studio where the purpose of such a representation is to induce an applicant to purchase a course of instruction, or misrepresenting what such an instructor will be paid;
6. falsely assuring or representing to any student or prospective student that a given course of dancing instruction will enable him or her to achieve a given standard of dancing proficiency;
7. using any technique or practice similar to those set out in paragraphs 3 through 6 hereof to mislead, coerce, or induce by other unfair or deceptive means the purchase of dance instruction or dance instruction service.

ORDER II

IT IS FURTHER ORDERED, that respondents RONBY CORPORATION, a corporation, its successors and assigns, and its officers, agents, representatives and employees, directly or through any area franchisor, franchisee, or license, or any corporate or other device, in connection with the solicitation, advertising or sale of any dance instruction service in commerce, as “commerce” is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. failing to disclose, clearly and conspicuously, in each dance instruction contract or dance instruction service contract, the following statement:

DEFINITIONS

For purposes of this contract the following definitions apply:

“Total contract price” shall mean the total cash price paid or to be paid by the student or prospective student for the dance instruction or dance instruction service which is the subject of the contract or written agreement.

“Notice of cancellation” shall be deemed to have been provided by a student or prospective student by mailing or delivering to the studio a written notification canceling the contract or written agreement.

“Reasonable and fair service fee” shall mean no more than 10% of the total contract price for contracts of up to \$1,000. For contracts over \$1,000, “reasonable and fair service fee” shall mean no more than \$100 plus an amount equal to 5% of the contract price over \$1,000. “Reasonable and fair service fee” shall not be exceed \$250 in total.

“Dance instruction service” shall mean any service or a thing of value, including a contest or a competition, other than dance instruction, sold, organized, sponsored or promoted by any dance studio, or by its employee or agent, including any Person or organization associated or affiliated with the franchise operation, franchisee, employee or agent.

STUDENT CANCELLATION AND REFUND RIGHT

You, the student, have the right to cancel this contract at any time by a notice in writing mailed or delivered to the studio. If the studio refuses or fails to give you the refund, or the studio closes, you should mail a copy of the cancellation notice to the area franchisor whose full name and address are _____

and to Ronby Corporation, the national licensor of the trade name Fred Astaire Dance Studios, at 11945 Southwest 140th Terrace, Miami, Florida 33186. No special format or notarization is necessary.

THIS CONTRACT IS INVALID IF THE FULL NAME AND ADDRESS OF THE AREA FRANCHISOR ARE NOT PROVIDED.

If this agreement is cancelled within three (3) business days, the studio will refund within not more than thirty (30) days all payments made under the agreement.

After three (3) business days, the studio will only charge you for the dance instruction and dance instruction service received under the agreement, or prearranged but not attended before the day you cancel, plus a reasonable and fair service fee, as defined above, and refund the balance in three (3) equal monthly installments, within not more than ninety (90) days.

provided, however, that a departure from this exact language* to afford a greater right to a student than any right under this order, or to correctly provide the name and address of the national licensor or its equivalent, shall not be deemed a violation of this requirement of the order.

2. a. entering into a contract or other written agreement for any dance instruction or dance instruction service unless the contract or other written agreement contains the definitions, terms and conditions recited in paragraph 1., above, in the exact language mandated by said paragraph and unless the contract or written agreement discloses clearly and conspicuously the rate charged per lesson for each type of dance instruction selected and the length of each lesson;

b. failing to refund a student or prospective student who cancels any contract or written agreement within three (3) business days from the date on which the contract or written agreement was executed all payments made by the student or prospective student. Such refunds shall be provided, and any evidence of indebtedness cancelled and returned, within thirty (30) days after receiving notice of cancellation.

c. receiving, demanding, or retaining more than a pro rata portion of the total contract price plus a reasonable and fair service fee where a student or prospective student cancels any contract or written agreement after three (3) business days from the date on which the contract or written agreement was executed and within the Term of the said contract or written agreement; and failing to refund the balance in three (3) equal monthly installments, within not more than ninety (90) days after receiving notice of cancellation, or failing to cancel that portion of the student's or prospective student's indebtedness that exceeds the amount due;

The pro rata portion shall be calculated in the following manner:

- (1) For the time period preceding notice of cancellation, total the number of hours or lessons of dance instruction that were received, or prearranged but not attended, by the student pursuant to the contract written agreement,
- (2) Divide this number by the total number of hours or lessons of dance instruction which are the subject of the contract or written agreement,
- (3) Apply the resulting percentage against the total contract price.
- (4) For contracts combining a course of dance instruction with dance instruction services, separate prices for the dance instruction and the dance instruction service portions must be designated and the pro rata portion of the total contract price shall be the sum of the separate pro rata obligations for the dance instruction portion and the dance instruction service portion;

provided, however, that the modified order does not create any private right of action against RONBY CORPORATION, CHESTER F. CASANAVE or CHARLES L. CASANAVE, by any student under any student contract.

d. misrepresenting in any manner to any student or prospective student any of the provisions of this consent order.

3. failing to subject any promissory note, instrument or evidence of indebtedness, given by a student pursuant to any contract for dance instruction or dance instruction services, to the students' cancellation and refund rights provided in paragraph 2. above, in such a manner that such student rights are legally binding on any third Person who may acquire any right under any such note, instrument or evidence of indebtedness.

4. attempting to obtain or obtaining from a student a waiver of the student's cancellation or refund right.

5. failing to discontinue dealing with or terminate the use or engagement of any area franchisor who (1) continues, after notice, to engage in a course of conduct of acts or practices prohibited by this modified order, or (2) fails to discontinue dealing with or terminate the use or engagement of any franchisee or licensee who continues, after notice, to engage in a course of conduct of acts or practices prohibited by this modified order;

provided, however, that RONBY CORPORATION and area franchisors may effect such termination in accordance with applicable law.

6. failing to implement, within one hundred twenty (120) days from the date of service of this order, a program of surveillance adequate to reveal whether the business operation of each license or area franchisor conforms to the requirements of the modified order, and failing to maintain records of such surveillance program which shall be made available for inspection and copying to the Commission, upon reasonable notice and at reasonable times.

7. a. failing to deliver a copy of this modified order to each present and future area franchisor and franchisee, with directions that each such Person promulgate and enforce the terms of the modified order in the operations of each studio, including the sales efforts of any independent contractor engaged by the studio for the selling of dance instruction or dance instruction service;

b. failing to obtain from each Person described in subsection 7.a. above, a signed statement setting forth his or her intention to conform his or her business practices to the requirements of this modified order;

c. failing to notify the Commission of the name and address of any Person from whom respondent is unable to obtain such a signed statement; and

d. failing to keep each such agreement for a period of five (5) years after the termination of any such relationship; and failing to transmit to the Commission or its designated staff complete and legible copies of the same within fourteen (14) business days of receiving a request for copies thereof;

ORDER III

IT IS FURTHER ORDERED that respondents RONBY CORPORATION, CHESTER F. CASANAVE and CHARLES L. CASANAVE, shall report the discontinuance of their present business or their affiliation with any other business offering any dance instruction or service, such notice to include a description of respondent's new business or employment; and should either CHESTER F. CASANAVE or CHARLES L. CASANAVE create or become affiliated in any way with any corporation, partnership or other venture or business offering any dance instruction or service, such a corporation, partnership, venture or business shall be bound by the provisions of this modified order.

ORDER IV

IT IS FURTHER ORDERED that respondent RONBY CORPORATION shall notify the Commission at least thirty (30) days prior to any proposed or contemplated reorganization, dissolution, assignment or sale, resulting in the emergence of a successor corporation, the creating or dissolution of a subsidiary or any other change in the corporate structure of such corporate respondent that may affect compliance obligations arising out of this order.

ORDER V

IT IS FURTHER ORDERED that respondents CHESTER F. CASANAVE and CHARLES L. CASANAVE each shall be relieved from any further obligation under Parts I and III of this order upon completely ceasing his involvement with any dance instruction, or dance instruction service, including licensing or franchising of the same, until such time as he resumes such activity in the future.

ORDER VI

IT IS FURTHER ORDERED that respondents RONBY CORPORATION, CHESTER F. CASANAVE and CHARLES L. CASANAVE, within one hundred twenty (120) days after the date of service upon each of them of this order, shall file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with this order.

ORDER VII

IT IS FURTHER ORDERED that respondent RONBY CORPORATION shall file or cause to be filed one (1) year after the date of service of this order a further detailed report on measures undertaken to protect the prepaid moneys of students.

By direction of the Commission, Commissioner Strenio dissenting.

/s/
Donald S. Clark
Secretary

(SEAL)

Issued: April 27, 1989

**EXHIBIT F TO THE
SUBFRANCHISE AGREEMENT**

LEASE RIDER

This Lease Rider (this “**Rider**”) is entered into this _____ day of _____, 20____ by and between NEW YORK DANCE ENTERPRISES, INC. (the “**Company**”), _____ (“**Franchisee**”) and _____ (the “**Landlord**” and, collectively with Company and Franchisee, the “**Parties**”).

WHEREAS, Company and Franchisee are parties to that certain Subfranchise Agreement dated _____, 20____ (including all amendments, exhibits, schedules, addenda, extensions and renewals, the “**Subfranchise Agreement**”);

WHEREAS, the Subfranchise Agreement provides that Franchisee will operate a FRED ASTAIRE DANCE STUDIOS® studio (a “**Studio**”) at a location that Franchisee selects and that the Company accepts;

WHEREAS, Franchisee and Landlord propose to enter into a lease to which this Rider is attached (the “**Lease**”), pursuant to which Franchisee will occupy the premises located at _____

(the “**Premises**”) for the purpose of constructing and operating the Studio in accordance with the Subfranchise Agreement;

WHEREAS, the Subfranchise Agreement provides that, as a condition to Company’s authorizing Franchisee to enter into the Lease, the Parties must execute this Rider; and

WHEREAS, Franchisee and Landlord desire to amend the Lease in accordance with the terms and conditions contained in this Rider.

NOW, THEREFORE, in consideration of the mutual undertakings and commitments set forth in this Rider and in the Subfranchise Agreement, the receipt and sufficiency of which the Parties acknowledge, the Parties agree as follows:

1. During the term of the Subfranchise Agreement, Franchisee will be permitted to use the Premises for the operation of the Studio and for no other purpose.

2. Subject to applicable zoning laws and deed restrictions and to prevailing community standards of decency, Landlord consents to Franchisee’s installation and use of such trademarks, service marks, signs, décor items, color schemes and related components of the FRED ASTAIRE DANCE STUDIOS® system as the Company and Franchisor (as that term is defined in the Subfranchise Agreement) may from time to time prescribe for the Studio. Landlord further consents to Franchisee remodeling, equipping, painting and decorating the Premises to comply with the FRED ASTAIRE DANCE STUDIOS® system pursuant to the Subfranchise Agreement and any successor Subfranchise Agreement.

3. Company, or any agent or representative appointed by Company or Franchisor in writing to act on behalf of Company, will have the right to enter the Premises, without cost, without being guilty of trespass or any other crime or tort and without incurring any liability to Landlord, at any time or from time to time (i) to make any modification or alteration it considers necessary to protect the FRED ASTAIRE DANCE STUDIOS® system and marks, whether such modifications or alterations are made during the term of or upon the expiration or termination of the Lease and/or Subfranchise Agreement; (ii) to cure any default under the Subfranchise Agreement or under the Lease; (iii) upon the expiration or termination of the Lease and/or Subfranchise Agreement, to remove the distinctive elements of the FRED ASTAIRE DANCE STUDIOS® trade dress and all other items identifying the Premises as a Studio; and (iv) in the event Company exercises its option to purchase assets of Franchisee under the Subfranchise Agreement, to remove all such assets being purchased by Company.

4. Company and Landlord will not be responsible to Franchisee for any damages Franchisee might sustain as a result of action Company or Franchisor takes in accordance with Section 3. Company will repair or reimburse Landlord for the cost of any damage to the Premises' walls, floor or ceiling that result from Company's removal of trade dress items and other property from the Premises.

5. In the event there is a default or violation by Franchisee under the terms of the Lease, Landlord agrees to give Franchisee and Company written notice of such default or violation within a reasonable time after Landlord knows of its occurrence. Landlord further agrees to provide Company copies of all letters and notices it sends to Franchisee pertaining to the Lease and the Premises, including, without limitation, notices of default or violations under the Lease, at the same time Landlord sends such letters and notices to Franchisee. Although Company is under no obligation to cure any default, Company will notify Landlord if it intends to cure a default and unilaterally assume Franchisee's interest in the Lease as provided in this Rider. Company will have an additional fifteen (15) calendar days from the expiration of Franchisee's cure period in which to cure any default or violation of Franchisee under the Lease.

6. Upon Franchisee's default and failure to cure a default under the Lease or the Franchise Agreement, Company has the right (but not the obligation) to unilaterally assume Franchisee's interest in the Lease pursuant to Section 7 of this Rider.

7. Franchisee has the right to assign all of its right, title and interest in the Lease to Company or its successor, or any parent or affiliate entity of Company or its successor, at any time during the term of the Lease, including any extensions or renewals, without first obtaining Landlord's consent. No assignment will be effective, however, until Company or its successor, or any designated parent or affiliate entity of Company or its successor, gives Landlord written notice of its acceptance of the assignment. If Company elects to assume the Lease under this Section 7, or unilaterally assumes the Lease as provided for in Section 6 and Section 8 of this Rider, Landlord and Company agree that (i) Company will remain liable for the responsibilities and obligations, including any and all amounts owed to Landlord, prior to the effective date of assignment and assumption of the Lease; and (ii) Company will have the right to sublease the Premises to another Company franchisee, without further need for Landlord approval; provided, however, that the franchisee agrees to operate the Studio as a FRED ASTAIRE DANCE STUDIOS® Studio pursuant

to a franchise agreement with Company. Company will be responsible for the obligations incurred under the Lease after the effective date of assignment and assumption of the Lease. Further, all rights and interests in the Lease that are considered personal to Franchisee shall be considered personal to the Company upon Company's assumption of the Lease under this Section 7.

8. Upon the expiration or termination of the Subfranchise Agreement, Company has the right (but not the obligation) to unilaterally assume Franchisee's interest in the Lease in accordance with Section 7.

9. Notices to the Company must be sent by registered or certified mail, postage prepaid, to the following address:

New York Dance Enterprises, Inc.
4362 Northlake Boulevard, Suite 217
Palm Beach Gardens, Florida 33410
Attn: President
Fax: (561) 799-5903
E-mail: AMartin@fredastaire.com

Company may change its address for receiving notices by giving Landlord written notice of the new address. Landlord agrees to notify both Company and Franchisee of any change in Landlord's mailing address to which notices should be sent.

10. Landlord acknowledges, understands and agrees that the provisions of this Rider are required pursuant to the Subfranchise Agreement and that Franchisee may not lease the Premises without this Rider.

11. Landlord acknowledges, understands and agrees that Franchisee is not an agent or employee of Company and that Franchisee has no authority or power to act for, or to create any liability on behalf of, or to in any way bind Company (or any parent or affiliate of Company) and that Landlord has entered into this Rider with full understanding that it creates no duties, obligations or liabilities of or against Company or any parent or affiliate of Company.

12. Landlord acknowledges, understands and agrees that (i) that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company (or any parent or affiliate of Company) in accordance with the provisions of this Rider; and (ii) that nothing contained in this Rider makes Company (or any parent or affiliate of Company) a guarantor to the Lease.

13. Franchisee may not assign the Lease or sublet the Premises without Company's prior written consent, and Landlord will not consent to an assignment or subletting by Franchisee without first verifying that Company has given its written consent to Franchisee's proposed assignment or subletting.

14. Landlord and Franchisee will not amend or modify the Lease in any manner that could materially affect any of the provisions or requirements of this Rider without Company's

prior written consent. No amendment or variation of the terms of this Rider is valid unless made in writing and signed by the Parties.

15. The provisions of this Rider will supersede and control any and all conflicting provisions of the Lease.

16. Landlord acknowledges, agrees and understands (i) that Company is not a party to the Lease and will have no liability or responsibility under the Lease unless and until the Lease is assigned to, and assumed by, Company; and (ii) that Company is a third party beneficiary of the Lease.

17. THE PARTIES ACKNOWLEDGE AND AGREE THAT THE FRANCHISOR (FADS USA, INC.) IS EXPRESSLY INTENDED TO BE A THIRD PARTY BENEFICIARY OF EACH AND EVERY PROVISION OF THIS AGREEMENT AND THE LEASE, WITH FULL RIGHTS AND REMEDIES TO INDEPENDENTLY ENFORCE THIS AGREEMENT AND THE LEASE.

- Signature Pages Follow -

IN WITNESS WHEREOF, the Parties have executed this Lease Rider as of the date first written above.

COMPANY:

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Title: _____

FRANCHISEE:

[FRANCHISEE]

Name: _____

Title: _____

LANDLORD:

[LANDLORD]

Name: _____

Title: _____

**EXHIBIT G TO THE
SUBFRANCHISE AGREEMENT**

**TELEPHONE NUMBER AND LISTINGS AND INTERNET ADDRESSES
ASSIGNMENT AGREEMENT**

This Telephone Number and Listings and Internet Addresses Assignment Agreement (this “**Assignment**”) is effective as of _____, 20____, between FADS USA, Inc. (f/k/a Megadance USA Corp.), a Delaware limited liability company with its current principal place of business at 151 Hazard Avenue, Suite 12-13, Enfield, Connecticut 06082 (“**Franchisor**”), NEW YORK DANCE ENTERPRISES, INC., a New York corporation with its current principal place of business at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida, 33410 (“**Area Franchisor**”) and [Franchisee], whose current place of business is _____ (“**Franchisee**”). Franchisor, Area Franchisor and Franchisee are sometimes referred to collectively as the “**parties**” or individually as a “**party**.”

BACKGROUND

- A. Area Franchisor has simultaneously entered into that certain Subfranchise Agreement (the “**Subfranchise Agreement**”), effective as of _____, 20____, with Franchisee. Pursuant to the Subfranchise Agreement, Franchisee plans to own and operate a FRED ASTAIRE DANCE STUDIOS® studio (the “**Studio**”).
- B. The Studios use certain proprietary knowledge, procedures, formats, systems, forms, printed materials, applications, methods, specifications, standards and techniques authorized or developed by Franchisor (collectively, the “**FADS System**”).
- C. Franchisor identifies Studios and various components of the FADS System by certain trademarks, trade names, service marks, trade dress and other commercial symbols (collectively, the “**Marks**”).
- D. In order to protect Franchisor’s interest in the FADS System and the Marks, Area Franchisor will have the right to control the telephone numbers and listings, and Franchisor will have the right to control the internet address of the Studio if the Subfranchise Agreement is terminated or expires.

AGREEMENT

In consideration of the foregoing background information, the mutual promises and covenants contained in this Assignment and other good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the parties agree as follows:

1. Background Information. The background information is true and correct, and the background information is incorporated into this Assignment by reference. This Assignment will be interpreted by reference to the background information. Terms not otherwise defined in this Assignment will have the meanings ascribed to them in the Subfranchise Agreement.

2. Assignment. **FOR VALUE RECEIVED**, in the event of expiration or termination of the Subfranchise Agreement, and in order to secure continuity and stability of the operation of the Studio, Franchisee hereby sells, assigns, transfers and conveys all of its rights, title and interest in and to: (a) those certain telephone numbers and regular, classified or other telephone directory listings (collectively, the “**Telephone Numbers and Listings**”) to Area Franchisor; and (b) those certain Internet website addresses and digital and social media accounts and address (the “**URLs**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Studio at the address provided above to Franchisor.

This Assignment is for collateral purposes only and, except as specified herein, neither Area Franchisor nor Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Area Franchisor shall notify the telephone company and/or the listing agencies with which Franchisee has placed telephone directory listings (all such entities are collectively referred to herein as “**Telephone Company**”) and/or Franchisor’s notifies Franchisee’s Internet service provider (“**ISP**”) to effectuate the assignment pursuant to the terms of this Assignment. Upon termination or expiration of the Subfranchise Agreement (without extension) for any reason, Area Franchisor shall have the right and is hereby empowered to effectuate the assignment of the Telephone Numbers and Listings and Franchisor shall have the right and is hereby empowered to effectuate the assignment of the URLs, and, in such event, Franchisee shall have no further right, title or interest in the Telephone Numbers and Listings and the URLs, and shall remain liable to the Telephone Company and the ISP for all past due fees owing to the Telephone Company and the ISP on or before the effective date of the assignment hereunder.

3. Power of Attorney. Franchisee agrees and acknowledges that as between Area Franchisor and Franchisee, upon termination or expiration of the Subfranchise Agreement, Area Franchisor shall have the sole right to and interest in the Telephone Numbers and Listings, and Franchisee irrevocably appoints Area Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the Telephone Company to assign the same to Area Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Franchisee further agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Subfranchise Agreement, Franchisor shall have the sole right to and interest in the URLs, and Franchisee irrevocably appoints Franchisor as Franchisee’s true and lawful attorney-in-fact, which appointment is coupled with an interest, to direct the ISP to assign the same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Telephone Company to assign the Telephone Numbers and Listings to Area Franchisor and notify the ISP to assign the URL to Franchisor.

If Franchisee fails to promptly direct the Telephone Company and the ISP to assign the Telephone Numbers and Listings and the URLs to Area Franchisor and Franchisor, Area Franchisor shall direct the Telephone Company and Franchisor shall direct the ISP, and the Telephone Company and the ISP may accept such written directions. The Subfranchise Agreement or this Assignment may be accepted by the Telephone Company as conclusive proof of Area Franchisor’s exclusive rights in and to the Telephone Numbers and Listings and by the ISP as conclusive proof of Area

Franchisor's exclusive rights in and to the URLs upon such termination or expiration, and that such assignment shall be made automatically and effective immediately upon Telephone Company's and ISP's receipt of such notice from Area Franchisor, Franchisor or Franchisee.

The parties further agree that if the Telephone Company or the ISP requires that the parties execute the Telephone Company's or the ISP's assignment forms or other documentation at the time of termination or expiration of the Subfranchise Agreement, Area Franchisor's or Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Subfranchise Agreement.

4. Indemnification. Franchisee will indemnify and hold Area Franchisor, Franchisor, Franchisor's affiliates and their affiliates, stockholders, directors, officers and representatives (collectively, the "**Indemnified Parties**") harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses that any of the Indemnified Parties incur as a result of any claim brought against any of the Indemnified Parties or any action which any of the Indemnified Parties are named as a party or which any of the Indemnified Parties may suffer, sustain or incur by reason of, or arising out of, Franchisee's breach of any of the terms of any agreement or contract or the nonpayment of any debt Franchisee has with the Telephone Company and/or ISP.

5. Binding Effect. This Assignment is binding upon and inures to the benefit of the parties and their respective successors-in-interest, heirs and successors and assigns.

6. Assignment to Control. This Assignment will govern and control over any conflicting provision in any agreement or contract which Franchisee may have with the Telephone Company and/or ISP.

7. Cost of Enforcement. In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment or the enforcement of this Assignment, the prevailing party will be entitled to reimbursement of its reasonable attorneys' fees, costs and expenses from the non-prevailing party. The term "**attorneys' fees**" means any and all charges levied by an attorney for his or her services, including, without limitation, time charges and other reasonable fees (including, without limitation, paralegal fees and legal assistant fees), and includes fees earned in settlement, at trial, appeal or in bankruptcy proceedings and/or in arbitration proceedings.

8. Severability. If any of the provisions of this Assignment, or any section or subsection of this Assignment, are held invalid for any reason, the remainder of the Assignment or any such section or subsection will not be affected and will remain in full force and effect in accordance with its terms.

9. Counterparts. This Assignment may be executed and delivered in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when

executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

10. Governing Law and Forum. This Assignment is governed by the law of the state where Area Franchisor's current headquarters is located without reference to its conflict of laws provisions or rules. The parties will not institute any action against any of the other parties to this Assignment except in the state or federal courts of general jurisdiction in the state where Area Franchisor's current headquarters is located, and the parties irrevocably submit to the jurisdiction of such courts and waive any objection they may have to either the jurisdiction or venue of such court.

- Signature Pages Follow –

IN WITNESS WHEREOF, the parties have executed this Telephone Number and Listings and Internet Addresses Assignment Agreement as of the date first written above.

AREA FRANCHISOR

NEW YORK DANCE ENTERPRISES, INC.

Name: _____

Title: _____

FRANCHISEE

If Entity:

Name of Entity

Signature

Name: _____

Title: _____

Date: _____

If Individual(s):

Signature

Name: _____

Date: _____

Signature

Name: _____

Date: _____

FRANCHISOR

FADS USA, INC.

Name: _____

Title: _____

**EXHIBIT C
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

SAMPLE RELEASE OF CLAIMS

FORM RELEASE OF CLAIMS

**THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL
BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT.
THIS FORM IS SUBJECT TO CHANGE OVER TIME.**

For and in consideration of the Agreements and covenants described below, New York Dance Enterprises, Inc. ("Sub-Franchisor"), _____ ("Franchisee") and _____ ("Guarantors") enter into this Release of Claims ("Agreement").

RECITALS

- A. Sub-Franchisor and Franchisee entered into a FRED ASTAIRE DANCE STUDIOS® Sub-Franchise Agreement dated _____, ____ (the "Sub-Franchise Agreement").
- B. FADS USA, Inc. ("FADS") is a third party beneficiary under the Sub-Franchise Agreement.
- C. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

- 1. **Consideration.** [NOTE: Describe the consideration paid.]
- 2-3. [NOTE: Detail other terms and conditions of the release.]
- 4. **Release of Claims.**

A. Definitions.

1. FADS Parties: Sub-Franchisor, FADS and each of their respective subsidiaries, corporate parents and affiliates, and their respective officers, directors, owners, stockholders, members, employees, insurers, attorneys, agents, successors, predecessors, assigns, heirs and personal representatives.

2. Franchisee Parties: Franchisee and each of the Guarantors and all persons or entities acting on their behalf or claiming under them including each of their respective corporate parents, subsidiaries, affiliates, owners, heirs, executors, administrators, managers, directors, officers, employees, trustees, agents, partners, business entities, attorneys, insurers, successors and assigns.

B. The Franchisee Parties irrevocably and unconditionally waive, release and forever discharge, and covenant not to sue, the FADS Parties of and from any and all claims, suits, debts, liabilities, causes of action, demands, contracts, promises, obligations, losses, rights, controversies, damages, costs, expenses (including actual attorneys' fees and costs incurred), actions and causes of action of every nature, whether known or unknown, direct or indirect, vested or contingent, at law or in equity, whether arising by statute, common law, or otherwise, including claims for negligence (collectively, "Claims"), that they may now have, or at anytime heretofore had, or hereafter may have, against each or any of the FADS Parties arising out of or relating to any conduct, transaction, occurrence, act or omission at any time before the [Effective Date] relating to

the Sub-Franchise Agreement(s), the development or operation of the Studio(s), the franchise relationship between the parties, the offer or sale of any franchise, or any agreement between any of the Franchisee Parties and any of the FADS Parties.

C. The Franchisee Parties specifically and expressly acknowledge and agree that the consideration accepted under this Agreement is accepted in full satisfaction of any and all injuries and/or damages that have previously arisen and which may hereafter arise respecting any of the claims being released.

[California option: The Franchisee Parties expressly waive all rights or benefits that they have or may have under Section 1542 of the California Civil Code, which section provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.]

D. The Franchisee Parties acknowledge that they have had a reasonable opportunity to consult with an attorney prior to signing this release and they have executed this release voluntarily. Also, the Franchisee Parties represent that they have not assigned or transferred to anyone any claims released by them under Section 4(B) above.

5. **General.** No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of Florida without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:

SUB-FRANCHISOR:

New York Dance Enterprises, Inc.

BY:_____

BY:_____

ITS:_____

ITS:_____

DATE:_____

DATE:_____

PERSONAL GUARANTORS:

**EXHIBIT D
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT
FRANCHISOR'S FINANCIAL STATEMENTS**

FADS USA, INC. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY
INFORMATION**

for the years ended December 31, 2022, 2021, and 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FADS USA, Inc. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of FADS USA, Inc. and Subsidiaries (the Company) which comprise the balance sheets as of December 31, 2022, 2021, and 2020, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FADS USA, Inc. and Subsidiaries as of December 31, 2022, 2021, and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FADS USA, Inc.'s and subsidiaries internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FADS USA, Inc.'s and subsidiaries ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules presented on pages 23 through 27, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Information Included in the Franchise Disclosure Document

Management is responsible for the other information included in the Franchise Disclosure Document ("FDD"). The other information comprises the information included in the FDD, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.


Springfield, Massachusetts
May 2, 2023

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current assets			
Cash and cash equivalents.....	\$ 3,864,809	\$ 1,742,731	\$ 734,273
Accounts receivable, net.....	140,745	150,764	310,050
Income tax receivable.....	227,415	227,415	227,415
Inventories.....	36,579	13,344	35,603
Investments.....		935,840	433,220
Prepaid expenses.....	18,437	6,800	17,003
Prepaid income taxes.....		23,662	
Due from related party.....		104,742	104,348
Notes receivable - stockholder, current	10,561	10,047	
Notes receivable, current portion.....	<u>377,039</u>	<u>252,754</u>	<u>242,869</u>
Total current assets.....	4,675,585	3,468,099	2,104,781
Property, plant and equipment, net.....	97,074	136,655	189,303
Intangibles, net.....	1,306,223	1,503,603	1,701,637
Goodwill.....	10,300,000	10,300,000	10,300,000
Investments.....	48,974	48,974	48,974
Deferred tax asset.....	301,100	560,600	
Notes receivable - stockholder, non-current portion.....	102,906	114,327	86,341
Notes receivable, non-current portion.....	<u>1,819,480</u>	<u>1,519,156</u>	<u>1,743,126</u>
Total assets.....	<u>\$ 18,651,342</u>	<u>\$ 17,651,414</u>	<u>\$ 16,174,162</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable.....	\$ 548,763	\$ 93,636	\$ 241,818
Deferred revenue, current portion.....	476,849	389,874	503,837
Notes payable, current portion.....	5,488,317	1,177,887	857,963
Accrued expenses.....	269,310	232,397	49,031
Accrued income taxes.....	218,857		
Dividends payable.....			30,000
Accrued interest payable, current portion.....	575,708		
Accrued compensation and related taxes, current portion.....	<u>127,215</u>	<u>118,415</u>	<u>118,415</u>
Total current liabilities.....	7,705,019	2,012,209	1,801,064
Notes payable, non-current portion.....	198,731	5,690,915	6,592,567
Accrued interest payable, non-current portion.....		513,208	363,208
Deferred revenue, non-current portion.....	2,942,989	2,557,343	2,954,178
Accrued compensation and related taxes, non-current portion.....		<u>1,063,547</u>	<u>1,182,454</u>
Total liabilities.....	<u>10,846,739</u>	<u>11,837,222</u>	<u>12,893,471</u>
Stockholders' Equity			
FADS USA, Inc. stockholders' equity			
Retained earnings.....	13,697,910	12,130,173	9,139,487
Paid in capital.....	49,990	49,990	49,990
Common stock, \$.01 par value, 1000 shares authorized, issued, and outstanding.....	<u>10</u>	<u>10</u>	<u>10</u>
Total FADS USA, Inc. stockholders' equity.....	13,747,910	12,180,173	9,189,487
Non-controlling interests in variable interest entities.....	<u>(5,943,307)</u>	<u>(6,365,981)</u>	<u>(5,908,796)</u>
Total stockholders' equity.....	<u>7,804,603</u>	<u>5,814,192</u>	<u>3,280,691</u>
Total liabilities and stockholders' equity.....	<u>\$ 18,651,342</u>	<u>\$ 17,651,414</u>	<u>\$ 16,174,162</u>

See notes to consolidated financial statements.

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues.....	\$ 13,104,724	\$ 10,019,052	\$ 4,677,317
Cost of revenues.....	<u>7,721,378</u>	<u>5,557,970</u>	<u>2,358,934</u>
Gross profit.....	5,383,346	4,461,082	2,318,383
General and administrative expenses.....	<u>2,440,573</u>	<u>1,883,962</u>	<u>2,217,109</u>
Income from operations.....	<u>2,942,773</u>	<u>2,577,120</u>	<u>101,274</u>
Non-operating (expense) income, net			
Miscellaneous expense, net.....	(71,923)	(48,350)	(57,962)
Interest expense, net.....	(117,327)	(120,143)	(170,677)
Investment loss, net	(5,112)	(2,154)	(1,943)
PPP grant revenue.....	<u> </u>	<u> </u>	<u>331,800</u>
Total non-operating (expense) income, net.....	<u>(194,362)</u>	<u>(170,647)</u>	<u>101,218</u>
Income before income taxes.....	2,748,411	2,406,473	202,492
Income tax expense (benefit).....	<u>718,000</u>	<u>(167,028)</u>	<u>(196,515)</u>
Net income.....	2,030,411	2,573,501	399,007
Amount attributable to non-controlling interests.....	<u>462,674</u>	<u>(417,185)</u>	<u>(250,051)</u>
Net income attributable to FADS USA, Inc.....	<u><u>\$ 1,567,737</u></u>	<u><u>\$ 2,990,686</u></u>	<u><u>\$ 649,058</u></u>

See notes to consolidated financial statements.

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

for the years ended December 31, 2022, 2021, and 2020

	<u>Common Stock</u>	<u>Paid in Capital</u>	<u>Retained Earnings</u>	<u>Total Equity</u>	<u>Noncontrolling Interests</u>	<u>Total</u>
Balance at December 31, 2019, as restated.....	\$ 10	\$ 49,990	\$ 8,490,429	\$ 8,540,429	\$ (5,618,745)	\$ 2,921,684
Net income (loss).....			649,058	649,058	(250,051)	399,007
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2020.....	10	49,990	9,139,487	9,189,487	(5,908,796)	3,280,691
Net income (loss).....			2,990,686	2,990,686	(417,185)	2,573,501
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2021.....	10	49,990	12,130,173	12,180,173	(6,365,981)	5,814,192
Net income.....			1,567,737	1,567,737	462,674	2,030,411
Dividends paid.....					(40,000)	(40,000)
Balance at December 31, 2022.....	<u>\$ 10</u>	<u>\$ 49,990</u>	<u>\$ 13,697,910</u>	<u>\$ 13,747,910</u>	<u>\$ (5,943,307)</u>	<u>\$ 7,804,603</u>

See notes to consolidated financial statements.

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash flows from operating activities			
Net income.....	\$ 2,030,411	\$ 2,573,501	\$ 399,007
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation.....	57,365	55,835	55,760
Amortization.....	197,380	198,034	198,034
Deferred taxes.....	259,500	(560,600)	
(Increase) decrease in operating assets:			
Accounts receivable.....	10,019	159,286	(125,133)
Income tax receivable.....			(227,415)
Inventories.....	(23,235)	22,259	(5,400)
Due from related party.....	104,742	(394)	(14,466)
Prepaid income taxes.....	23,662	(103,200)	
Prepaid expenses.....	(11,637)	10,203	3,946
Increase (decrease) in operating liabilities:			
Accounts payable.....	455,127	(148,182)	(252,375)
Accrued expenses.....	36,913	183,366	(19,588)
Interest payable.....	62,500	150,000	63,208
Accrued income taxes.....	218,857	79,538	
Deferred revenue.....	(214,629)	(118,907)	47,251
Accrued compensation and related taxes.....	(1,054,747)	(510,798)	(202,493)
Net cash provided by (used in) operating activities	<u>2,152,228</u>	<u>1,989,941</u>	<u>(79,664)</u>
Cash flow from investing activities			
Investments, net change.....	935,840	(502,620)	
Net change in loans to stockholder.....	10,907	(38,033)	(40,387)
Payments received on notes receivable.....	262,641	214,085	380,631
Purchase of property, plant, and equipment.....	(17,784)	(3,187)	(3,173)
Net cash provided by (used in) investing activities.....	<u>1,191,604</u>	<u>(329,755)</u>	<u>337,071</u>
Cash flows from financing activities			
Payments on notes payable.....	(1,181,754)	(1,050,981)	(670,567)
Dividends paid.....	(40,000)	(40,000)	(40,000)
Proceeds from notes payable.....		469,253	159,900
Dividends payable.....		(30,000)	30,000
Net cash used in financing activities.....	<u>(1,221,754)</u>	<u>(651,728)</u>	<u>(520,667)</u>
Net change in cash.....	2,122,078	1,008,458	(263,260)
Cash and cash equivalents, beginning of year.....	<u>1,742,731</u>	<u>734,273</u>	<u>997,533</u>
Cash and cash equivalents, end of year.....	<u>\$ 3,864,809</u>	<u>\$ 1,742,731</u>	<u>\$ 734,273</u>

See notes to consolidated financial statements.

FADS USA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

Nature of Operations

FADS USA, Inc. (formerly known as Megadance USA Corp.), holds a perpetual and exclusive license to use and sublicense certain intellectual property related to Fred Astaire Dance Studios®. FADS USA, Inc. engages in unit and area representative franchise programs and organizes and manages certain Fred Astaire Dance Studios® branded dance competitions throughout the United States.

FADS Holding, LLC (Holding) is a holding company whose subsidiaries are engaged in the business of dance instruction, dance competition, dance merchandise and related activities, and the selling and opening of dance franchises. FADS Holding, LLC was created in September 2017.

Fred Astaire Dance of North America, Inc. (FADNA) is a wholly-owned subsidiary of FADS Holding, LLC that provides consulting services to the other related entities.

Fred Astaire Dance Studios, Inc. (FADS), a wholly-owned subsidiary of Fred Astaire Dance of North America, Inc., is an intellectual property holding company that holds certain domestic and international intellectual property registrations related to the Fred Astaire Dance Studios® brand.

Fred Astaire Dance International Corp. (FADI), a wholly-owned subsidiary of Fred Astaire Dance of North America, Inc., engages in unit and area representative franchise programs and holds certain international intellectual property registrations related to the Fred Astaire Dance Studios® brand.

On April 16, 2018, FADS Holding, LLC created three new subsidiaries: FADS Distribution, Inc. (Distribution), FADS International, Inc. (International), and Fred Astaire Dance Board, Inc. (Board).

Distribution acts as approved supplier for certain items used in the operation of Fred Astaire Dance Studios and manages required and approved supplier and vendor arrangements.

International conducts certain international business relating to the Fred Astaire Dance Studios brand.

Board certifies and licenses third parties to use certain intellectual property to (i) examine, test, and certify students, (ii) examine, test, and certify instructors, and (iii) judge at Fred Astaire Dance Studios branded competitions and events according to our standards.

On January 31, 2019, FADS Events, LLC (Events) was created and is a wholly owned subsidiary of FADS USA, Inc. Events organizes certain Fred Astaire Dance Studios branded competitions, events, conferences, and related activities.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Principles of Consolidation

The financial statements include the accounts of FADS USA, Inc. and its wholly owned subsidiary FADS Events, LLC, and its variable interest entities Holding, FADNA, FADS, FADI, Distribution, International and Board. All significant inter-company balances and transactions have been eliminated in consolidation. Herein, FADS USA, Inc., Events, Holding, FADNA, FADS, FADI, Distribution, International, and Board are referred to as “the Company.”

FADS USA, Inc. financially supports Holding, FADNA, FADS, FADI, Distribution, International, and Board. These circumstances and the common ownership of the companies qualify Holding, FADNA, FADS, FADI, Distribution, International, and Board to be variable interest entities of FADS USA, Inc. as defined by the Consolidation topic of the FASB Accounting Standards Codification.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of 90 days or less to be cash equivalents.

Concentration of Credit Risk

At times, the Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management believes that there is no significant risk with respect to these deposits. Total uninsured cash at December 31, 2022 was approximately \$3,535,000.

Accounts Receivable, Trade

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable efforts are written off through a charge to the allowance and a credit to accounts receivable. Management will replenish the allowance as necessary throughout the year through a charge to bad debt expense and a credit to the allowance. Allowance for doubtful accounts was \$76,698 at December 31, 2022, 2021, and 2020, each year.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense as incurred. Additions and betterments are capitalized. Costs of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal and any resulting gains or losses are reflected in income.

Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Investments

Investments are comprised of marketable securities and are classified as available for sale and reported at fair market value. Fair market value is determined using market quotations. Realized gains or losses, determined using the first-in, first-out method, are included in earnings.

Goodwill and Intangible Assets

Goodwill resulted from a certain purchase and merger agreement dated September 27, 2017. Annual impairment testing is required for goodwill with impairment being recorded if the carrying amount of goodwill exceeds its implied fair value. It has been determined by management that there was no impairment of goodwill at December 31, 2022, 2021, and 2020.

Intangible assets consist of reorganization costs and franchise acquisition costs. They are initially measured at fair value and then amortized over their estimated useful lives between 5 and 40 years.

Debt

The Company accounts for loans that meet the criteria to be forgiven as a government grant under *IAS 20 – Accounting for Government Grants*. The proceeds received from these loans are recorded as a deferred income liability and income is recorded as qualified expenses are incurred. The grant revenue is included in other income on the consolidated statement of income.

Advertising and Promotion

The Company expenses advertising and promotion costs as incurred. The advertising and promotion expense for the years ended December 31, 2022, 2021 and 2020 was \$130,152, \$99,575, and \$61,435, respectively.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Shipping and Handling

The Company classifies fees charged to customers as sales and the related shipping and handling costs as cost of sales.

Revenue Recognition

The Company considers certain pre-opening services as one performance obligation as allowed under ASU 2021-02. Revenue from sales of individual franchises is recognized, when this single performance obligation has been met, which includes assistance in site selection and studio design, training personnel, and providing proprietary operating manuals containing the Fred Astaire programs. Generally, this single performance obligation is considered complete and initial fee revenue is recognized on the date the studio opens for business to the general public.

Revenue from area exclusivity fees are recognized over the life of the franchise agreement, which can be up to 10 years.

Continuing franchise fees are earned based on a percentage of the gross receipts of each individual franchisee, including fees from franchises owned by a related entity and remitted to the Company pursuant to a management agreement.

Revenue from events are recognized when the event takes place.

Revenue from merchandise is recognized when shipped, and revenue from services provided is recognized when the services are performed.

Deferred Revenue

Revenue not meeting the above performance obligations is deferred to a future period.

Income Taxes

FADS USA, Inc., Fred Astaire Dance of North America, Fred Astaire Dance Studios, Fred Astaire Dance International, FADS Distributions, FADS International, and Fred Astaire Dance Board are C-corporations. FADS Holding LLC, has elected to be treated as a C corporation for income tax purposes. FADS Events, LLC is considered a disregarded entity for income tax purposes and all activity is included with FADS USA, Inc. The provision for corporate taxes includes federal and state corporation taxes currently payable and deferred taxes arising from temporary differences in the basis of assets and liabilities for financial reporting and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled. These differences relate to items such as accounts receivable reserves, depreciable assets, accrued expenses, deferred revenue, and net operating losses.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Income Taxes, Continued

The Company evaluates all significant tax positions as required by generally accepted accounting principles in the United States. As of December 31, 2022, the Company does not believe that they have taken any tax positions that would require the recording of any additional tax liability nor do they believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Company's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2022, the Company's federal and various state tax returns generally remain open for the last 3 years.

There is a federal income tax receivable in the amount of \$227,415 at December 31, 2022, 2021, and 2020 for an amended tax return relating to 2018.

2. *Inventories*

Inventories consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Dance shoes			\$ 341
Dance apparel		\$ 175	175
Accessories and supplies	\$ 36,579	13,169	35,087
	<u>\$ 36,579</u>	<u>\$ 13,344</u>	<u>\$ 35,603</u>

3. *Due from Related Party*

The Company had an amount due from a consultant, a related party, in the amount of \$104,742 as of December 31, 2021, (2020 - \$104,348). The Company paid expenses for development of a new business venture on behalf of the consultant. In 2022, the amount was written off as the business venture was not developed.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

4. Notes Receivable

Notes receivable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
On October 19, 2018, the Company entered into a note with an Area Representative in the amount of \$58,990. Monthly payments of \$1,325 were due, including interest at 3.0%. In April 2020, this note was amended and \$135,027 was added to the principal balance. New payment terms are monthly payments of principal and interest of \$2,199, interest charged at 7.00%, matures April 2030.	\$ 135,997	\$ 166,227	\$ 180,431
On December 14, 2018, the Company entered into a note with an Area Representative in the amount of \$521,870. Monthly payments of \$2,913 are due, which includes interest at 3.07%, a balloon payment of \$376,205 due on December 14, 2025.	441,414	462,462	482,875
On July 31, 2019, the Company entered into a note with an Area Representative in the amount of \$169,874. Monthly payments of \$1,972 are due, which includes interest at 7.0%, maturing August 1, 2028.	145,324	158,249	161,860
On August 5, 2019, the Company entered into a note with an Area Representative in the amount of \$153,964. Monthly payments of \$2,704 are due, which includes interest at 2.08%, maturing August 1, 2024.	53,109	84,102	114,458
On October 15, 2019, the Company entered into a note with an Area Representative in the amount of \$437,152. Monthly payments of \$5,777 are due, which includes interest at 10.0%, maturing October 15, 2029.	400,077	429,405	426,266
On November 25, 2019, the Company entered into a note with an Area Representative in the amount of \$242,302. Monthly payments of \$4,354 are due, which includes interest at 3.0%, maturing November 25, 2024.	97,196	145,734	200,554
On November 25, 2019, the Company entered into a note with an Area Representative in the amount of \$197,435. Monthly payments of \$3,548 are due, which includes interest at 3.0%, maturing November 25, 2024.	79,198	118,750	163,417
On February 21, 2020, the Company entered into a note with an Area Representative in the amount of \$60,316. Monthly payments of \$797 are due, which includes interest at 10.0%, maturing February 21, 2030.	48,798	53,239	57,259
On April 6, 2020, the Company entered into a note with an Area Representative in the amount of \$228,714. Monthly payments of \$3,910 are due, which includes interest at 1.0%, maturing April 6, 2025.	108,156	153,742	198,875
On November 9, 2022, the Company entered into a note with an Area Representative in the amount of \$294,666. Monthly payments of \$5,037 are due, which includes interest at 1.0%, maturing December 1, 2027.	294,666		
On November 11, 2022, the Company entered into a note with an Area Representative in the amount of \$119,000. Monthly payments of \$1,149 are due, which includes interest at 3.0%, maturing December 1, 2032.	119,000		
On December 14, 2022, the Company entered into a note with an Area Representative in the amount of \$273,584. Monthly payments of \$4,916 are due, which includes interest at 3.0%, maturing December 1, 2027.	273,584		
	2,196,519	1,771,910	1,985,995
	377,039	252,754	242,869
Less current portion	\$ 1,819,480	\$ 1,519,156	\$ 1,743,126

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

5. Notes Receivable – Shareholder

In July 2021, the Company entered into a new note with one of the shareholders that assumed the debt below and the note also included new amounts owed to the Company. The amount of the note was \$126,000. Monthly payments of principal and interest in the amount of \$1,336 are due for 120 months with interest charged at 5.00%. The balance of the note at December 31, 2022 was \$113,467 (current - \$10,561 and long term - \$102,906). The balance of the note at December 31, 2021 was \$124,374 (current - \$10,047 and long term - \$114,327).

In 2020, the Company had notes for payment of royalties with a former shareholder. The balance at December 31, 2020 was \$86,341, which was recorded as long term, as payment was not expected to be received in 2021.

6. Intangibles

Intangible assets consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Franchise costs	\$ 5,941,919	\$ 5,941,919	\$ 5,941,919
Legal costs	129,100	129,100	129,100
Reorganization costs	<u>485,622</u>	<u>485,622</u>	<u>485,622</u>
	6,556,641	6,556,641	6,556,641
Less accumulated amortization	<u>5,250,418</u>	<u>5,053,038</u>	<u>4,855,004</u>
	<u>\$ 1,306,223</u>	<u>\$ 1,503,603</u>	<u>\$ 1,701,637</u>

Amortization expense for the years ended December 31, 2022, 2021, and 2020 was \$197,380, \$198,034, and \$198,034, respectively.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Intangibles, Continued

Amortization expense for each of the next five years and thereafter is as follows:

2023	\$ 197,381
2024	197,381
2025	196,731
2026	192,382
2027	192,380
Thereafter	<u>329,968</u>
	<u>\$ 1,306,223</u>

7. Property, Plant, and Equipment

Property, plant, and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 131,165	\$ 131,165	\$ 131,165
Equipment, furniture and fixtures	<u>1,181,751</u>	<u>1,163,967</u>	<u>1,160,780</u>
	1,312,916	1,295,132	1,291,945
Less accumulated depreciation	<u>1,215,842</u>	<u>1,158,477</u>	<u>1,102,642</u>
	<u>\$ 97,074</u>	<u>\$ 136,655</u>	<u>\$ 189,303</u>

Depreciation expense for the year ended December 31, 2022 was \$57,365 (2021 - \$55,835 and 2020 - \$55,760).

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

8. Notes Payable

Notes payable consists of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Term note payable to a bank, due in monthly installments of \$9,350, including interest at 3.50%. This note matures in March of 2024.	\$ 167,533	\$ 271,747	\$ 372,332
In 2017, the Company entered into a note payable to an individual (a former shareholder) as part of a purchase agreement. The note is payable in annual installments of \$110,000, including interest at 10%. Payments will be offset against royalties due from this individual. The note matured in December 2022.		100,000	200,000
In 2017, the Company entered into a note payable with two individuals (former shareholders) as part of a purchase agreement. Beginning January 2018, the note is payable in monthly installments of \$60,555 for the first 24 months and then beginning January 2020, monthly installments of \$81,388 for the remaining 36 months, including interest at 6%. The note matures in December 2022, at which time a final balloon payment will be due for \$5,000,000. On June 28, 2020 this note agreement was amended, monthly payments were modified to \$55,024 through May 2022, then payments increase to \$74,040 through May 2023, and interest is now charged at 3.00%. A balloon payment of \$5,615,184 is due June 2023, which includes accrued deferred interest.	5,348,480	5,975,429	6,583,872
In 2019, the Company entered into a note payable with LEAF Capital Funding in the amount of \$228,938 in order to purchase equipment. The note is payable in monthly installments of \$4,479 for 60 months, with interest at 6.50%. The note matures in January 2023.	26,883	80,636	134,426
In 2020, the Company received the Economic Injury Disaster Loan from the U.S. Small Business Administration (SBA) in the amount of \$159,900. The loan will be payable over 30 years, beginning June 2021, monthly payments of principal and interest in the amount of \$731, interest is charged at 3.75%.	144,152	144,883	159,900
On January 1, 2021, the Company entered into a promissory note with a vendor in the amount \$469,253, monthly payments are due in the amount of \$14,429, which began January 15, 2021 and a final payment in the amount of \$137,389 was due December 15, 2022. There was no interest charged on this note.		296,107	
	5,687,048	6,868,802	7,450,530
	5,488,317	1,177,887	857,963
Less current portion	<u>\$ 198,731</u>	<u>\$ 5,690,915</u>	<u>\$ 6,592,567</u>

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Notes Payable, Continued

The aggregate principal repayments for notes payable for each of the next five years and thereafter are as follows:

2023	\$ 5,488,317
2024	61,482
2025	3,650
2026	3,789
2027	3,934
Thereafter	125,876
	<u>\$ 5,687,048</u>

The line of credit and the above notes have limited personal guarantees from some of the Company stockholders.

In accordance with the term note agreement, the Company is required to maintain a debt service ratio of 1.15. The Company was in compliance with this covenant at December 31, 2022.

9. Line of Credit

The Company has a \$50,000 demand line of credit with a bank. The interest rate is Prime plus 1.25%. There was no balance on this line as of December 31, 2022, 2021, and 2020.

10. Forgivable Loan Received Under the Small Business Administration Paycheck Protection Program

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In April 2020, the Company obtained a PPP loan in the amount of \$331,800. The Company used all of the proceeds from the note for qualifying expenses and thus expected to receive approval of its application for the loan to be forgiven in the future. As such, the full amount of the loan was recorded in the statement of income as grant revenue as of December 31, 2020. The loan was fully forgiven by the SBA on August 30, 2021.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosure topic 820, of the FASB Accounting Standards Codification (ASC) provides the framework for reporting fair value. This framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority given to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liabilities have a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There has been no change in the methodology used at December 31, 2022, 2021, or 2020.

Goodwill: Management tests goodwill at the reporting unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

Fair Value of Financial Instruments, Continued

Registered investment Company: Invested primarily in mutual funds, short-term instruments, and money market funds. Mutual funds and short-term instruments are valued using market quotations or prices obtained from independent pricing sources, typically valued at the net asset value (NAV) of shares held by the Company at year end. Money market funds are valued at amortized cost.

The following table summarizes the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at December 31:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2022</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Common stock	\$ 48,974			48,974
	<u>\$ 48,974</u>	<u>\$</u>	<u>\$</u>	<u>\$ 48,974</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2021</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Cash and cash equivalents	\$ 935,840			935,840
Common stock	48,974			48,974
	<u>\$ 984,814</u>	<u>\$</u>	<u>\$</u>	<u>\$ 984,814</u>

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2020</u>
Goodwill			\$ 10,300,000	\$ 10,300,000
Investments				
Cash and cash equivalents	\$ 433,220			433,220
Common stock	48,974			48,974
	<u>\$ 482,194</u>	<u>\$</u>	<u>\$</u>	<u>\$ 482,194</u>

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

12. Employment Agreements/Deferred Compensation Plan/ and Accrued Compensation

On September 27, 2017, the Company signed an employment agreement with a former shareholder that ended December 31, 2018. Under this agreement, the Company paid the employee \$200,000 in 2018. Upon termination of the employment contract as of December 31, 2018, the Company will pay the individual or his beneficiaries' severance payments totaling \$550,000. These payments will be made in annual installments of \$110,000 over the next five years, including employer payroll taxes.

On September 27, 2017, the Company created a deferred compensation plan for the benefit of four officers. Benefits under the plan are payable according to the amounts designated in the plan document from the Company's general assets. The Company paid all administrative expenses of the plan. The plan was amended on June 28, 2020, under this amendment the four officers did not receive a salary for deferral for the period June 15, 2020 through May 15, 2022. On December 31, 2021, the shareholders voted to terminate the plan as of that same date, and participants can take distributions from the plan on or after December 31, 2022, but before March 15, 2023, as such, total plan assets were distributed to the shareholders on December 31, 2022. There was no deferred compensation expense for the years ended December 31, 2022 or 2021. Deferred compensation expense for the year ended December 31, 2020 was \$155,840.

As of December 31, 2022, total accrued compensation was \$127,215 (current portion – \$118,415 long term portion – \$8,800). As of December 31, 2021, total accrued compensation was \$1,181,962 , (current portion – \$118,415, long term portion – \$1,063,547). As of December 31, 2020, total accrued compensation was \$1,300,869, (current portion – \$118,415, long term portion – \$1,182,454).

13. Leases

In June 2020, the Company entered into an operating lease agreement for new office space in Enfield, CT. The term of the lease began June 15, 2020 and ended June 30, 2022. On July 1, 2022, the lease became month-to-month. Rent is charged at a monthly rate of \$2,800.

In 2020, the Company leased office space in Longmeadow, MA under an operating lease on a month to month basis. Rental expense was \$7,909 per month.

Total rental expense for each of the years ended December 31, 2022 and 2021 for the Enfield lease was \$33,600. Rent expense for both of the above leases was \$73,560 for the year ended December 31, 2020.

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

14. Supplemental Disclosure of Cash Flow Information

Supplemental cash flow information is as follows for the year ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash paid during the year for:			
Interest	\$ 165,427	\$ 78,302	\$ 171,193
Taxes	215,981	450,000	34,026
Non-cash transactions:			
Issuance of notes receivable for area exclusivity fee	687,250		424,057

15. Deferred Revenue

Deferred revenue represents initial franchise sales for which substantially all services to be performed by the Company have not yet been performed, area exclusivity fees that will be recognized over the life of the contract, and events where fees have been collected, but the event has not taken place. Deferred revenue is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Area exclusivity fees	\$ 3,419,838	\$ 2,947,217	\$ 3,344,052
Initial area/unit opening fees			90,000
Events			23,963
	3,419,838	2,947,217	3,458,015
Less current portion	476,849	389,874	503,837
	<u>\$ 2,942,989</u>	<u>\$ 2,557,343</u>	<u>\$ 2,954,178</u>

16. Simple IRA Retirement Plan

The Company has a Simple IRA retirement plan for employees who meet certain longevity and compensation requirements. The Company matches the employees' salary reduction up to 3% of the employees' wages, subject to annual limits set by the Internal Revenue Service. The Company's total contribution expense for the year ended December 31, 2022 was \$20,035 (2021 – \$6,268 and 2020 – \$14,619).

FADS USA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

17. Income taxes

The provision for income taxes is as follows as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current expense (benefit) - federal	\$ 362,300	\$ 271,800	\$ (227,415)
Current expense - state	96,200	121,772	30,900
Deferred tax expense (benefit) - federal	187,900	(406,000)	
Deferred tax expense (benefit) - state	71,600	(154,600)	
Total income tax expense (benefit)	<u>\$ 718,000</u>	<u>\$ (167,028)</u>	<u>\$ (196,515)</u>

The components of the deferred tax asset are as follows at December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred tax assets			
Accrued interest payable	\$ 166,900	\$ 148,800	\$ 105,300
Accrued severance payable	36,900	71,400	105,900
Deferred compensation		271,400	271,400
Deferred exclusivity fee	97,300	69,000	40,700
Net operating loss deduction			272,100
Gross deferred tax assets	<u>301,100</u>	<u>560,600</u>	<u>795,400</u>
Less valuation allowance			(795,400)
Net deferred tax asset	<u>\$ 301,100</u>	<u>\$ 560,600</u>	<u>\$</u>

18. Contingency

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen. The financial impact to the Company, our franchisees, and others is unknown at this time. The Company continues to operate in accordance with all federal, state, and local regulatory restrictions imposed to reduce the spread of the coronavirus. Currently management does not believe there is a significant negative impact to its financial assets.

19. Subsequent Events

The Company has evaluated subsequent events through May 2, 2023, the date the financial statements were available to be issued. The following was noted –

- On April 19, 2023, the Company entered into an agreement with the former owners to reduce the balloon payment due on the note payable and accrued interest in June 2023 by \$300,000, see note 8.

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF REVENUES

for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Sub franchise royalties.....	\$ 844,727	\$ 991,031	\$ 695,355
Franchise royalties.....	4,663,649	2,437,173	1,011,986
WCDC.....	7,463		
VIC.....	114,132	227,062	
NDC.....	1,603,426	1,439,048	645,636
NVSC.....	32,634	34,129	58,795
FAWC.....	1,039,210	1,428,297	
CCDC.....	1,011,431	777,591	409,855
LBWYD.....	11,460	11,892	
WCS.....	554,760	424,728	155,410
Initial area/unit opening fees.....	897,455	550,000	417,500
Dancelife shoe			1,028
AMP income			6,318
Dance store income	73,342	70,634	109,950
Miscellaneous	207,459	32,440	60,046
Competition - outside entries.....	12,246	105,284	165,094
Curriculum income.....	9,270	4,663	3,887
Longevity award.....	7,820	8,135	1,250
International royalties	33,689	16,087	
Royalties interest.....	717	66,872	67,425
Area exclusivity fees.....	509,198	389,874	380,727
Advertising fee income.....	232,600	209,455	51,400
Conference fee income.....	34,000		
Transfer fee.....	44,450	24,000	8,000
Consulting fees.....			4,000
FADS Million Mask movement.....			47,414
Preferred vendor income.....	229,691	159,516	17,566
Technology fee.....	856,510	561,542	304,055
Access revenue.....	64,962	40,974	49,196
Admin fee.....	8,423	8,625	5,424
	<u> </u>	<u> </u>	<u> </u>
Total revenues.....	\$ 13,104,724	\$ 10,019,052	\$ 4,677,317

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF COST OF REVENUES

for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
NDC.....	\$ 981,325	\$ 720,879	\$ 354,582
CCDC.....	644,595	344,956	170,947
NVSC.....	3,274	4,924	5,404
FAWC.....	748,184	755,461	
VIC.....	53,866	101,567	
WCS.....	470,021	482,554	260,344
Consulting	244,655	177,613	75,154
Technology.....	638,781	1,010,785	610,104
Access expense.....	7,745	9,876	17,061
Shoes			4,565
Professional awards.....	111,000	114,830	56,425
Top teacher	90,400	91,600	50,750
Dance store	324,627	183,593	65,054
Franchisee training	46,889	13,909	21,091
Curriculum expense	15,570	17,442	
Travel and lodging	7,430	2,179	9,946
Opening kit	29,521	23,564	204
Professional show	3,256	7,114	3,054
Hot seminar			8,943
FACT seminar.....	10,914	57	1,675
AREA seminar.....	5,345		659
Other seminar expense.....	11,727		23,737
Refunds		4,880	15,253
Evaluation expense			16,600
Miscellaneous.....	8,963	5,897	17,281
Royalty compensation.....	3,194,987	1,431,283	521,598
Dance council expense.....	3,072	2,780	17,751
Competition expense - outside entries.....	65,231	50,227	30,752
Total cost of revenues.....	<u>\$ 7,721,378</u>	<u>\$ 5,557,970</u>	<u>\$ 2,358,934</u>

FADS USA, INC AND SUBSIDIARIES

CONSOLIDATED SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

for the years ended December 31, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Payroll.....	\$ 1,139,293	\$ 902,863	\$ 1,077,415
Legal fees.....	256,486	67,400	131,972
Advertising and promotion	130,152	99,575	(32,565)
Rent	34,644	33,600	73,560
Payroll taxes.....	99,429	72,115	103,869
Credit card and bank charges	59,690	46,175	20,877
Insurance	176,443	153,422	143,623
Amortization.....	197,380	198,034	198,034
Depreciation	57,365	55,835	55,760
SIMPLE expense	20,035	6,268	14,619
Taxes-other.....	7,349	7,641	15,307
Postage.....	(477)	(6,431)	(1,781)
Office expenses	9,389	22,221	27,616
Utilities	4,685	6,454	7,976
Professional fees.....	80,050	83,230	79,500
Meals and entertainment	4,714		1,706
Repairs and maintenance.....	4,132	5,084	5,602
Dues and subscriptions	68,237	80,747	66,542
Telephone	7,333	6,583	6,766
Printing	5,247	4,935	4,782
Employee training	5,858	1,834	3,423
Penalties	39		3,838
Payroll processing fee.....	5,532	5,155	5,278
Recruiting.....	3,314	536	338
Miscellaneous.....	38,426		
Deferred compensation.....	12,039		155,840
Promotional supplies.....	13,789	30,686	44,916
Temporary labor.....			2,296
Total general and administrative expenses.....	<u>\$ 2,440,573</u>	<u>\$ 1,883,962</u>	<u>\$ 2,217,109</u>

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATING BALANCE SHEET

December 31, 2022

	FADS USA, Inc.	FADS Events LLC	Eliminations	FADS USA, Inc. and wholly owned subsidiary	FADS Holding, LLC	Fred Astaire Dance of North America	Fred Astaire Dance International Corp	Fred Astaire Dance Studios, Inc.	FADS Distribution, Inc.	Fred Astaire Dance Board, Inc.	FADS International, Inc.	Eliminations	Consolidated Total
ASSETS													
Current assets													
Cash and cash equivalents.....	\$ 2,192,187	\$ 993,036		\$ 3,185,223			\$ 547		\$ 679,039				\$ 3,864,809
Accounts receivable, net.....	39,302	24,724		64,026			22,761		53,958				140,745
Income tax receivable.....	227,415			227,415									227,415
Inventories.....	30,254			30,254					6,325				36,579
Prepaid expenses.....	7,100	11,337		18,437									18,437
Notes receivable - stockholder, current	10,561			10,561									10,561
Notes receivable, current portion.....	377,039			377,039									377,039
Total current assets.....	2,883,858	1,029,097		3,912,955			23,308		739,322				4,675,585
Property, plant and equipment, net.....	92,183			92,183					4,891				97,074
Intangibles, net.....	1,306,223			1,306,223									1,306,223
Goodwill.....	10,300,000			10,300,000									10,300,000
Due from affiliates.....	4,055,654	2,639,987		6,695,641			128,761	\$ 1,044,645				\$ (7,869,047)	
Investments.....	48,974			48,974									48,974
Investment in subsidiary.....	3,289,932		\$ (3,289,932)										
Deferred tax asset.....	301,100			301,100									301,100
Notes receivable - stockholder, non-current portion.....	102,906			102,906									102,906
Notes receivable, non-current portion.....	1,819,480			1,819,480									1,819,480
Total assets.....	<u>\$ 24,200,310</u>	<u>\$ 3,669,084</u>	<u>\$ (3,289,932)</u>	<u>\$ 24,579,462</u>	<u>\$</u>	<u>\$</u>	<u>\$ 152,069</u>	<u>\$ 1,044,645</u>	<u>\$ 744,213</u>	<u>\$</u>	<u>\$</u>	<u>\$ (7,869,047)</u>	<u>\$ 18,651,342</u>
LIABILITIES AND STOCKHOLDERS' EQUITY													
Current liabilities													
Accounts payable.....	\$ 395,737	\$ 145,452		\$ 541,189					\$ 7,574				\$ 548,763
Deferred revenue, current portion.....	476,849			476,849									476,849
Notes payable, current portion.....	5,488,317			5,488,317									5,488,317
Accrued income taxes.....	218,857			218,857									218,857
Accrued expenses.....	27,997	233,700		261,697					7,613				269,310
Accrued interest payable.....	575,708			575,708									575,708
Accrued compensation and related taxes, current portion.....	127,215			127,215									127,215
Total current liabilities.....	7,310,680	379,152		7,689,832					15,187				7,705,019
Notes payable, non-current portion.....	198,731			198,731									198,731
Due to affiliates.....					\$ 5,040,875	\$ 535,247			2,292,925			\$ (7,869,047)	
Deferred revenue, non-current portion.....	2,942,989			2,942,989									2,942,989
Total liabilities.....	<u>10,452,400</u>	<u>379,152</u>		<u>10,831,552</u>	<u>5,040,875</u>	<u>535,247</u>			<u>2,308,112</u>			<u>(7,869,047)</u>	<u>10,846,739</u>
Stockholders' Equity													
FADS USA, Inc. stockholders' equity													
Retained earnings.....	13,697,910	3,289,932	\$ (3,289,932)	13,697,910									13,697,910
Paid in capital.....	49,990			49,990									49,990
Common stock, \$.01 par value, 1000 shares authorized, issued, and outstanding.....	10			10									10
Total FADS USA, Inc. stockholders' equity.....	13,747,910	3,289,932	(3,289,932)	13,747,910									13,747,910
Non-controlling interests in variable interest entities.....					(5,040,875)	(535,247)	152,069	1,044,645	(1,563,899)				(5,943,307)
Total stockholders' equity.....	<u>13,747,910</u>	<u>3,289,932</u>	<u>(3,289,932)</u>	<u>13,747,910</u>	<u>(5,040,875)</u>	<u>(535,247)</u>	<u>152,069</u>	<u>1,044,645</u>	<u>(1,563,899)</u>				<u>7,804,603</u>
Total liabilities and stockholders' equity.....	<u>\$ 24,200,310</u>	<u>\$ 3,669,084</u>	<u>\$ (3,289,932)</u>	<u>\$ 24,579,462</u>	<u>\$</u>	<u>\$</u>	<u>\$ 152,069</u>	<u>\$ 1,044,645</u>	<u>\$ 744,213</u>	<u>\$</u>	<u>\$</u>	<u>\$ (7,869,047)</u>	<u>\$ 18,651,342</u>

FADS USA, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF INCOME

for the year ended December 31, 2022

	FADS USA, Inc.	FADS Events LLC	Eliminations	FADS USA, Inc. and wholly owned subsidiary	FADS Holding, LLC	Fred Astaire Dance of North America	Fred Astaire Dance International Corp	Fred Astaire Dance Studios, Inc.	FADS Distribution, Inc.	Fred Astaire Dance Board, Inc.	FADS International, Inc.	Eliminations	Consolidated Total
Revenues.....	\$ 7,359,133	\$ 4,415,697		\$ 11,774,830			\$ 95,927		\$ 1,233,967				\$ 13,104,724
Cost of revenues.....	3,679,116	3,205,644		6,884,760					836,618				7,721,378
Gross profit.....	3,680,017	1,210,053		4,890,070			95,927		397,349				5,383,346
General and administrative expenses.....	2,379,500	32,158		2,411,658			5,254		23,661				2,440,573
Income from operations.....	1,300,517	1,177,895		2,478,412			90,673		373,688				2,942,773
Non-operating income (expense), net													
Miscellaneous expense, net.....	(64,770)	(6,345)		(71,115)					(808)				(71,923)
Interest expense, net.....	(117,327)			(117,327)									(117,327)
Income from subsidiary.....	1,171,550		\$ (1,171,550)										
Investment loss, net	(4,233)			(4,233)			(879)						(5,112)
Total non-operating income (expense), net.....	985,220	(6,345)	(1,171,550)	(192,675)			(879)		(808)				(194,362)
Income before income taxes.....	2,285,737	1,171,550	(1,171,550)	2,285,737			89,794		372,880				2,748,411
Income tax expense.....	718,000			718,000									718,000
Net income	1,567,737	1,171,550	(1,171,550)	1,567,737			89,794		372,880				2,030,411
Less amount attributable to non-controlling interests.....							89,794		372,880				462,674
Net income attributable to FADS USA, Inc.....	<u>\$ 1,567,737</u>	<u>\$ 1,171,550</u>	<u>\$ (1,171,550)</u>	<u>\$ 1,567,737</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,567,737</u>

**EXHIBIT E
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

OUR FINANCIAL STATEMENTS

JEFFREY N. ALLEN
Certified Public Accountant
399 KNOLLWOOD ROAD SUITE 311
WHITE PLAINS, NY 10603

Tel. 914-428-2480
Fax 914-428-5663

Hy Allen, C.P.A. - 1923 - 2009

To the Shareholders of
New York Dance Enterprises, Inc.
Palm Beach Gardens, Florida

We have audited the accompanying financial statements of New York Dance Enterprises, Inc., a New York corporation, which comprise the balance sheet as of December 31, 2022, 2021 and 2020 and the related statements of operations and retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of New York Dance Enterprises, Inc. as of December 31, 2022, and the statements of shareholder's equity and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


JEFFREY N. ALLEN, C.P.A.
White Plains, New York
April 21, 2023

NEW YORK DANCE ENTERPRISES, INC.
COMPARATIVE BALANCE SHEETS
DECEMBER 31,

	2022	2021	2020
ASSETS			
Current assets:			
Cash	\$ 511,027	\$ 383,528	\$ 123,731
Accounts receivable	21,509	70,638	93,675
Prepaid Expenses	<u>23,103</u>	<u>3,385</u>	<u>11,000</u>
Total current assets	555,639	457,551	228,406
Property and Equipment			
Property and equipment - net of accumulated depreciation	27,173	37,173	37,173
Other Assets			
Franchise rights	<u>174,043</u>	<u>174,043</u>	<u>174,043</u>
TOTAL ASSETS	<u>\$ 756,855</u>	<u>\$ 668,767</u>	<u>\$ 439,622</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Accounts payable	\$ 33,338	\$ 10,987	\$ 3,408
SBA Loan	<u>-</u>	<u>151,900</u>	<u>151,900</u>
TOTAL LIABILITIES	33,338	162,887	155,308
SHAREHOLDERS' EQUITY:			
Common stock, no par value: authorized 200 shares; 100 shares issued and outstanding	54,750	54,750	54,750
Retained Earnings	<u>668,767</u>	<u>451,130</u>	<u>229,564</u>
Total shareholders' equity	<u>723,517</u>	<u>505,880</u>	<u>284,314</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 756,855</u>	<u>\$ 668,767</u>	<u>\$ 439,622</u>

See accompanying notes to the financial statements.

NEW YORK DANCE ENTERPRISES, INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
DECEMBER 31,

	2022	2021	2020
Revenue			
Competition and royalty income	\$ 2,183,134	\$ 1,995,015	\$ 983,540
Cost of sales			
Competition expenses	<u>846,197</u>	<u>990,399</u>	<u>428,313</u>
Gross profit	1,336,937	1,004,616	555,227
Operating expenses:			
Officers' salaries	-	66,000	318,000
Payroll taxes and benefits	-	4,801	89,789
Royalties	115,940	122,851	52,847
Other expenses	-	109,958	148,315
Depreciation	10,000	1,000	-
Taxes	<u>1,084</u>	<u>1,500</u>	<u>2,500</u>
Total operating expenses	<u>127,024</u>	<u>306,110</u>	<u>611,451</u>
Net income (loss)	\$ 1,209,913	\$ 698,506	\$ (56,224)
Retained earnings - January 1st	451,130	229,564	600,303
Less: Shareholder distributions	<u>(992,276)</u>	<u>(476,940)</u>	<u>(314,515)</u>
Retained earnings - December 31st	<u>\$ 668,767</u>	<u>\$ 451,130</u>	<u>\$ 229,564</u>

See accompanying notes to the financial statements.

NEW YORK DANCE ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31,

	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	\$ 1,209,913	\$ 698,506	\$ (56,224)
Adjustments to reconcile net income with noncash expense items			
Depreciation	10,000	10,000	-
Increase or Decrease in:			
Accounts receivable	49,129	23,037	(72,369)
Prepaid expenses	(19,718)	7,615	(9,500)
Accounts payable	<u>22,352</u>	<u>7,579</u>	<u>(18,632)</u>
Net cash provided by operating activities	1,271,676	746,737	(156,725)
Cash flows from investing activities:			
Purchase of property and equipment		(10,000)	(37,173)
Franchise rights		-	-
Demand note payable-sba	<u>(151,900)</u>	<u>-</u>	<u>151,900</u>
Net cash used for investing activities	(151,900)	(10,000)	114,727
Cash flows from financing activities:			
Security deposits		-	-
Shareholder distributions	<u>(992,276)</u>	<u>(476,940)</u>	<u>(314,515)</u>
Net cash used in financing activities	(992,276)	(476,940)	(314,515)
Net increase (decrease) in cash	127,499	259,797	(356,513)
Cash - January 1st	<u>383,528</u>	<u>123,731</u>	<u>480,244</u>
Cash - December 31st	<u><u>\$ 511,027</u></u>	<u><u>\$ 383,528</u></u>	<u><u>\$ 123,731</u></u>

See accompanying notes to the financial statements.

NEW YORK DANCE ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and date of inception

New York Dance Enterprises, Inc. (the Company) was incorporated in January 1987, elected S Corp status in January 1988 under the laws of the State of New York.

The Company sells franchises for the operation of dance studio businesses that offer dance instruction and dance merchandise as set forth in the Fred Astaire Dance Manuals and related materials. The Company's Franchising Disclosure Document is registered in New York.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Expenditures for property and equipment are capitalized and depreciated over their useful service lives. Maintenance, repairs and minor renewals are expensed as incurred. When capitalized assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income for that period.

Income Taxes

Generally, income taxes have not been provided because the shareholders have elected to have the Company treated as an "S" corporation as provided in Section 1362(a) of the Internal Revenue Code. As such, the corporation's income or loss and credits are passed through to the shareholders and reported on their individual income tax returns.

Fair Value of Instruments

The Company's financial instruments are cash and accounts and accrued expenses payable. The recorded value of the cash, and accounts payable and accrued expenses approximate their fair value based on their short term nature.

Cash

For the purposes of the statement of cash flows, the Company considers all funds in checking accounts and money market accounts to be cash equivalents.

Concentration of Credit Risk

The Company maintains its cash balances in a financial institution. The Company has not experienced any losses in these accounts or in any one transaction. At December 31, 2022, the Company's cash and cash equivalent balance exceeded the maximum amount insured by the FDIC of \$250,000.

Uncertain Tax Positions

ASC 740 "Accounting for Uncertainties in Income Taxes", provides for establishing and classifying tax provisions for uncertain tax positions and recognizing any interest and penalties. The Company believes it is "more likely than not" that each of its tax positions will be sustained upon IRS, or other applicable tax authority examination (i.e. that there is a greater than 50% chance of realization of each examination). Accordingly, no liability for unrecognized tax benefits has been recorded in the balance sheet.

The Company is no longer subject to federal or state and local income tax examinations by authorities for years before 2018.

Revenue Recognition

The Company accounts for revenue using the accounting method prescribed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Franchisors. Revenue is recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company.

Under ASC 606, the corporation sells sub franchise rights to individual studios. The agreement calls for the studios to pay a fee for its establishment for a period of 15 years with no fee required to extend the relationship beyond the initial period. At the present time, all studios fees have been included in income.

On an ongoing basis should the franchise create new sub franchisors, we will record it on the balance sheet and recognize the income on an annual basis.

Subsequent Events

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through April 21, 2023 the date the financial statements were available to be issued. As Covid restrictions have been relaxed due to vaccination and interpersonal contact being restored, all revenue streams have reopened with the corporation returned to profitability. The current strains of the virus have not created conditions that would impact its profitability going forward which is reinforced by the states relaxation and and cancellation of covid protocols.

NEW YORK DANCE ENTERPRISES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

NOTE 2 - FRANCHISING

The Area Franchisor's (the "Company") franchise agreement provides for the payment of a franchise fee to the franchisor equal to a sum not to exceed two and one half percent (2 1/2%), of the Company's and local franchisees Gross Revenues to support national, regional and local advertising.

The Company receives income from local franchisees' by charging a franchising fee equal to a sum not to exceed seven percent (7%) of the Franchisee's Gross Revenues. The Franchisee must also purchase New Studio Opening Kits from the Company. These fees are shared equally between the Franchisor and Company.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

	2022	2021	2020
Leashold Improvements	-	-	14,554
Equipment	-	-	71,400
Furniture and fixtures	-	-	38,297
Less: Accumulated Depreciation	-	-	(124,251)
Net Property and Equipment	-	-	-

NOTE 4 - COMMITMENTS AND CONTINGENCIES

The Company is responsible, in the ordinary course of business, for usual contingencies of a franchisor in New York.

NOTE 5 - DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution plan. Accrued costs for plan benefits are funded annually and were at December 31,

	2022	2021	2020
Accrued Pension Costs	-	-	3,408

**EXHIBIT F
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

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Fred Astaire International Dance Council	76
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TOTAL	403

**EXHIBIT G
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT
INFORMATION ABOUT CURRENT FRANCHISEES**

LIST OF CURRENT FRANCHISEES

The following is a list of Sub-Franchisor's franchisees with Studios open as of December 31, 2022:

Sub-Franchisee Name	Studio Address	Telephone Number
Palisades Dance Studio, Inc. Victor Russu	295 Route 304, 2 nd Floor Bardonia, NY 10954	845-623-7147
Bakh & Dukhina, Inc. Marat Bakh & Kseniya Dukina	121 Clock Tower Commons Brewster, NY 10509	914-279-4504
Putnam Dance Corporation, Inc. Yuriy Herhel & Melissa Herhel	3182 Route 9, Suite 104-105 Cold Spring, NY 10516	845-424-6353
Dance NY, Inc. Vladislav Ivanov, Karina Moskalyeva & Natalia Oreshkina	118 Mill Street Fayetteville, NY 13066	315-637-3718
Latham Dance Studios, Inc. Boris Spitchka & Sasha Spitchka	368 Troy Schenectady Road Latham, NY 12110	518-783-3130
Kat & Mac Enterprise, Inc. Stanley McCalla	451 East Boston Post Road Mamaroneck, NY 10021	914-381-2562
World Dance Enterprises, Inc. Marat Bakh & Kseniya Dukina	69 South Moger Avenue Mount Kisco, NY 10549	914-864-1335
Downtown Ballroom, Inc. Artur Sveshnikov & Svitlana Glielova	291 Broadway, Suite 900 New York, NY 10007	212-267-9500
Chelsea Dance Studios Corp. Timofey Shalnev & Jess Mae Briones	548 West 28th Street, Suite #232 New York, NY 10001	646-964-4004
Studio 34 Dance, Inc. Timofey Shalnev	200 East 37 th Street, 2 nd Floor New York, NY 10016	212-697-6535
Dancevolution, Inc. Marat Bakh, Kseniya Dukhina, Igor Melnyk, & Angelina Boiko	1289 Madison Avenue, 2nd Floor New York, NY 10128	917-639-3215
F.A. East Side Dance Studio, Inc. Radostina Gerova & Plamen Danailov	328 East 61st Street, 5th Floor New York, NY 10021	212-209-2410
F.A. Westside Dance Studios Corp. Darius Mosteika, Jolanta Mosteika & Valerij Grebenin	174 West 72nd Street, 2nd Floor New York, NY 10023	212-595-3200
Studio One Dance Corporation Vladimir Triaszin & Alicia Gruttadauria	2030 Monroe Avenue Rochester, NY 14618	585-292-1240

Sub-Franchisee Name	Studio Address	Telephone Number
Saratoga Dance Studio, Inc. Elizabeth Hayner & Grey Masko	3257 Route 9, Suite #2 Saratoga Springs, NY 12866	518-587-0300
Westchester Dance Enterprises Inc. Sasha Bylim & Olga Bylim	358 North Broadway, Suite 102 Sleepy Hollow, NY 10591	914-366-4695
E & D Dance, LLC Evgeny Graev & Daria Graeva	2239 Hylan Boulevard, 2 nd Floor Staten Island, NY 10306	718-979-2144
FA Dance Studio of Dutchess, Inc. Alex Vasendin & John Mandia	1562 Route 9, 2nd Floor Wappingers Falls, NY 12590	845-297-2711
Hartsdale Dance Studios, Inc. Alex Vasendin & Irina Vasendin	611 West Hartsdale Avenue White Plains, NY 10607	914-949-2553
Siyaniestar LLC Serge Nelyubov & Yana Nelyubov	5443 Sheridan Drive Williamsville, NY 14221	716-633-1866

The following is a list of sub-franchisees with signed Sub-Franchise Agreements but studios that have not opened as of December 31, 2022:

Franchisee Name	Studio Address	Telephone Number
Marat Bakh, Kseniya Dukhina, Mykyta Zhukovskyi & Yuliya Lisovska Zhukovskyi Lisovska, Inc.	128 Montague Street Brooklyn, New York 11201	917-639-3215 914-256-7687 551-284-1606

The following is a list of Franchisor's franchisees with Studios open as of December 31, 2022:

Franchisee Name	Studio Address	Telephone Number
Fabian & Jacqueline Sanchez	1941 Hoover Court Suite J Birmingham, AL 35226	205-979-4777
James Greer & Evan Wellemeyer	2600 Clinton Avenue West Suite H Huntsville, AL 35805	256-469-8299
Samanta Rico, Morten Jensen & Mira Jensen	1702 South Walton Blvd. Suite 4 Bentonville, AR 72712	479-367-2020
Lee Williams	3162 W Martin Luther King Blvd. Fayetteville, AR 72704	479-332-5327

Franchisee Name	Studio Address	Telephone Number
Samanta Rico & Wallace Waite	5320 West Sunset Avenue Springdale, AR 72762	479-318-2989
Cheryl Jones	1300 East 68 th Avenue Suite 202 Anchorage, AK 99518	907-522-4590
Kateryna Spasitel, Maksym Bulanyi, and Roman Myrkin	28244 N. Tatum Blvd. Suite B4 Cave Creek, AZ 85331	480-771-5959
Lisa Bianco	2390 North Alma School Road Suite 123 Chandler, AZ 85224	480-917-9133
Lindsey Bianco	1435 East Warner Road Suite 105 Gilbert, AZ 85296	480-993-0977
Robert Doyle	5905 West Bell Road Suite 1-2 Glendale, AZ 85308	602-843-5700
Oleksandra Kharchenko & Alexander Zarek	6655 East McDowell Road Suite 109/110 Mesa, AZ 85215	480-618-6615
Mariya Ilchenko	8978 W. Union Hills Drive Unit 106 Peoria, Arizona 85382	623-288-9898
Sarah & Nedko Petrov	1107 East Bell Road Suite #9 Phoenix, AZ 85022	602-795-2220
Sergey Smolin & Shailesh Sharan	3138 East Indian School Road Phoenix, AZ 85016	602-900-4959
Ilya Velednitsky Mariya Ilchenko	3820 East Ray Road Suite 2 Phoenix, AZ 85044	602-218-8578
Roman Myrkin	9171 E. Bell Road C100 Scottsdale, AZ 85255	480-473-0388
Jonathan Kroll, Briana Santiago & Igor Ustymovych	4855 E Greenway Road Scottsdale, AZ 85254	602-493-3003
Wayne & Marie Corso	4811 E Grant Road Suite 151 Tucson, AZ 85712	520-300-5490
Oleg Astakhov & Kristina Androsenko	56 E Duarte Road Arcadia, CA 91006	626-476-9069
Aaron Pierce & David Moon	11699 South Street Artesia, CA 90701	562-503-9486

Franchisee Name	Studio Address	Telephone Number
Marcin & Qi Shen Mocarski	13788 Roswell Avenue Suite 168 Chino, CA 91710	909-342-9724
Briana & Kris Suakjian	27001 Moulton Parkway Suite A-208 Laguna Hills, CA 92656	949-448-0502
Joey Fusina & Michael Kage Hart	845 South Coast Hwy. Oceanside, CA 92054	760-757-1700
Tomasz & Izabela Lewandowski	1650 South Pacific Highway Redondo Beach, CA 90277	310-316-5800
Danelle Lockhart Ryan Lockhart	12075 Carmel Mountain Road San Diego, CA 92128	858-521-8266
Joey & Hunter Fusina	8303 Clairemont Mesa Blvd., #205 San Diego, CA 92111	858-499-0180
Lyndsy Aguirre & Lawrence Aguirre Jr.	5649 N. Academy Blvd Colorado Springs, CO 80918	719-344-5181
Mary Jo Hansen	11153 South Parker Road Suite S Parker, CO 80134	303-237-3733
Mary Jo Hansen	6995 West 88 th Avenue Westminster, CO 80021	303-429-3237
Marcel Helms	14 Candlewood Lake Road Brookfield, CT 06804	203-775-6588
Erik & Eva Barckmann	16 Cheryl Drive Suite C Canton, CT 06019	860-693-1256
Alex Konovalov & Ecaterina Liubenco	2928 Main Street Glastonbury, CT 06033	860-657-9186
Elmar & Isabelle Schmidt	36 Sherwood Place, 2 nd Floor Greenwich, CT 06830	203-340-2760
Steven Powell & Miche Bernier	1869 Dixwell Avenue Hamden, CT 06514	203-288-5252
Andrew Kerski	19 Tuttle Place Middletown, CT 06457	860-788-7150
Vadim Asmolov	12 Roosevelt Avenue Mystic, CT 06355	860-245-0037
Martin & Gina Goethche	314 Westport Avenue, 2 nd Floor Norwalk, CT 06851	203-229-0801
Christian Lange & Paulo Jorge	174 Main Street Old Saybrook, CT 06475	860-388-9130
Stephanie McCool & Nenad Pavlovic	547B Boston Post Road Orange, CT 06477	203-614-1665
Chris Whitten & Kristyn Michaud	15 Ethan Allen Hwy. Ridgefield, CT 06877	203-544-7400

Franchisee Name	Studio Address	Telephone Number
Yuliya Lukina & Viktor Tkachenko	1735 Ellington Road South Windsor, CT 06074	860-648-4482
Christina Lange & Paolo Jorge	316 Main Street South, Unit F/G Southbury, CT 06488	203-267-7600
Henry Skopp & Monika Barska	3300 Post Road Southport, CT 06890	203-254-8250
Anastasia Barhatova & Andrew Kerski	68 Bridge Street, Suite 118 Suffield, CT 06078	860-929-2365
Marko Urosevic	964 White Plains Road Trumbull, CT 06611	203-268-6588
Clemens & Jessica Lengenfelder	141 South Street Suite F West Hartford, CT 06110	860-232-2678
Danilo Rakita	958 Clint Moore Road, C-108 Boca Raton, FL 33496	727-798-2708
Mikhail Zharinov	1055 Kane Concourse Bay Harbor Island, FL 33154	305-866-5146
James Brann & Sayra Vazquez	151 Minzer Blvd. SE Suite 16A Boca Raton, FL 33432	561-391-8591
Yuriy & Alexandra Datsyk	25221 Chamber of Commerce Drive Bonita Springs, FL 34135	239-949-9680
Vicente Martinez & Megan Murphy	398 N. Congress Avenue Suite 380 Boynton Beach, FL 33426	561-733-1111
Ronald & Katie Guillen	14415 SR 70 East Bradenton, FL 34202	941-405-4983
David & Kelle Chancellor	1076 East Brandon Blvd., Unit 113/114 Brandon, FL 33511	813-438-5963
Vera & Vladimir Kosarev	45 Alhambra Plaza Coral Gables, FL 33134	305-443-0085
Clifton Sepulveda and Mardelys Martinez Duarte	247 SE 6 th Avenue Suite 4 Delray Beach, FL 33483	561-707-5085
Alexandra Nema	1433 SE 17 th Street Ft. Lauderdale, FL 33316	954-763-2212
Ruslan Meshkov & Mariia Meshkova	5975 N Federal Highway Suite 138 Ft. Lauderdale, FL 33308	954-999-0197
Andrei & Elena Rudenco	14261 S Tamiami Trail Suite 4 Ft. Myers, FL 33912	239-939-1517

Franchisee Name	Studio Address	Telephone Number
Joe & Tommie Trovato	11 Yacht Club Drive Ft. Walton Beach, FL 32548	850-244-4480
Sergh Aliev	115 1 st Street Jupiter, FL 33458	561-743-3216
Jose & Joanna Decamps	4270 Minton Road West Melbourne, FL 32904	321-233-1445
Irina Fedosova & Strahinja Lackovic	1585 Pine Ridge Road, #26 Naples, FL 34109	239-592-7737
Kristin Casella, Ronald & Katie Guillen	5680 Tuscola Blvd. North Port, FL 34287	941-564-8425
Tetyana Makarenko & Igor Puzhevich	8060 Via Dellagio Way Suite 210 Orlando, FL 32819	407-757-7751
Kristian Sese & Mae Lozada	9820 Alternate A1A Suite 206 Palm Beach Gardens, FL 33410	561-299-5858
Elizabeth Whitney	14109 South Dixie Highway Palmetto Bay, FL 33176	305-988-1955
Danielle Oplaski & Isidro Erreguin	4400 Bayou Blvd. Suite 2 Pensacola, FL 32503	850-332-7343
Michael and Tanya Chaves	1172 SE Blvd. Port S. Lucie, FL 34952	772-353-5609
Mila Popovich	7019 Central Avenue St. Petersburg, FL 33710	727-347-7700
Tim Pennenga & Tiana Ramirez	2738 Bee Ridge Road Sarasota, FL 34239	941-921-6651
Jill Bogacik & Greg Delekta	2147 SE Federal Highway Stuart, FL 34994	772-678-7368
Mike & Dena Dill	1139 East Tennessee Street, #3 Tallahassee, FL 32308	850-681-8884
Linda Goethche	141 South Dale Mabry Hwy. Tampa, FL 33609	813-467-3000
Alberto Tabares & Yolaine Romero	14459 North Dale Mabry Highway Tampa, FL 33618	813-513-4432
Enrique Curi	200 North Tamiami Trail, Unit J/K Venice, FL 34285	941-484-9200
Doreen Scheinflug	157 FL-7 Suite 103 Wellington, FL 33414	561-812-3825
Mykhailo Azarov & Anastasia Kuzmich	1900 Okeechobee Blvd. Suite A2 West Palm Beach, FL 33409	561-478-1400

Franchisee Name	Studio Address	Telephone Number
Hayk Balasanyan & Emilia Poghosyan	1400 Howell Branch Road Winter Park, FL 32789	407-907-5507
Chaiquita M. Grady & Philip Gutierrez	887 West Marietta St. NW, J-105 Atlanta, GA 30318	404-897-5556
Tim Brooks & Philip Gutierrez	4317 Abbotts Bridge Rd., Suite 2 Duluth, GA 30097	678-417-7555
Monica Gere & Lisa Trice	1511 West Main Street Boise, ID 83702	208-514-0440
Michael Micek & Larry Boyce	212 Burr Ridge Parkway Burr Ridge, IL 60527	630-455-0665
Jesse DeSoto, Ellie Homan & Andre Santore	1239 West Lake Street Chicago, IL 60607	312-465-5100
Bill Davy	2356 W Higgins Road Hoffman Estates, IL 60195	847-310-8300
Cristina & Dumitru Turcan	19 N. Park Blvd. Glen Ellyn, IL 60137	847-653-6157
Irina Shukhat & Donald Johnson	118 N. Milwaukee Avenue Libertyville, IL 60048	224-513-5999
Jesse DeSoto & Aaron DeSoto	340 Old McHenry Road Long Grove, IL 60047	847-634-1100
Bill Davy	19840 S. LaGrange Road Mokena, IL 60047	708-478-5722
Kharyton & Anastasia Khomenko	4187 Dundee Road Northbrook, IL 60062	847-272-4202
Hannah & Adrian Dydynski	17 N. Prospect Avenue Park Ridge, IL 60089	847-653-6157
Jackie & Eugene Grytsak	2400 East Main Street St. Charles, IL 60174	630-945-3275
Bill Davy	328 E. Highway 30 Schererville, IN 46375	219-440-6502
Mark Smith	2759 Morthland Drive Valparaiso, IN 46385	219-242-8643
Dan Rutherford, Lindsey Rutherford & Nicole Carroll	820 E. 116 th Street Suite 600 Carmel, IN 46032	317-846-3237
Patric Didier	5404 Meijer Drive Fort Wayne, IN 46835	260-209-4130
Dan Rutherford	2002 East Southport Road Indianapolis, IN 46227	317-643-5606
Pam Rutherford	583 East 53 rd Street Suite B Davenport, IA 52807	563-332-1900
Steve Kerich & David Kerich	5103 Pegasus Court Suite A Frederick, MD 21704	240-232-2329

Franchisee Name	Studio Address	Telephone Number
Kemar Bennet & David Robinson	448 Common Street Belmont, MA 02478	617-489-7272
Renzo Aida	619 High Street Dedham, MA 02026	781-320-5678
Adam & Michelle Fox	835 W. Central Street Suite 3 Franklin, MA 02038	508-528-6200
Mihail & Mariana Lacusta	24 Rockland Street Suite 5 Hanover, MA 02339	781-778-3303
Catherine Baird	9 Aldrin Road Plymouth, MA 02360	508-732-6790
Michelle Davy	54A Wayside Avenue West Springfield, MA 01089	413-788-4500
Christopher Uy & Rachael Heron-Uy	304 Cambridge Road, Suite 240 Woburn, MA 01801	781-819-0923
Norman Thibeault	319 Shrewsbury Street Worcester, MA 01604	508-755-8635
Izabela Jaworska	155-396 North Maple Road Ann Arbor, MI 48013	734-320-8650
Evan Mountain	2172 Franklin Road Bloomfield Hills, MI 48302	248-220-6483
Daniel Rutherford*	5660 Maybee Road, Suite 200 Clarkston, MI 48346	248-309-8601
Evan Mountain	5526 Drake Road W. Bloomfield Township, MI 48322	248-562-7292
Chad & Joanna Lessard	1975 Seneca Road Suite 700 Eagan, MN 55122	651-451-6300
Martin Raphael	4160 S. Fort Apache, Unit C Las Vegas, NV 89147	702-242-4400
Kaitlin & Timothy Emmott	414 Pompton Avenue Cedar Grove, NJ 07009	973-783-8999
Christian Pozo & Devyn Pasalano	318 U.S. Highway 9 Englishtown, NJ 07726	732-414-1835
Darya Gidaspova & Juan Ramirez	24 N Union Street Lambertville, NJ 08530	609-608-0448
Denise Buchner & Dana Masi	2410 Highway 35 Manasquan, NJ 08736	732-528-0151
Gabriela Jileva	140 Morris Street Morristown, NJ 07960	973-993-9222
Jaime Azcona & Nikki Azcona	382 Kinderkamack Road Oradell, NJ 07649	201-265-6100

Franchisee Name	Studio Address	Telephone Number
Tara Fanzo	301 North Harrison Street Suite 10 E Princeton, NJ 08540	609-921-8881
Lee Boocock-Stephenson	84 Park Avenue Rutherford, NJ 07070	201-340-4319
Alexander Barakov	1201 Sycamore Avenue, #203 Tinton Falls, NJ 07724	732-542-4188
Ilya Ifraimov & Nadia Goulina	688 Main Road Towaco, NJ 07082	973-917-3034
Olga Shchuchynska & Volodymyr Shchuchynskyy	100 Town Center Drive Warren, NJ 07059	732-667-7000
Mykhailo Anufriiev	291 Franklin Avenue Wyckoff, NJ 07481	973-303-5469
Victor Russu	295 Route 304, 2 nd Floor Bardonia, NY 10954	845-623-7147
Marat Bakh & Sana Pavlova	121 Clocktower Commons Brewster, NY 10509	845-279-4504
Marat Bakh, Kseniya Dukhina, Mykyta Zhukovskiy, and Yuliya Lisovska	128 Montague Street Brooklyn, NY 11201	TBD
Yuriy & Melissa Herhel	3182 Route 9 Suite 104/105 Cold Spring, NY 10516	845-424-6353
Vladislav Ivanov, Karina Moskalyeva and Natalia Oreshkina	118 Mill Street Fayetteville, NY 13066	315-637-3718
Eugene Yeremenko & Marisa Yatsenko	726 Franklin Avenue Garden City, NY 11530	516-559-0888
Alex & Irina Vasendin	25 West Hartsdale Avenue Hartsdale, NY 10530	914-949-2554
Boris & Sasha Spitchka	368 Troy Schenectady Road Latham, NY 12110	518-783-3130
Stanley McCalla	451 East Boston Post Road Mamaroneck, NY 10021	914-381-2562
Eugene Yeremenko & Marisa Yatsenko	20 Park Avenue Manhasset, NY 11030	516-439-5477
Marat Bakh & Sana Pavlova	69 South Moger Avenue Mount Kisco, NY 10549	914-864-1335
Timofey Shalney & Jessa Mae Briones	548 W 28 th Street, Suite 232 New York, NY 10001	646-964-4004
Artur Sveshnikov & Svitlana Glielova	291 Broadway Suite 900 New York, NY 10007	212-267-9500

Franchisee Name	Studio Address	Telephone Number
Plamen Danailov and Radostina Gerova	328 East 61 st Street, 5 th Floor New York, NY 10021	212-209-2410
Timofey Shalnev	201 East 34 th Street, 2 nd Floor New York, NY 10016	212-697-6535
Darius & Jolanta Mosteika and Valerij Grebenin	174 West 72 nd Street, 2 nd Floor New York, NY 10023	212-595-3200
Marat Bakh, Kseniya Dukhina, Igor Melnyk, and Angelina Boiko	1289 Madison Avenue, 2 nd Floor New York, NY 10128	917-639-3215
Vladimir Triaszin	2030 Monroe Avenue Rochester, NY 14618	585-292-1240
Elizabeth Hayner & Grey Masko	3257 Route 9, Suite 2 Saratoga Springs, NY 12866	518-587-0300
Sasha & Olga Bylim	358 North Broadway, Suite 102 Sleepy Hollow, NY 10591	914-366-4695
Anneliece Mondria, Philip Gutierrez, Artem Belmeha & Anna Shevchenko	11 West Main Street Smithtown, NY 11787	631-656-6143
Evgeny Graev and Daria Graeva	2239 Hyland Blvd., 2 nd Floor Staten Island, NY 10306	718-979-2144
Alex Vasendin & John Mandia	1562 Route 9, 2 nd Floor Wappingers Falls, NY 12590	845-297-2711
Serge & Yana Nelyubov	5443 Sheridan Drive Williamsville, NY 14221	716-633-1866
Paul Millington	107 Edinburgh South Drive, #123 Cary, NC 27511	919-380-2185
Oksana Klyuchnyk	1553 Beaver Creek Commons Drive Apex, NC 27502	919-200-4021
Oksana Klyuchnyk, Serhiy Tryl & Adriana Dwyer	10320 Durant Road, Suite 105 North Raleigh, NC 27614	919-825-1572
Yuriy Simakov & Oksana Klyuchnyk	4702 Garrett Road Durham, NC 27707	919-489-4313
Sasha Tsyhankov & Alyosha Anatoliy	1500 Mill Street Suite 105 Greensboro, NC 27408	336-379-9808
Szymon Lubarski	14225 Market Square Drive Huntersville, NC 28078	704-750-0204
Yuriy Simakov, Oksana Klyuchnyk, Kostyantyn Karchanov and Olena Karchanova	6300 Creedmoor Road Suite 122 Raleigh, NC 27612	919-872-0111
Oleksandr Zyrianov	5629 Oleander Drive Unit 3 Wilmington, NC 28403	910-769-7086

Franchisee Name	Studio Address	Telephone Number
Dustin Jones	5090 Market Street Boardman, OH 44512	330-788-3200
Calin Panainte, Victoria Matfei & Vadim Panainte	8225 East Washington Street, Box 13 Chagrin Falls, OH 44023	440-840-0308
Daniel Tackett	1089 Bethel Road Columbus, OH 43220	614-459-8079
Pamela Baragona, Devin Taylor, Gina Snyder	8885 Basil Western Road Suite F Canal Winchester, OH 43110	614-833-3400
Aleksei Minaev and Elena Minaeva	4647 Great Northern Boulevard North Olmstead, OH 44070	440-431-6319
Pamela Baragona, Gina Snyder & Devin Taylor	3499 Market Street Powell, OH 43065	740-638-9040
Leesha Thompson	2023 Elm Road Warren, OH 44483	330-369-2870
Keith Jastram and Victoria Jastram	1091 Eastwind Drive Westerville, OH 43081	614-890-9790
Kellie Love Titus	34601 Ridge Road, #9 Willoughby, OH 44094	440-516-7837
Jessica Aillon, Alexander Aillon & Kacey Bicking	12305 SW Horizon Blvd., #201 Beaverton, OR 97007	971-204-9188
Alex & Jessi Aillon	6520 SW Rosewood Street Lake Oswego, OR 97035	971-255-1918
Roman Manolachi	555 Lancaster Avenue Suite G Berwyn, PA 19312	610-251-0404
Roman Manolachi	222 East Main Street Collegeville, PA 19426	610-251-0400
Igori Bogatirov & Yulia Jung	30 West Oakland Avenue Doylestown, PA 18901	215-254-5494
Artur Aleksandrov	233 West Chocolate Avenue Hershey, PA 17033	717-298-1558
Evgenii Grinin & Olga Morozova	205 Arch Street Philadelphia, PA 19106	215-970-9658
Dmitriy Karabanov & Daria Emelianova	1173 Wilmington Pike West Chester, PA 19382	484-315-8025
Vladislav Ivanov	1113 Carlisle Road, Delco Plaza York, PA 17404	717-900-6568
Joseph Kaufman & Lisa Ellis	5600 Post Rd. East Greenwich, RI 02818	401-372-2113
Caleb & Rusina Converse and Rogelio Garcia	23 Pier Market Place Narragansett, RI 02882	401-515-4007
Paige Toolan & Brendan Gill	1235 Wampangoag Trail Riverside, RI 02915	401-415-9766

Franchisee Name	Studio Address	Telephone Number
Rogelio Garcia & Victoria Venturini*	19 Sanderson Rd. Smithfield, RI 02917	401-404-5404
Rogelio Garcia, Victoria Venturini & Emily Cortez	120 Lambert Lind Highway Warwick, RI 02886	401-427-2494
Evan Wellemeyer	6645 Poplar Avenue, #206 Germantown, TN 38138	901-753-2158
Evan Wellemeyer, Natalie Duke, Joseph Hasson & Kate Wellemeyer	235 E Main Street Suite 350 Hendersonville, TN 37075	615-265-9010
Mark Adler, Laura Sinclair & Stephanie Schlueter	815 W 47 th Street Suite 101 Austin, TX 78751	512-520-4800
Rebecca Rendon & Philip Gutierrez	925 West Price Road Suite B Brownsville, TX 78520	956-567-0420
Philip Gutierrez & Alexandra Dane	5509 Colleyville Blvd., #220 Colleyville, TX 76034	817-656-4181
Philip Gutierrez	25250 NW Freeway Suite 280 Cypress, TX 77429	281-758-4707
Mihaly Meszaros & Alexandra Dane	4800 Main Street Frisco, TX 75033	TBD
Alexandra Dance, Mihaly Meszaros & Philip Gutierrez	3421 West 7 th Street Ft. Worth, TX 76107	817-332-8880
Philip Gutierrez	134 Vintage Park Boulevard Suite F Houston, TX 77070	281-655-0069
Philip Gutierrez	12649 – G1 Memorial Drive Houston, TX 77024	713-929-2255
Patrick Stuckwish, Mark Adler, Stephanie Schlueter, Brittany Gill & Jhondar Lopez	3601 B Westheimer Road Houston, TX 77027	713-871-1300
Christopher Simon & Philip Gutierrez	1000 W Loop Freeway N Houston, TX 77024	TBD
Alex Armaos & Joshua O’Leary	18321 West Lake Houston Parkway Suite 440 Humble, TX 77346	281-913-2623
Alex Armaos & Joshua O’Leary	1051 Heights Blvd. Suite 230 Houston, Texas 77008	281-825-3893
Roman Mocharsky	402 West Grand Parkway S Suite 101 Katy, TX 77494	281-392-0068

Franchisee Name	Studio Address	Telephone Number
Helena Tokarew & Philip Gutierrez	9825 Mason Road Richmond, TX 77406	281-762-7584
Philip Gutierrez	7720 Jones Maltsberger Road Suite 107 San Antonio, TX 78216	713-437-9890
Philip Gutierrez & Steffany Soucie-Sears	115 North Loop 1604 East San Antonio, TX 78237	210-490-3733
Mihaly Meszaros & Alexandra Dane	TBD	TBD
Peter Ekkart & Ellen Saev	TBD	TBD
Mark Adler, Stephanie Schlueter, Aaron Vo & Alexis Ho	2140 Lone Star Drive Sugarland, TX 77479	281-265-0644
Mark Adler, Stephanie Schlueter, Amber Seifert & Bernd Seifert	1925 Hughes Landing Blvd. Suite 400 The Woodlands, TX 77380	281-367-0005
Amber Lynell Seifert & Bernd Seifert	26400 Kuykendahl, Unit A150 Tomball, TX 77375	TBD
Peter & Ellen Ekkart	20810 Gulf Freeway Suite H Webster, TX 77598	281-316-0715
Joshua O'Leary and Armaos	TBD	TBD
Vladyslav Dolva	Charlottesville Ballroom, 1739-D Allied Street Charlottesville, VA 22903	434-977-3327
Susannah Moss	510 Spring Street Suite 110 Herndon, VA 20170	571-306-7925
Jack Bettin	100 Arboretum Place Suite 110 Richmond, VA 23236	804-476-8297
Vladyslav Dolva	10960 Three Chopt Rd., Unit F Richmond, VA 23233	804-457-6543
Oksana Klyuchnyk, Dmytro Stepanenko & Catherine Baumgartner	4725 Virginia Beach Blvd., #170 Virginia Beach, VA 23462	757-499-3237
Nicholas & Melinda Plante	2021 North Casaloma Drive Appleton, WI 54913	920-707-3111
Albina Habrle	15760 West Capitol Drive Brookfield, WI 53005	262-796-1121
Dymytrii Goncharov	4868 South 74 th Street Suite A-04 Greenfield, WI 53220	414-281-9191
Dymytrii Goncharov & Tetiana Lutsenko	2727 West Beltline Hwy. Madison, WI 53713	608-467-3333

Franchisee Name	Studio Address	Telephone Number
Hayk Arshakian	10934 N Port Washington Road Mequon, WI 53092	262-241-1221
Hayk Arshakian	N87 W17317 Main Street Menomonee Falls, WI 53051	262-251-2000
Albina Habrle	625 E St. Paul Avenue Suite 100 Milwaukee, WI 53202	414-291-9999
Rachel Sayotovich & Oleskandr Kozhukhar	15437 West National Avenue New Berlin, WI 53151	262-330-8685
Anna Krasnoshapka & Mykyta Serdyuk*	2121 E Rawson Ave. Oak Creek, WI 53154	414-304-8999
Hayk Arshakian	615 Ryan Street Suite 200 Pewaukee, WI 53072	262-691-8181
Anna Krasnoshapka & Mykyta Serdyuk	9000 76 th Street, Unit B Pleasant Prairie, WI 53158	262-577-5861
Birgit Jung	1050 Vienna Kriehubergasse 9/2	011 43 131 701 47
Randa Gerges Haddad & Vladimir Popovic	City Walk Blvd 2, Unit 19-05 Downtown District, Dubai	971509796499
Alessandro Maurizio Cilio	Via Cappuccini 21, 20122, Milano, Italy	90236513250
Rami Jeryes	Abu Al Hala Complex 6 Wakib Al Afyouni Street Amman, Jordan	00962 796 77 77 59
Tania Sawaya, Amal Alam Sawaya & Alain Sawaya	Dora Highway Wooden Bakery Building, 2 nd Floor Dora Lebanon, 961	001 961 25 80 50
Katie & Ronald Guillen	C. Las Aguilas 199, Surquillo 15047, Peru	51 962 324 246
Adriana Cazacu & Ion Cazacu	Soseaua Pipera 42, Bucuresti, Bucharest, Romania 077190	TBD
Anna Trukhan	Aleja Grundwaldzka 100, 80-244 Gdansk, Poland	011 48 797 797 078
Levi Michael Holtzhausen	Shop 29A Honeydew Shopping Centre, 1 Blueberry Street Honeydew, Randburg, 2169, South Africa	011 2711 794 4208

*Signed but not open as of December 31, 2022.

**EXHIBIT H
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

LIST OF FRANCHISEES WHO HAVE LEFT THE FADS SYSTEM

LIST OF FRANCHISEES WHO HAVE LEFT THE FADS SYSTEM

The following is a list of Sub-Franchisor's franchisees who have left the FADS System during the most recently completed fiscal year or who have not communicated with Sub-Franchisor within 10 weeks of the issuance date of this disclosure document:

TRANSFERRED

Franchisee Name	City, State	Telephone Number
Kristian See & Mae Lozada transferred their ownership interest to Timofey Shalnev	New York, New York	212-697-6535

The following is a list of Franchisor's franchisees who have left the FADS System during the most recently completed fiscal year or who have not communicated with Franchisor within 10 weeks of the issuance date of this disclosure document:

CLOSED

Franchisee Name	City	State	Telephone Number
Alexander Ivanov & Carly Goellner	Weston	Florida	954-849-8484
Sergio Sanchez & Tetiana Lutsenko	St. Petersburg	Florida	727-954-4058

TRANSFERRED

Franchisee Name	City, State	Telephone Number
Andrei Abrashin	Palm Beach Gardens, FL	518-248-7440
Amy Jordan	Westerville, OH	614-554-3007
Richard & Vanina Soppa	Greenfield, WI	414-698-9148

If you buy this franchise, your contact information may be disclosed to other potential franchisees when you leave the FADS System.

**EXHIBIT I
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

STATE SPECIFIC ADDENDA

**NEW YORK ADDENDUM TO THE SUB-FRANCHISE DISCLOSURE DOCUMENT
NEW YORK DANCE ENTERPRISES, INC.**

Cover Page

SPECIAL RISK FACTORS:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS 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, INVESTOR PROTECTION BUREAU, 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 THE PROSPECTUS.

Item 3.Litigation

Neither Franchisor, its affiliates nor any person identified in Item 2:

- A. 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 or misappropriation of property; unfair or deceptive practices or comparable allegations;
- B. 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: a violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations; or
- C. Is subject to a currently effective injunction or restrictive order or decree relating to the franchise, or under a federal, state or Canadian franchise, securities, antitrust, trade regulation, trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to a currently effective injunction or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Item 4. Bankruptcy

Neither Franchisor, its affiliates, nor any person identified in Item 2 has during the ten year period immediately before the date of this Disclosure Document: (a) filed as a 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 U.S. 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 during or within one year after the person identified in Item 2 held that position in Franchisor or partnership.

Item 11. Franchisor's Obligations

No changes will be made to the Manual which would impose an unreasonable economic burden on the franchisee or unreasonably increase its obligations.

1. While the Sub-Franchise Agreement does not provide for any right of the franchisee to terminate the franchise, the franchisee may terminate the Sub-Franchise Agreement upon any grounds available by law.
2. Franchisor will not assign your Sub-Franchise Agreement except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under the Sub-Franchise Agreement.

Item 17. Renewal, Termination, Transfer and Dispute Resolution

1. While the Sub-Franchise Agreement does not provide for any right of the franchisee to terminate the franchise, the franchisee may terminate the Sub-Franchise Agreement upon any grounds available by law.
2. The Florida choice of law should not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder remain in force; it being the intent of this proviso that the non-waiver provisions of the GBL Sections 687.5 and 687.5 be satisfied.
3. Franchisor will not assign your Sub-Franchise Agreement except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under the Sub-Franchise Agreement.

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

New York _____

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 J
TO THE
SUB-FRANCHISE DISCLOSURE DOCUMENT**

RECEIPTS

RECEIPT

This disclosure document summarizes certain provisions of the Sub-Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If New York Dance Enterprises, Inc. ("Sub-Franchisor") offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, Sub-Franchisor, FADS or its affiliate in connection with the proposed franchise sale. Iowa and New York require that Sub-Franchisor gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Sub-Franchisor gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Sub-Franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

Issuance Date: June 5, 2023.

The sub-franchisor is New York Dance Enterprises, Inc., located at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410. Its telephone number is (561) 799-6276.

Sub-Franchisor's franchise sellers involved in offering and selling the franchise are Armando Martin and Laura Martin, New York Dance Enterprises, Inc., 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410, and: _____
[Any other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee].

Sub-Franchisor authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a disclosure document with an issuance date of June 5, 2023 that included the following Exhibits:

- | | |
|---|--|
| A. List of State Agencies/Agents for Service of Process | F. Table of Contents of Confidential Franchisee Manual |
| B. Sub-Franchise Agreement (and Exhibits) | G. Information about Current Franchisees |
| C. Sample Release of Claims | H. List of Franchisees Who Have Left the FADS System |
| D. Franchisor's Financial Statements | I. State Specific Addenda |
| E. Our Financial Statements | J. Receipts |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Copy for Franchisee

RECEIPT

This disclosure document summarizes certain provisions of the Sub-Franchise Agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If New York Dance Enterprises, Inc. ("Sub-Franchisor") offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, FADS or its affiliate in connection with the proposed franchise sale. Iowa and New York require that Sub-Franchisor gives you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that Sub-Franchisor gives you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Sub-Franchisor does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and those state administrators listed on Exhibit A.

Issuance Date: June 5, 2023.

The sub-franchisor is New York Dance Enterprises, Inc., located at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410. Its telephone number is (561) 799-6276.

Sub-Franchisor's franchise sellers involved in offering and selling the franchise are Armando Martin and Laura Martin, New York Dance Enterprises, Inc., 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410 and: _____
[Any other franchise seller involved in a particular franchise transaction must be disclosed here before the Disclosure Document is given to the prospective franchisee].

Sub-Franchisor authorizes the respective state agencies identified on Exhibit A to receive service of process for it in the particular state.

I have received a disclosure document with an issuance date of June 5, 2023 that included the following Exhibits:

- | | |
|---|--|
| A. List of State Agencies/Agents for Service of Process | F. Table of Contents of Confidential Franchisee Manual |
| B. Sub-Franchise Agreement (and Exhibits) | G. Information about Current Franchisees |
| C. Sample Release of Claims | H. List of Franchisees Who Have Left the FADS System |
| D. Franchisor's Financial Statements | I. State Specific Addenda |
| E. Our Financial Statements | J. Receipts |

Date: _____
(Do not leave blank)

(Print Name of Prospective Franchisee (For Entity))

By: _____
Its: _____

Signature _____

(Print Name of Prospective Franchisee (For Individuals))

Signature _____

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to New York Dance Enterprises, Inc. at 4362 Northlake Boulevard, Suite 217, Palm Beach Gardens, Florida 33410, by email to AMartin@fredastaire.com or by fax to (561) 799-5903.

Copy for New York Dance Enterprises, Inc.