

FRANCHISE DISCLOSURE DOCUMENT

HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC

a California limited liability company

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HUMMINGBIRD
music school

You will operate a business that offers music education to school-aged children, approximately five to fourteen years old (from preschool through middle school) using the trademark “Hummingbird Music School”.

The total investment necessary to begin operation of a Hummingbird Music School franchise is \$53,102 to \$99,222. This includes \$30,000 to \$60,000 that must be paid to the franchisor and/or its affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as “*A Consumer’s Guide to Buying a Franchise*,” which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC, 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: March 22, 2024.

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 Exhibit E.
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 Exhibit C 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 Hummingbird Music School 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 Hummingbird Music School franchisee?	Item 20 or Exhibit E lists 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 to be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

- 1) **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Pennsylvania. 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 Pennsylvania than in your own state.
- 2) **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even though your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.

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

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EXHIBIT F: State Specific Addenda
EXHIBIT G: General Release

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Hummingbird Music School Franchise LLC. For ease of reference Hummingbird Music School Franchise LLC will be referred to as “we,” “us” and “Franchisor” in this Disclosure Document. The terms “we,” “us” and “Franchisor” do not include you, the “Franchisee.” Throughout this Disclosure Document, we will refer to the purchaser of a Hummingbird Music School franchise as “you” or “Franchisee,” whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, your owners, officers and directors will also be referred to as “you” or “Franchisee” and additionally, “Principal(s).” If you are married and your spouse does not sign the Franchise Agreement as a Principal, certain provisions of our Franchise Agreement will also apply to that spouse.

We are a California limited liability company formed on October 18, 2023. We do business under our corporate name and under the name “Hummingbird Music School.” Our principal business address is 2261 Market Street, Suite 5984, San Francisco, California 94114. We do business under the trademark “Hummingbird Music School” and its associated design (the “Marks”) We are engaged in the business of granting and supporting franchises to franchisees under the “Hummingbird Music School” trade name and trademark. We have no other business activities. We have never offered franchises in this or any other line of business. We began offering franchises on March 22, 2024.

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

Our Parent, Predecessors and Affiliates

We have no parent or predecessor.

Our affiliated company Hummingbird Music School Holding Company LLC, a California limited liability company with a principal place of business at 2261 Market Street, Suite 5984, San Francisco, California 94114. Hummingbird Music School Holding Company LLC was formed on December 8, 2023. Our affiliate is the owner of the Marks and has exclusively licensed use of the Marks to us.

We have no affiliates that provide products or services to our franchisees. None of our affiliates have offered franchises in this or any other line of business.

We have operated, through an affiliate, a Hummingbird Music School, similar to the franchise offered by this Disclosure Document since October 2015 in San Carlos, California. We may operate other Hummingbird Music School concepts, including additional Hummingbird Music School businesses, in the future.

The Franchise Offered

We grant franchises for the right to operate a business that provides distinctive music education to school-aged children, approximately five to fourteen years old (from preschool through middle school) at schools and community venues, such as recreations centers, youth centers and community centers (collectively “Community Partners”), and at the home of residents. You will provide services and products to customers under the “Hummingbird Music School” trademark, using our proprietary lesson plans, instructional methods, distinctive operating procedures and standards in a limited protected territory (the “Franchised Business”). The distinguishing characteristics of the Franchised Business include, but are not

limited to, our procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

Market and Competition

The market for your Franchised Business consists of Community Partners that offer enrichment programs to children. Your primary target customers will be school-aged children ages 5 to 14 years and their parents.

The market for children’s music education is competitive. You will compete with other businesses that offer similar products and services, some of which may be individual businesses, a chain of businesses or a franchise system. You will also compete with other businesses and programs for space within schools and other Community Partners. Sales are year-round with this business.

Industry Specific Laws and Regulations

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, those that apply generally to these businesses and to places of public assembly or gathering, business operations, insurance, health, sanitation, discrimination, and employment laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here. You are responsible for obtaining all licenses and permits which may be required for your business.

Some states require mandatory background checks of all individuals who provide instructional services to children. You may be required to pay a fee to the state agency responsible for enforcing these requirements. You are responsible for obtaining all licenses and permits which may be required for your business.

Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

ITEM 2: BUSINESS EXPERIENCE

Francesca Draughon, PhD – Principal Officer

Francesca Draughon, PhD founded Hummingbird Music School in 2015. She is a classically trained musician and musicologist. As a postdoctoral Fellow, she taught interdisciplinary humanities, music history, and continuing studies classes at Stanford University, in Stanford California, from 2002 to 2005. She began teaching private music lessons in 2009 and holds the title of Arts Commissioner of Redwood City, since 2022

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Disclosure Document.

ITEM 4: BANKRUPTCY

No bankruptcy information is required to be disclosed in this Disclosure Document.

ITEM 5: INITIAL FEES

Initial Franchise Fee. You must pay us a non-refundable “Initial Franchise Fee” when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The amount of the Initial Franchise Fee will depend on the size of the Territory you purchase, as follows:

Territory Size	Population	Initial Franchise Fee
A	< 25,000	\$ 25,000
B	25,000 – 50,000	\$ 35,000
C	50,001 – 75,000	\$ 45,000
D	75,001 – 100,000	\$ 55,000

* You may purchase additional areas to increase the size of your Territory, for a maximum population of 100,000. You will pay us a territory expansion fee calculated as the increase of the initial franchise fee from your then-current Territory size to the upgraded Territory size.

Opening Advertising Campaign. You must spend \$5,000 on an opening advertising campaign to promote the opening of the Franchised Business. We reserve the right to collect this money from you and conduct the opening advertising campaign on your behalf. If we collect this money from you for the opening advertising campaign, it is non-refundable.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

There are no other payments to or purchases from us or our affiliates that you must make before your Franchised Business opens.

ITEM 6: OTHER FEES

Fees	Amount	Due Date	Remarks
Royalty Fee	8% of Gross Revenues	Weekly, on Tuesday for the sales week ending the immediately preceding Sunday	Payable to us via ACH or other means designated by us. See footnote 1.
Brand Fund Contribution	Up to 3% of weekly Gross Revenue. The current Brand Fund Contribution is 2% of weekly Gross Revenue.	Weekly, on Tuesday for the sales week ending the immediately preceding Sunday	See footnote 2.
Required Minimum Expenditure for Local Marketing and Advertising	\$300 per month	Must be spent monthly	Payable to third parties. All advertising must be pre-approved by us. We reserve the right to collect some or all of the local advertising expenditure and implement local advertising on your behalf. See footnote 3.

Fees	Amount	Due Date	Remarks
Advertising Cooperative	As determined by cooperative members. If formed the franchisee may credit the lesser of 50% of your monthly local marketing requirement or \$150, against your required monthly expenditures for local advertising.	As determined by cooperative	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised Hummingbird Music School outlets in a designated geographic area. Any affiliate-owned outlets may participate in an advertising cooperative, at our sole discretion.
Internal Systems Fee	Currently \$25 per week. Franchisor has the right to increase the maximum fee by 10% annually.	Weekly, on Tuesday for the sales week ending the immediately preceding Sunday	Payable to us for new or improved technology for the benefit of the System and the Franchised Business, including, but not limited to, assigned phone numbers and email addresses, a franchise portal, benchmarking platform, or other operations or communications systems.
Initial Training	Our then-current per trainee, day rate for each trainee, plus trainees' expenses. Our current rate is \$500 per trainee, per day.	At least 14 days prior to the commencement of training	Training for up to two people is included in the initial franchise fee. If you request that we provide our initial training program to any additional employees that attend the same training program as you, you must pay for all trainees' expenses for attending training, including travel, lodging, meals, and wages.
Remedial/Additional Training Fee	Our then-current per diem rate for each trainer, plus travel and other expenses. Our current rate is \$500 per day.	At least 14 days prior to the commencement of training	We may impose this fee, payable to us, if you request additional training in-Territory, or if you are operating below our standards and we require you to have remedial training. You must also pay all costs of our trainer, which include but are not limited to, airfare,

Fees	Amount	Due Date	Remarks
			transportation, hotel and meals.
Additional Training – Annual Conference or Business Meeting	Per person registration fee, plus travel and other expenses for attending training. Currently - up to \$500 per person registration fee	As incurred	Payable to us, for up to 3 days annually. You are responsible to pay all travel expenses for you and your personnel, including costs of transportation, meals and lodging.
Conference Non-Attendance Fee	120% of the registration fee	As incurred	Payable to us if you do not attend a mandatory annual conference or business meeting. You are required to obtain any missed mandatory training at your cost.
Interest	1.5% per month or the highest rate allowed by applicable law, whichever is less	On demand	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Late Fee	\$50 per occurrence	As incurred	If you fail to pay us the Royalty Fee, Brand Fund Fee, Internal Systems Fee or any fees due to us, or if you fail to submit your Gross Revenue or other required report when due, we may charge you a late fee in addition to interest charges explained below.
Examination of Books and Records	Cost of examination plus related expenses	As incurred	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue, you must pay us the owing Royalty and Brand Fund Contribution, with interest, and if there is an understatement of 2% or more, you must pay to us the cost of the audit and all travel and related expenses.

Fees	Amount	Due Date	Remarks
Insufficient Funds Fee	\$250 per occurrence	On demand, if incurred	Payable if there are insufficient funds in your account to pay fees due to us. If you incur three insufficient funds fees in any 12-month period, we have the right to terminate your Franchise Agreement.
Transfer Fee	For transfers to: (i) individual(s) new to the system, 75% of the then-current Initial Franchise Fee; (ii) individual(s) that are already existing owners in the System, 50% of the then-current Initial Franchise Fee; and (iii) addition of an entity you own or for transfers among owners that does not change management control, \$1,500	Submitted with transfer application	Payable to us. See Item 17
Successor Agreement Fee	10% of our then-current initial franchise fee.	Before signing of Successor Agreement	If you enter into a Successor Term, we will re-evaluate the size of the Territory. If you upgrade to a larger Territory size, you will additionally pay the then-current Territory Expansion Fee.
Territory Expansion Fee	The increase in initial franchise fee for each increase in Territory size.	As incurred upon signing an Amendment to increase the size of the Territory	If you meet our qualifications, you have the option to purchase additional areas to increase the size of your Territory during the term of your Franchise Agreement or Successor Agreement Term(s). See Note 4.
Liquidated Damages	Up to 24 months of Royalty Fees and Brand Fund Contributions	Upon termination of the Franchise Agreement	If the termination is due to your default, you must pay us the average monthly Royalty Fee and Brand Fund Contribution payable by you

Fees	Amount	Due Date	Remarks
			for the 12 months prior to your default multiplied by the lesser of 24 months or the number of months remaining in the term of your Franchise Agreement.
Reimbursement of Fees and Expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement	As Incurred	See Footnote 5.
Indemnification	Amount of loss or damages plus costs	As incurred	See footnote 6.
Interim Management Support Fee	Currently the greater of 10% of Gross Revenue and \$500, plus our costs and expenses	As incurred	We may impose this fee (in addition to all regularly occurring fees such as the Continuing Royalty Fee, Brand Fund Contributions and Internal Systems Fee), payable to us, if we provide on-site or virtual management of your Franchised Business.
Product or Supplier Evaluation	Reimbursement of our costs, up to \$1,000	On demand, if incurred	Payable if you request that we evaluate a product or supplier that we have not previously approved and that you want to use for your Franchised Business.
Insurance Reimbursement	Amount paid by us for your insurance obligations, plus a 10% administrative fee and other actual expenses	On demand	If you do not maintain the required insurance coverages, we have the right (but not the obligation) to obtain insurance on your behalf and you will reimburse us.
Taxes	Amount of taxes	As incurred	You must reimburse us for any taxes that we must pay to any taxing authority on account of either the operation of your Franchised

Fees	Amount	Due Date	Remarks
			Business or payments that you make to us, including, but not limited to any sales, excise, use, privilege, or income taxes imposed by any authority.
Critical Operation Standards Violation Fee	\$450 to \$1,000 per occurrence	As incurred	Payable for failure to comply with operational standards as required and specified under the Franchise Agreement, plus inspection and re-inspection costs incurred by us.
Quality Review Services	Actual costs	As incurred	Payable to us or third-party providers. See Footnote 7.

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us. The amounts given may be due to changes in market conditions, our cost of providing services and future policy changes.

1. Royalty Fee. “Gross Revenue” includes all revenues and income from any source derived or received by you from, through, by or on account of the operation of the Franchised Business. It does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e., coupons). You must execute documents that allow us to automatically take the Royalty Fee, Brand Fund Contribution and Internal Systems Fee from business bank accounts via electronic funds transfers. Interest and late fee will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report revenues for the week, then we will collect 120% of the last Royalty Fee, Brand Fund Contribution and Internal Systems Fee collected and reconcile amounts when you next report revenue. If any state imposes a sales or other tax on the royalty fees, then we have the right to collect this tax from you.
2. Brand Fund Contribution. Brand Fund Contribution payments are due at the same time and in the same manner as Royalty Fees. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account. Interest and late fee will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report Gross Revenue for the required period, then we will collect 120% of the last Brand Fund Contribution collected and settle the balance in the next period in which you report sales.
3. Required Minimum Expenditure for Local Marketing and Advertising. Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter. You may not use social media platforms like Facebook, Instagram, LinkedIn, X (formerly known as Twitter), and TikTok, blogs and other networking and sharing websites without our prior written approval and such use is in strict accordance with our System standards.

4. **Territory Expansion Fee.** The fee is calculated based on each increase in Territory size. For instance, if you purchased an “A” Territory (\$25,000) when you signed the Franchise Agreement and you upgraded to a Territory “D” (\$55,000), then the fee is calculated as \$10,000 for each increase in Territory size. By example: \$55,000 - \$25,000 = \$30,000 Territory Expansion Fee. This amount is not refundable.
- 5.. **Reimbursement of Fees and Expenses** If you breach the Franchise Agreement, you must reimburse us any costs we incur to cure your default. You must also pay us all damages, costs and/or expenses, including reasonable attorneys’ fees, we incur to enforce the terms of the Franchise Agreement or to obtain any remedy, injunctive or other relief.
6. **Indemnification.** You must indemnify and hold us, our parent and affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business operations under the Franchise Agreement, as well as the costs, including attorneys’ fees, of
7. **Quality Review Services.** We may establish quality assurance programs conducted by third-party providers, such as, by way of example only, periodic quality audits and customer surveys, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program defending against them.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$25,000	\$55,000	Lump Sum	On signing Franchise Agreement	Us
Storage Unit Rental Fee - 3 Months ²	\$0	\$200	As arranged	As arranged	Third Parties
Signage, Equipment, and Supplies ³	\$1,000	\$1,500	As arranged	As arranged	Approved Suppliers
Initial Inventory ⁴	\$9,210	\$18,420	As arranged	As arranged	Approved Suppliers
Computer System ⁵	\$3,500	\$4,000	As arranged	As arranged	Approved Suppliers
Business Permits & Licenses ⁶	\$0	\$100	As arranged	As arranged	Government Agencies
Professional Fees ⁷	\$1,000	\$2,000	As arranged	As arranged	Attorney, Designated Accountant

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Made
Insurance ⁸	\$290	\$350	As arranged	As arranged	Insurance Companies
Training Expenses ⁹	\$102	\$652	As arranged	As incurred	Airlines, Hotels, Restaurants
Opening Advertising Campaign ¹⁰	\$5,000	\$5,000	As arranged	As arranged	Suppliers or Us
Additional Funds – 3 Months ¹¹	\$8,000	\$12,000	As arranged	As incurred	Various
Total	\$53,102	\$99,222			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable. We do not finance any portion of your initial investment. All of our estimates assume that you will purchase the required items.

Notes:

- 1) ***Initial Franchise Fee.*** The Initial Franchise Fee is discussed in Item 5.
- 2) ***Storage Unit - 3 months.*** This is the 3 month estimate if you elect to rent a storage unit to store equipment and supplies for the Franchised Business. This estimate does not include storage unit insurance which some storage facilities will require you to purchase.
- 3) ***Signage, Equipment, and Supplies.*** This amount includes branded signage, equipment and office supplies for approximately 3 months.
- 4) ***Initial Inventory.*** Our estimate includes keyboards, keyboard stands, ukuleles, rock band summer camp equipment (drums, bass, guitar, sound equipment and microphones), lesson books, marketing materials (backpacks, flyers), headphones and batteries for keyboards. The inventory will vary based on the size of the Territory.
- 5) ***Computer System.*** This is the estimate for the computer system, including hardware and software that meets our minimum specifications as required by our Manual. We estimate the monthly fees for the required software/applications will be \$370 per month. We reserve the right to change your requirements for computer system, hardware and software at any time.
- 6) ***Business Permits and Licenses.*** Our estimate includes the cost of obtaining local business licenses which typically remain in effect for one year. The cost of these permits and licenses will vary substantially depending on where the Franchised Business is located. You should consult the appropriate governmental authority concerning the availability of required licenses and the associated expenses for your Franchised Business before you sign a Franchise Agreement.

- 7) **Professional Fees.** We strongly encourage you to retain an attorney and an accountant to assist you with evaluating this franchise offering. Your advisor may also assist you with forming a corporate entity to own the franchise if you choose to do so.
- 8) **Insurance.** You must have the insurance that we specify for your Franchised Business at all times during the term of your Franchise Agreement. Our estimate includes a quarterly premium. You must purchase the amounts and types of insurance as required by our Manual from time to time (see Item 8). The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase.
- 9) **Training Expenses.** These estimates include only your out-of-pocket costs associated with attending our initial training program, including travel, lodging, meals, and applicable wages for the first two trainees. These amounts do not include any fees or expenses for training any other personnel. Your costs may vary depending on your selection of lodging and dining facilities and mode and distance of transportation. The lower end of our estimate assumes that the trainees live within driving distance of our training location. The high end of our estimate assumes that additional travel is required.
- 10) **Opening Advertising Campaign.** You must conduct an opening advertising campaign for the opening of your Franchised Business. We reserve the right to collect some or all of your opening funds and conduct some or all of your opening advertising campaign on your behalf. If we collect this money, it is not refundable.
- 11) **Additional Funds - 3 months.** We relied on our affiliate's experience in operating a Hummingbird Music School Business since 2015 in San Carlos, California to prepare this estimate. This estimates your initial start-up expenses for an initial three-month period, not including payroll costs, Royalty Fees, Brand Development Fees, or other continuing fees payable to us and does not include any revenue that your Franchised Business may earn in the first three months of operation. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We have identified various suppliers, distributors and manufacturers of equipment, supplies and services that your Franchised Business must use or provide which meet our standards and requirements. You must purchase certain equipment, supplies and services from our designated suppliers or in accordance with our specifications.

You must sell and offer for sale only those programs, products, and services that we have expressly approved for sale in writing and in the manner and style we require. You must discontinue offering for sale any programs, products, and services we may disapprove, in writing, at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you with notice, in the Manual or other methods (such as by email), of any changes in the standards and specifications. We maintain written lists of approved items of materials, equipment, signage, inventory and suppliers (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We update these lists periodically and issue the updated lists to all franchisees.

Neither we nor our Affiliate are an approved supplier for any product or service you must purchase or lease. None of our officers has a direct or indirect ownership interest in any approved or designated supplier.

You must have the following software and application for your Computer System: PayPal business, JotForm, MailChimp Standard, QuickBooks, Celero Commerce, Canva Professional, Google Suite and Pike13. You must use Celero Commerce to process credit card transactions.

We estimate that your purchases from us or approved suppliers, or that must conform to our specifications, will represent approximately 20% to 25% of your total purchases in establishing your Franchised Business, and approximately 10% to 12% of your total purchases in the continuing operation of your Franchised Business.

We approve suppliers after careful review of the quality of the products and services they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and such other information that we may require. If the item and/or supplier meets our specifications, as we determine at our sole discretion, we will approve it as an additional item or supplier. We will notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving items and suppliers are not available to you. We have the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards. You or the supplier must reimburse our costs for our evaluation of the proposed product or supplier (up to \$1,000).

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, "Allowances") offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliates, based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our affiliates will have all of right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). We may also choose to contribute these Allowances to the Brand Development Fund, but if we do so it does not reduce or eliminate your obligation to pay the Brand Development Fee. During the fiscal year ended December 31, 2023, we did not earn any Allowances.

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the System. We have arranged for our franchisees to receive a 33% discount up to \$1,000 on all purchases from our approved supplier Hal Leonard.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

Before you open your Franchised Business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. You may be required or elect to purchase and maintain insurance, by the storage facility, if you choose to rent a storage unit to store your equipment and supplies for your Franchised Business. The minimum insurance required is

Requirements	Limits
Commercial General Liability	\$1,000,000/\$3,000,000
Personal and Advertising Injury	\$1,000,000
Products/Completed Ops Aggregate	\$3,000,000
Damage to Premises Rented to You	\$100,000
Medical Payments (does not apply to children)	\$10,000
Abuse or Molestation	\$100,000/\$300,000
Miscellaneous Professional Liability	\$1,000,000/\$3,000,000
Commercial Property Coverage	Full replacement cost of all equipment
Workers Comp	As required by law. Must be maintained for franchisee and all employees/contractors providing services.
Auto Insurance	\$1,000,000 single limit and \$500,000/\$1,000,000 split limit for all vehicles, including those owned and operated by employees/contractors providing services
Umbrella Liability	\$2,000,000 minimum coverage
Other Insurances	As required by local, state or federal laws; or by the landlord

Each policy must be written by a responsible carrier or carriers acceptable to us and must name us, and our respective officers, directors, partners, agents and employees as additional insured parties, and contain a waiver of the insurance company's rights of subrogation against us. Your insurance policies must be written by an insurance company with a rating of at least "A" with A.M. Best Company.

ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	Article or Section in Franchise Agreement	Disclosure Document Item
(a) Site selection and acquisition/ lease	8.1	11
(b) Pre-opening purchases/leases	8.2, 12.3.1	7, 11
(c) Site development and other pre-opening requirements	8.1, 8.2	11
(d) Initial and ongoing training	Article 7	11
(e) Opening	8.2	11
(f) Fees	5.1, 5.2.6, Article 6, 7.5, 11.4.3, 12.2.5, 12.3.7, 12.7, 12.8, 12.9, 13.3.1, 15.3, 16.4, 18.1.8, 19.1.5, 20.2	5, 6, 7

Obligation	Article or Section in Franchise Agreement	Disclosure Document Item
(g) Compliance with standards and policies/operating manual	Article 9, 12.1, 12.8, 19.1.1	8, 11
(h) Trademarks and proprietary information	9.4, 12.1.10, Article 14, 19.2, 19.3, 19.4	13, 14
(i) Restrictions on products/services offered	12.1.3, 12.1.11, 12.6	8
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	3.2,13.2	12
(l) On-going product/service purchases	12.1.2, 12.3.4, 12.3.5	8
(m) Maintenance, appearance, and remodeling requirements	Article 9, 12.1.3, 12.1.4	Item 11
(n) Insurance	Article 15	7
(o) Advertising	12.1.9, 12.1.10, Article 13	6, 11
(p) Indemnification	15.6, 16.3.6, 21.1	14
(q) Owner's participation/ management/ staffing	11.1, 11.4, 12.1.8	11, 15
(r) Records and reports	12.2	6
(s) Inspections and audits	12.1.9, 12.2.5	6, 11
(t) Transfer	Article 16	17
(u) Successor Agreement	Article 5	17
(v) Post-termination obligations	Article 18	17
(w) Non-competition covenants	19.5	17
(x) Dispute resolution	Article 20	17
(y) Liquidated damages	18.1.8	6
(z) Guaranty	11.3, Attachment 6	15

ITEM 10: FINANCING

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

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

Except as listed below, Hummingbird Music School Franchise LLC is not required to provide you with any assistance.

1. Pre-Opening Obligations

Before you open your Franchised Business, we will:

- a. designate the boundaries of your territory. (Franchise Agreement, Article 2, Section 10.1). You may operate the Franchised Business from your home. You have no obligation to locate a site, negotiate a lease, or construct or remodel premises for the office of your Franchised Business, and we provide no assistance in this regard, but you must have our prior written approval (Franchise Agreement, Section 8.1.1).
- b. provide access to the Hummingbird Music School Operations Manual, and other manuals and training aids we designate for use in the operation of your Franchised Business, as they may be revised from time to time (Franchise Agreement, Section 10.2).
- c. provide a written list of materials, signage, equipment and supplies that will be required to open the Franchised Business and approved or recommended vendors for these items. We do not provide, purchase, deliver, or install any items for you (Franchise Agreement, Section 10.3).
- d. at our discretion, provide you with samples or digital artwork of advertising and promotional materials for your initial marketing activities (Franchise Agreement, Section 10.4).
- e. provide initial training remotely and in San Carlos, California or another designated location. We have the right to designate an alternative location for the initial training program. We will determine, at our sole discretion, whether you satisfactorily complete the initial training program. (Franchise Agreement, Sections 7.1, 7.2).
- f. approve your opening marketing campaign (Franchise Agreement, Section 13.2.2).
- g. offer guidance regarding prices for products and services (Franchise Agreement, Section 12.5).

2. Obligations After Opening

During the operation of your Franchised Business, we will:

- a. offer from time to time, at our discretion, mandatory or optional additional training programs, including an annual business meeting or convention, for up to 3 days per year. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference. You must also pay for your transportation, lodging, meals and other expenses to attend any mandatory training program. (Franchise Agreement, Section 7.4).
- b. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. The current fee is \$500 per trainer per day of on-site training (Franchise Agreement, Section 7.5).

- c. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel (Franchise Agreement, Section 7.6).
- d. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 10.4).
- e. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections will occur through class attendance and evaluating your equipment to ensure that they meet our standards (Franchise Agreement, Section 12.1.9).
- f. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 10.3).
- g. offer guidance from time to time regarding prices for products and services (Franchise Agreement, Section 12.5).
- h. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within 10 business days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within ten business days, the proposed material and/or campaign is deemed “disapproved”. (Franchise Agreement, Section 13.6).

3. Time to Open

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Franchised Business is between 45 to 90 days. Your Franchised Business is deemed open after your first paying student. This time may be shorter or longer depending on the time necessary to obtain financing, insurance, purchasing materials, signage, equipment, supplies and other items, and completing our initial training program. If you have not opened your Franchised Business within 90 days after you sign the Franchise Agreement, you must obtain our consent to extend the time to open, which we may or may not grant, at our discretion. Failure to open your Franchised Business within the original time, or as extended, is a default of the Franchise Agreement. (Franchise Agreement, Sections 8.2).

4. Advertising

We will conduct advertising and other brand development activities on behalf of the System through the System-wide Brand Fund, which is described below. We have no obligation to conduct any other advertising. Neither we nor the Brand Fund are required to spend any amount on advertising, promotion, public relations, merchandising or media in your territory or area where your Franchised Business is located.

You may develop advertising materials using content previously approved by us for your own use at your own cost, and you may use marketing materials that we may offer. You may not use any advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld at our discretion. We will respond to your request for approval within 10 business days; however, if we do not respond within 10 business days, the proposed advertising or marketing material is deemed “disapproved”.

Unless we collect some or all of your opening marketing expenditure, we do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory. You are responsible for local advertising placement. If feasible, you may do cooperative advertising with other Hummingbird Music School franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, X, Instagram, LinkedIn, TikTok, YouTube or any other social media and/or networking site without our prior written approval and only then, in accordance with our specifications.

Local Advertising (Franchise Agreement, Sections 13.2 and 13.5)

You must conduct local marketing and promotional programs in your Territory to promote your Franchised Business. We require you to spend at least \$5,000 on first year opening marketing campaign to secure student enrollment in your first year of operations as follows: \$1,500 for the first fall school semester; \$1,000 for first winter school semester; \$1,000 for first spring school semester; and \$1,500 for first summer semester on summer camps. You must receive our approval of your opening marketing campaign before the opening date of the Franchised Business. During the term of the Franchise Agreement, including during the first year when your opening marketing budget is being allocated, you must spend \$300 per month on local marketing and promotion in your Territory to promote your Franchised Business. You must provide us with a report within 10 days after the end of each calendar quarter detailing your local marketing activities, including verification copies of your advertising and copies of bills for expenses related to a promotion. We reserve the right to collect some or all of your opening funds and/or your Local Advertising expenditure and implement opening campaign activities and/or Local Advertising on your behalf.

System-wide Brand Fund (Franchise Agreement, Sections 13.3 and 13.4)

You are required to contribute 2% of your Gross Revenue to our systemwide Brand Fund. Each Hummingbird Music School outlet operated by our affiliates or us may, but is not obligated to, contribute to the Brand Fund on the same basis as System franchisees. In our discretion, we may increase the Brand Fund Contribution, from time to time, to any amount not to exceed 3% of your Gross Revenue. Each Hummingbird Music School outlet operated by our affiliate or us may contribute to the Brand Fund, at our discretion, but has no obligation to do so. As of December 31, 2023, the Brand Fund did not have any expenditures since the Brand Fund has not been formed.

The Brand Fund is administered by our accounting and marketing personnel. We may use Brand Fund contributions to pay any and all costs for developing, producing and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through any media we determine; conducting marketing research and employing advertising agencies; developing, enhancing and maintaining our website, social media platforms, apps, and other technology for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that we internally administer or prepare.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we have the right to use the Brand Fund for public relations, to explain the franchise system, and/or include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions.

The Brand Fund collects and expends contributions for the benefit of the System as a whole. We have the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, at our

discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to use the Brand Fund to place advertising or conduct marketing campaigns in any particular area, including the geographical area where your Franchised Business is located.

We have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contribution or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

The Brand Fund is not audited. An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

No Brand Fund contributions were required, made or expended in our most recently concluded fiscal year.

Regional Advertising Cooperative (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising cooperative. However, we may decide to establish a regional cooperative in the future and your participation may be mandatory, at our sole discretion. A regional cooperative will be comprised of all franchised Hummingbird Music School locations in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, at our sole discretion. We will determine in advance how each cooperative will be organized and governed. Each Hummingbird Music School Business has one vote in the cooperative, except that no franchisee (or commonly controlled group of franchisees) may have more than 25% of the total vote, regardless of the number of Hummingbird Music School Businesses owned. We have the right to form, dissolve, merge or change the structure of the cooperatives. If we establish a regional cooperative, you must contribute amounts equal to your share of the total cost of cooperative advertising. Your contributions to a regional cooperative will be in addition to your required contributions to the Brand Fund; however, contributions each month made by you to a regional cooperative franchisee can be applied as a credit against your local advertising expenditure in the lesser of 50% of your monthly local marketing requirement or \$150. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. Currently, there are no governing documents available for your review.

Advisory Council (Franchise Agreement 12.6)

We may, at our discretion, form an advisory council to work with us to improve the System, the products and services offered by Hummingbird Music School Businesses, advertising conducted by the Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. The advisory council will include our representatives and franchisee representatives. Franchisee representatives may be chosen by us or may be elected by a vote of other franchisees. If you participate in an advisory council, you will pay any expenses you incur related to your participation, which may include travel, lodging, and meals expenses if you must travel to attend council meetings.

5. **Computer System** (Franchise Agreement Article 11)

You must purchase the hardware, software, system tools and processes as stated in the Operations Manual. The current approximate cost of the required hardware and software is between \$3,500 and \$4,000. Currently, you are required to have the following hardware and software:

Hardware:

General Purpose Computer (desktop or laptop)

Smartphone

High speed internet

Multi-function laser printer/scanner/copier

You are required to use all software and applications that we specify and pay any subscription fees associated with them. The estimated current cost of continuing access fees for other software and applications is \$370 per month, subject to increase.

Software (Function)	Estimated Ongoing Cost
Pike13 (scheduling and Client Management software)	\$200/month
Google Workspace (cloud productivity and collaboration tools)	Business Standard Plan starts at \$12/month
Canva Professional (online graphic design tool)	\$10/month
Celero Commerce (credit card processing)	3% of each transaction for Visa/Mastercard/Discover
QuickBooks (accounting software package)	\$45/month
MailChimp Standard (marketing automation, email marketing platform)	\$60/month
JotForm (mobile app builder, a PDF editor, and e-signature services)	Free
PayPal business (payment processing)	2.29% - 3.49% depending on transaction type
Student skill tracking app.	\$69/month

There are no contractual limitations on the frequency and cost of upgrades and/or updates to the above-described systems or programs. We may in the future modify or establish other sales reporting systems as we deem appropriate, for the accurate and expeditious reporting of Gross Revenue. You must fully cooperate in implementing any such modifications at your expense. The Franchise Agreement does not limit our ability to require you to update and/or upgrade your computer system or the cost of any update and/or upgrade.

We have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide on-going maintenance and repairs to your computer and software. We cannot estimate the cost of maintaining, updating, and upgrading your smart device or computer hardware and software because it will depend on the make and model of your device and computer, repair history, usage, local cost of computer maintenance services in your area and technological advances that we cannot predict.

The POS System allows us to access all of your sales data independently and remotely, including your Gross Revenue, through the Internet. There are no contractual limitations on our right to have full access

to this information. We may retrieve, download, analyze and store such information and data at any time. Upon our request, you must sign any documents we require to allow us to access and retrieve the information stored on the POS System independently and electronically. We own all customer data stored in the POS System.

6. **Training** (Franchise Agreement Article 5)

No later than 60 days before the date your Franchised Business begins operation, you (or one of your Principals), must attend and complete, to our satisfaction, our mandatory initial training program. Only one person is required to attend, 2 people are recommended, and any additional trainees would need to be approved. The cost of our instructors and training materials for up to 2 individuals is included in the Initial Franchise Fee. You must pay for all travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel. Our current fee to provide initial training to any additional trainee is \$500 per person per day. The training program is conducted remotely and in San Carlos, California or another designated location. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the System, replacement personnel needing training, the number of new Hummingbird Music School Businesses being opened and the timing of the scheduled openings of Hummingbird Music School Businesses. There is currently no set schedule for providing our training program.

If you (or one of your Principals) do not satisfactorily complete the initial training program, we will give you an opportunity to retake our training program at your expense. If you do not satisfactorily complete the initial training program a second time, we may terminate your Franchise Agreement.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Hummingbird Music School Welcome, Mission and History	1	0	Zoom
Overview of the Relationship with the Franchisor	1	0	Zoom
Overview of the Pre-Opening Process and Initial Launch	1	0	Zoom
Best Practices for Finding and Hiring Instructors	1	0	Zoom
Handling Inquiries for Private Lessons	2	0	Zoom
Working with Schools for After-School Enrichment Classes	2	0	Zoom
Scheduling Instructors, Lessons, Classes, and Camps	2	0	Zoom

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Tracking Student Progress and Communicating with Parents	2	0	Zoom
Managing Your Inventory of Equipment	1	0	Zoom
Tracking KPIS Performance and Financial Management of the Business	1	0	Zoom
Marketing	1	0	Zoom
Franchise Reporting	1	0	Zoom
In Person Shadowing and Observations	1	2	San Carlos, CA or another designated location
TOTALS	17	2	

The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience or individual needs of the trainees.

Our training program is conducted by Francesca Draughon, our founder, and whose biographical information is in Item 2. Francesca is a classically trained musician and musicologist. She received a B.A. in Music from Indiana University, and a M.A. and Ph.D. in Musicology from UCLA. In 1999-2000 she was named a Fulbright Scholar in Vienna, Austria. Her career started at Stanford University, where she taught interdisciplinary humanities courses, music history courses and continuing studies classes as a postdoctoral Fellow in the Humanities. She began teaching private music lessons in 2009 and founded Hummingbird Music School in 2015. We reserve the right to make changes in our training staff as we deem necessary and advisable without prior notice. We have the right to draw upon the experience of our affiliate's employees to assist in certain training modules.

If, during the term of your Franchise Agreement, you request that we provide additional training in your Territory or if we determine that you need remedial training, you must pay our then-current per diem fee (currently \$500) for each trainer we send to you and you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

We may offer a mandatory annual business meeting or convention, from time to time, for up to 3 days per year, at a location we designate. We have the right to impose a reasonable fee for attendance (currently \$500 per day). You are responsible for any and all incidental expenses incurred by you and your personnel in connection with attendance at the annual business meeting or convention, including, without limitation, costs of travel, lodging, meals and wages. If you fail to attend the annual business meeting or convention, you are required to pay us a non-attendance fee. You are required to obtain any missed mandatory training at your cost, including the per diem fee for each trainer we sent to you must reimburse us for any expenses our trainers incur, such as costs of travel, lodging, and meals.

7. Operations Manual

The table of contents to the Operations Manual is attached hereto as Exhibit D. The Operations Manual includes approximately 165 pages.

ITEM 12: TERRITORY

The size of your Territory is determined based on population. We offer franchises for 4 different sized Territories based on an approximate population: under 25,000 people (“A” Territory), 25,000 – 50,000 (“B” Territory), 50,001 – 75,000 (“C” Territory) and 75,001 – 100,000 (“D” Territory). We expect to determine the boundaries of your Territory based on school districts. Any school district with more than a total population of 100,000 will be divided into more than one territory. Your Territory could be described in terms of zip codes, school district, jurisdiction boundaries, geographic demarcation lines, county boundaries, or we may depict your Territory on a map as an attachment to your Franchise Agreement. We will use a 3rd party mapping system or other similar resource to obtain the population data at the time your Territory is designated.

If you meet our qualifications, and the area you wish to purchase is available, you may purchase additional areas to increase the size of your Territory, for a maximum population of 100,000 under a Franchise Agreement. We will not hold any area in reserve for you, and you are not granted a right of first refusal to purchase additional franchises or additional areas. We will not grant relocations except in the case of natural disasters. You may not relocate the Franchised Business without our prior written approval to do so. Additional franchises can be purchased for the then-current initial franchise fee. There are no circumstances under which we may modify your Territory during the term of your Franchise Agreement unless we mutually agree to.

As part of the process of renewing your Franchise Agreement, we reserve the right to re-evaluate the then-current Territory that is in your Franchise Agreement for your Successor Agreement Term. We will re-evaluate the area based on our then-current standards for Territories. Since the Territory is based on school districts and population size, your Territory under the Successor Agreement will be modified to accommodate any shifts and changes in population and school districts. A re-evaluation of your Territory may result in your Territory in your Successor Agreement being smaller or larger than your original Territory.

You must use your best efforts to promote and increase the sales and services of your Franchised Business to effect the widest and best possible distribution of sales and to solicit potential customers. During the term of your Franchise Agreement, you must meet the below Minimum Performance Requirements to maintain your rights in and to your Territory size, which will be in an attachment to the Franchise Agreement.

“A” Territory

Required Minimum Number of:	Year 1	Year 2	Year 3 +
Paying Students Enrolled in Private Lessons (per week - school year)	10	15	20
Paying Students Enrolled in After School Programs (per week)	20	30	40
Paying Students Enrolled in Summer Camp Sessions (total for Summer)	20	30	40

“B” Territory

Required Minimum Number of:	Year 1	Year 2	Year 3 +
Paying Students Enrolled in Private Lessons (per week - school year)	20	30	40
Paying Students Enrolled in After School Programs (per week)	40	60	80
Paying Students Enrolled in Summer Camp Sessions (total for Summer)	40	60	80

“C” Territory

Required Minimum Number of:	Year 1	Year 2	Year 3 +
Paying Students Enrolled in Private Lessons (per week - school year)	30	45	60
Paying Students Enrolled in After School Programs (per week)	60	90	120
Paying Students Enrolled in Summer Camp Sessions (total for Summer)	60	90	120

“D” Territory

Required Minimum Number of:	Year 1	Year 2	Year 3 +
Paying Students Enrolled in Private Lessons (per week - school year)	40	60	80
Paying Students Enrolled in After School Programs (per week)	80	120	160
Paying Students Enrolled in Summer Camp Sessions (total for Summer)	80	120	160

If you do not meet the above Minimum Performance Requirements, you will be in default of your Franchise Agreement, and we will have the right to reduce the size of your Territory or terminate your Franchise Agreement.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not, and will not permit anyone else to, provide Hummingbird Music School System services to children aged 5 through 14 within your Territory. However, notwithstanding this limited protection right we grant to you, we reserve all rights within your Territory to (i) offer and sell services and products not offered under the Marks, (ii) offer and sell other music education concepts under the Marks or other trademarks, including advanced music education programs to older children and adults, (iii) offer and sell Hummingbird Music School services and products at non-traditional venues, such as retail stores, and (iv) engage in solicitation and sales of Hummingbird Music School products or services through the Internet, catalog sales, telemarketing and direct marketing (“Alternate Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

We intend to forward all inquiries generated through our website to the appropriate Hummingbird Music School Business in the System. Under no circumstances will you be entitled to any portion of the revenue derived from services calls that you do not perform. All leads generated through our website will be our property.

The Franchise Agreement grants you no options, right of first refusal or similar rights to acquire additional franchises or contiguous territories, other than described above. We may, but have no obligation to, consider granting to you the right to establish additional Franchised Businesses under other franchise agreements or acquire additional territories if you are in compliance with the Franchise Agreement and propose to open another Franchised Business or expand your territory in an area that we approve.

Neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned businesses which sell our products or services under a different trade name or trademark that may compete with your franchised business, but we have the right to do so in the future without first obtaining your consent. We describe earlier in this Item 12 what we may do anywhere and at any time.

We reserve the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain, or other business; however, we will not convert any acquired business in your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement.

ITEM 13: TRADEMARKS

Our affiliate, Hummingbird Music School Holding Company LLC, is the owner of our trademarks and has granted us the exclusive right to use the marks and license to others the right to use the marks in the operation of a Franchised Business in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under the following principal trademark, which is pending registration with the U.S. Patent and Trademark Office (“Principal Mark”):

Mark	Filing Date	Serial Number	Registration Number	Register
HUMMINGBIRD MUSIC SCHOOL	07/18/ 2023	98/090,362	Pending	Principal
	07/18/2023	98/090,355	Pending	Principal

We do not have a federal registration for our Principal Marks. Therefore, our Principal Marks do not have many legal benefits and rights as a federally registered trademark. If our right to use any Principal Mark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

You must notify us immediately when you learn about an infringement of or challenge to your use of any Principal Mark or other mark. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of any Principal Mark or other mark. We have the right to control any administrative proceedings or litigation involving any Principal Mark or other mark licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We have the right to substitute different marks if we can no longer use the current Principal Mark, or if we determine that substitution of different marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any mark, including any Principal Mark, or to use one or more additional or substitute marks.

You must not directly or indirectly contest our affiliate’s right, or our right, to any Principal Mark or other marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to

the marks. There is no pending infringement, opposition, or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other marks.

There are no currently effective agreements that significantly limit our affiliate's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise.

The license agreement with our affiliate gives us broad rights to use the Marks in connection with the operation of the Hummingbird Music School franchise System, and to sublicense to franchisees the right to use the Marks, in strict accordance with our Franchise Agreement. The term of our license agreement is for 5 years, and shall automatically renew for additional terms of 5 years, until the license agreement is terminated.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs, and other written materials. We also claim copyrights and other proprietary rights in our Manual, website and social media content.

There are no current material determinations of, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect that limit your right to use any of our copyrights. As of the date of this Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights that could materially affect your use of them.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Successor Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Attachment 8).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

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

The Franchise Agreement requires that you personally supervise, devote full time, and manage the day-to-day operation of your Franchised Business. You may not appoint a non-owner manager of your Franchised Business unless you receive our prior written approval. Upon approval, your manager must successfully complete our Initial Training Program and all other training courses we require. Your manager must devote full time to the job and cannot have an interest or business relationship with any of our competitors. If the franchisee is a business entity, your manager is not required to have an equity interest in the franchisee entity but must otherwise meet our approval.

Your manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Attachment 8. If your Franchised Business is owned by an entity, all owners of the entity must personally sign the Franchise Agreement as Principal(s). If you are a married individual, and your spouse has not signed the Franchise Agreement, then your spouse must sign our Spouse Guaranty, which is attached to our Franchise Agreement as Attachment 6.

As stated in Item 1, all of your employees must pass a rigorous screening process. You may not employ anyone who has been convicted of a sex crime or a crime against a child, or who does not otherwise meet our requirements.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISE MAY SELL

You must offer and sell the products and services that are part of the System, and the services and products which we incorporate into the System in the future. You may only offer products and services that we have previously approved and for which you are qualified to provide.

You must target your advertising within the Territory. You may only solicit and sell the following services (i) school group classes by semester during the school year (at Community Partners), (ii) summer camp in one-week sessions during summer vacations (at Community Partners), and (iii) private instrument lessons, within the Territory. You may not solicit products or services, including through Alternate Distribution Channels, outside of your Territory. You may not provide services outside of your Territory, unless (i) you were solicited by the customer, (ii) you will strictly provide in-home private instrument lessons, (iii) the customer's residence that you provide lessons at is not located in an area that is serviced by another Hummingbird Music School franchisee or us, and (iv) you have received our prior written permission, which permission is per/customer per/location. In the event the residence that you provide the lessons at is subsequently designated as part of the territory of another Hummingbird Music School franchisee, then you are required to relinquish and refer that customer to the franchisee of that newly designated territory.

You may not use our Marks for any other business, and you may not conduct any other business at or through your Franchised Business operations or office. You cannot engage in any other business that competes with your Franchised Business, with us or our affiliates, or with Hummingbird Music School outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications. There are no other limits on our rights to make these changes.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section or Article in Franchise Agreement	Summary
(a) Length of the franchise term	Art. 4	Term is 5 years
(b) Renewal or extension of the term	Art. 5	If you are in good standing as defined below, you can sign a successor agreement for 3 additional terms of 5 years each, unless we have determined, at our sole discretion, to withdraw from the geographical area where your Franchise is located.
(c) Requirements for franchisee to renew or extend	Sections 5.1 and 5.2	Be in full compliance, have no more than three (3) events of default during current term; provide written notice to us at least six months before the end of the term; execute a new franchise agreement; continue to maintain your premises; update to current trade dress and other standards; execute a general release; and comply with then-current qualifications and training requirements, including completion of additional training. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.
(d) Termination by franchisee	None	You may seek termination upon any grounds available by state law.
(e) Termination by franchisor without cause	Section 16.7	The Franchise Agreement will terminate upon your death or permanent disability and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.
(f) Termination by franchisor with cause	Article 17	We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.
(g) "Cause" defined – curable defaults	Section 17.3	You have 5 days to cure non-payments and any other defaults (except for non-curable defaults listed in the Franchise Agreement and described in h. immediately below).
(h) "Cause" defined – non-curable defaults	Sections 17.1 and 17.2	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days. We may terminate the Franchise Agreement upon notice to you if you: misrepresent or omit a material fact in applying for the Franchise; do not obtain required licenses and permits and/or open the Franchised Business within required time frames; falsify any report to us; fail to operate for a period of 3

Provision	Section or Article in Franchise Agreement	Summary
		consecutive days or more; fail to comply with applicable laws; understate Gross Revenue 2 or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; are convicted or plead no contest to a felony or crime that could damage the goodwill associated with the Marks or do anything to harm the reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations 3 or more times during the term or receive 2 or more default notices in any 12-month period; have insufficient funds to honor a check or EFT 3 or more times within any 12-month period; defaults under any other agreement with us, our affiliate or a supplier; offers unauthorized products or services or uses unauthorized instructional method; terminates the Franchise Agreement without cause; or fails to meet the Minimum Performance Requirements.
(i) Franchisee's obligations on termination/non-renewal	Article 18	Upon termination, you must: cease operations; cease to identify yourself as a Hummingbird Music School franchisee; cease to use our trademarks; de-identify the premises; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; pay liquidated damages; sell to us, at our option, all equipment, inventory, and/or supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media and software accounts and the lease for the premises.
(j) Assignment of contract by franchisor	Section 16.1.1	No restrictions on our right to assign.
(k) "Transfer" by franchisee – defined	Section 16.3	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
(l) Franchisor approval of transfer by franchisee		No transfer is allowed without our consent, which we will not unreasonably withhold.
(m) Conditions for franchisor approval of transfer	Section 16.3 and 16.4	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully completes our Initial Training Program; you have paid us and

Provision	Section or Article in Franchise Agreement	Summary
		third-party creditors all amounts owed; you and the transferee sign a General Release; you shall subordinate any claims you have against the transferee to us; you will indemnify us for misrepresentations in the transfer process (excluding representations in our FDD); our approval of the material terms and conditions of the transfer; payment of a transfer fee.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 16.6	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 60 days to close and (e) you shall give us all customary seller's representations and warranties.
(o) Franchisor's option to purchase franchisee's business	Section 18.2	Upon termination of the Franchise Agreement, we have the option to purchase any or all of your equipment, furniture, fixtures, signs, advertising materials, supplies, and inventory at your cost or fair market value, whichever is less.
(p) Death or disability of franchisee	Sections 16.3, 16.4 and 16.7	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within 6 months to a replacement franchisee that we approve.
(q) Non-competition covenants during the term of the franchise	Section 19.5.1	You may not: divert, or attempt to divert, customers of any Hummingbird Music School outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
(r) Non-competition covenants after the franchise is terminated or expires	Section 19.5.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Hummingbird Music School outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 25 miles the boundary of your former Hummingbird Music School Territory or of any other Hummingbird Music School territory (franchised or company owned); do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
(s) Modification of the agreement	Sections 9.4, 14.6, 19.1.4 and 22.4	No oral modifications generally, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.
(t) Integration/merger clause	Section 21.12	Only the terms of the Franchise Agreement and other related written agreements, such as any attachments to the Franchise Agreement or addenda, are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Sections 20.1, 20.2, 20.3	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters, and then to binding arbitration, excluding claims related to

Provision	Section or Article in Franchise Agreement	Summary
		injunctive relief, anti-trust, the trademarks, possession of the Franchised Business premises and post-termination obligations.
(v) Choice of forum	Section 20.5	Litigation takes place in Pennsylvania, subject to applicable state law.
(w) Choice of law	Section 20.5	Pennsylvania law applies, subject to applicable state law.

ITEM 18: PUBLIC FIGURES

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

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We have one Hummingbird Music School Redwood City outlet that is owned and operated by our affiliate. This unit has been in operation since October 2015 and provides services to the areas of San Carlos, Redwood City and Menlo Park, California. The below historical financial performance representations include the Royalty and Brand Fund Contribution that a franchisee-operated outlet would be expected to pay. We have included the financial representations for this outlet for the 2022 and 2023 years.

The reasonable basis for inclusion of this Financial Performance Representation is the affiliate-owned outlet is similar to the franchise being offered under this Disclosure Document in terms of operations and service and product offerings. There are no material financial or operational characteristics of the below affiliate owned company businesses that are reasonably anticipated to differ materially from future franchise outlet operations, except that the Hummingbird Music School outlet does not offer private instruction lessons at Community Partners and yours will. The affiliate-owned outlet is different from the franchise being offered in that it does not pay any Royalty Fees or Brand Fund Contribution to us and is not subject to territorial advertising or service restrictions.

These financial performance representations do not reflect the operating expenses, or other costs or expenses that must be deducted from the gross revenue figure to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Franchised Business. Franchisees or former franchisees, listed in the disclosure document, may be one source of this information.

"Gross Revenue" includes all sales. Gross Revenue does not include sales tax.

<u>Gross Revenue</u> 2022		
Gross Revenue	\$445,667	
- Royalty Fee for a Franchised Outlet	(\$35,653)	
- Brand Development Fee for a Franchised Outlet	(\$8,913)	
- Gross Revenue for a Franchise Outlet	\$401,100	
Gross Revenue from private lessons	\$218,141	
Gross Revenue from after school group classes	\$157,443	
Gross Revenue from summer camps	\$70,083	
Business Metrics	Average	Median
Average number of private lessons per week (school year)	54	56
Average number of private lessons per week (summer)	34	35
Average number of after school group classes per week	10	10
Average number of students in each after school group class	13.1	14
Number of weekly summer camp sessions	9	9
Average number of students in each summer camp session	13	15

<u>Gross Revenue</u> 2023		
Gross Revenue	\$482,024	
- Royalty Fee for a Franchised Outlet	(\$38,562)	
- Brand Development Fee for a Franchised Outlet	(\$9,640)	
- Gross Revenue for a Franchise Outlet	\$433,821	
Gross Revenue from private lessons	\$214,506	
Gross Revenue from after school group classes	\$183,658	
Gross Revenue from summer camps	\$83,860	
Business Metrics	Average	Median
Number of private lessons per week (school year)	49	51
Number of private lessons per week (summer)	18	18
Number of after school group classes per week	10.7	10
Number of students in each after school group class	16.2	15
Number of weekly summer camp sessions	8	8
Number of students in each summer camp session	17.5	16

We offered the same services to the affiliate operated business described in this statement. This business offers the same products and services to the public as you will. This business reports gross revenues information to us based upon a uniform reporting system. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, Hummingbird Music School Franchise LLC does not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Francesca Draughon at 2261 Market Street, Suite 5984, San Francisco, California 94114, and 650-547-9954, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2021 - 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
*Company-Owned	2021	1	1	0
	2022	1	1	0
	2023	1	1	0
Total Outlets	2021	1	1	0
	2022	1	1	0
	2023	1	1	0

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years for years 2021 - 2023

Column 1 State	Column 2 Year	Column 3 Number of Transfers
	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

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

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Termina- tions	Col 6 Non- Renewal s	Col 7 Reacquire d by Franchiso r	Col 8 Ceased Operatio ns – Other Reasons	Col 9 Outlets at End of the Year
None	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4
Status of *Company-Owned Outlets
For years 2021 – 2023

Col 1 State	Col 2 Year	Col 3 Outlets at Start of Year	Col 4 Outlets Opened	Col 5 Outlets Reacquired from Franchisee	Col 6 Outlets Closed	Col 7 Outlets Sold to Franchisee	Col 8 Outlets at End of the Year
California	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Total	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1

Table No. 5
Projected Openings as of December 31, 2023

Column 1 State	Column 2 Franchise Agreements Signed but Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New *Company-Owned Outlets in the Next Fiscal Year
California	0	1	0
Total	0	1	0

*The company owned outlet is owned and operated by our affiliate.

A list of the names of all franchisees and the addresses and telephone numbers of their businesses will be provided in Exhibit E to this Disclosure Document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or who had a business terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit E to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Hummingbird Music School System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Hummingbird Music School System.

ITEM 21: FINANCIAL STATEMENTS

Hummingbird Music School Franchise LLC was formed on October 18, 2023. Because we have not been in business for three (3) years, we are not able to include the 3 prior years of audited financial statements normally required by this Item 21. Our audited financial statements for the period January 1, 2024 (Inception) through February 12, 2024 are included in Exhibit C.

Our fiscal year end is December 31st.

ITEM 22: CONTRACTS

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

Franchise Agreement – Exhibit B
General Release - Exhibit G

ITEM 23: RECEIPTS

Two copies of an acknowledgment of your receipt of this Disclosure Document appear at the end of the Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913	Michigan Department of Commerce, Corporations and Securities Bureau

State	State Agency	Agent for Service of Process
	(517) 373-7117	
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	New York State Department of Law Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 Phone	Secretary of State 99 Washington Avenue Albany, NY 12231
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 th Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

EXHIBIT B
FRANCHISE AGREEMENT

**HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC
DATA SHEET**

Franchisee: _____
(Individual(s) and _____
Entity, if applicable) _____

Spouse Guarantor(s): _____

Effective Date: _____

Territory: See Attachment 2 _____

Minimum Performance Requirements: See Attachment 3 _____

Initial Franchise Fee: _____

The terms of this Data Sheet are incorporated into the attached Franchise Agreement.

**HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC
FRANCHISE AGREEMENT**

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LIST OF ATTACHMENTS

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- Attachment 2: Territory Description
- Attachment 3: Minimum Performance Requirements
- Attachment 4: Authorization Agreement Automatic Deposits (ACH Withdrawals)
- Attachment 5: Statement of Ownership Interests in Franchisee Entity
- Attachment 6: Spouse Guaranty
- Attachment 7: Internet Advertising, Social Media, Software, and Telephone Account Agreement
- Attachment 8: Confidentiality and Non-Compete Agreement

HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this “Agreement”) is being entered into on _____, (the “Effective Date”) by and between Hummingbird Music School Franchise LLC, a California limited liability company with its principal place of business at 2261 Market Street, Suite 5984, San Francisco, California, 94114 (herein “Franchisor”) and _____, a(n) _____, with its principal place of business located at _____ and _____’s principals _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established a music school brand that features music education and instruction for children, using Franchisor’s proprietary lesson plans and confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s operations methods, sales techniques, inventory, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”).

The System is identified by certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including but not limited to the marks Hummingbird Music School service marks, as set forth in Attachment 1, and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated or substituted by Franchisor for use in connection with the System (the “Marks”).

Franchisor continues to develop, use, and control the use of such Marks in order to identify for the public the source of services and products marketed under the Marks and the System and to represent the System’s high standards of quality, appearance, and service.

Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality and service and the necessity of operating the business franchised hereunder in conformity with Franchisor’s standards and specifications.

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other set forth herein, and intending to be legally bound hereby, mutually agree as follows:

1. RECITATIONS. The Recitations set out above form part of this Agreement.

2. GRANT OF FRANCHISE. Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a Hummingbird Music School franchise (the “Franchise” or “Franchised Business”) to provides distinctive music education to school-aged children, approximately five (5) to fourteen (14) years old (from preschool through middle school), at schools and community venues, such as recreations centers, youth centers and community centers (collectively “Community Partners”), and at the home of residents. Franchisee may only use the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further

developed by Franchisor from time to time. This grant applies only within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

3. SOLICITATION AND SALES RESTRICTIONS

3.1 Territory. This Agreement grants Franchisee the right to operate the Franchised Business within the Territory only. Subject to Sections 3.2, 3.3 and 3.4 below, Franchisor agrees that during the Term of this Agreement, Franchisor will not, and will not permit anyone else to, operate a Hummingbird Music School business for children aged 5 (five) through 14 (fourteen) within the Territory using the same Marks as licensed to Franchisee in this Agreement so long as Franchisee meets or exceeds the minimum performance requirements set forth in Attachment 3 (“Minimum Performance Requirements”), and (ii) is not in default under this Agreement or this Agreement has not been terminated. Franchisor will assess the Franchised Business’s compliance with the Minimum Performance Requirements annually (“Minimum Performance Assessment”). During the term of this Agreement, so long as Franchisee is in substantial compliance with the terms and conditions of this Agreement, Franchisor will not establish or locate, or grant any third party the right to establish or locate, another Hummingbird Music School business using the System and Proprietary Marks within the Territory, except as set forth in Section 3.2 below. This Agreement does not grant Franchisee any other territorial rights

3.1.1 Notwithstanding the foregoing, Franchisee may purchase additional areas to increase the “Territory Size” under this Agreement, for a maximum population of one hundred thousand (100,000). If Franchisee meets Franchisor’s qualifications and the area Franchisee wishes to purchase is available, Franchisee shall pay to the Franchisor a “Territory Expansion Fee” calculated as the increase of the Initial Franchise Fee (defined hereafter) from the then-current Territory size to the upgraded Territory size due and payable upon execution of an amended Attachment 2. The Minimum Performance Requirements shall be based on the upgraded Territory (Attachment 3).

3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. Franchisor reserves all rights within the Territory to (i) offer and sell services and products not offered under the Marks, (ii) offer and sell other music and/or education concepts under the Marks or other trademarks, including advanced music training programs to older children and adults, (iii) offer and sell Hummingbird Music School services and products at non-traditional venues, such as retail stores, and (iv) engage in solicitation and sales of Hummingbird Music School products or services through the Internet, catalog sales, telemarketing and direct marketing (“Alternate Distribution Channels”). Franchisee will receive no compensation for Franchisor’s sales pursuant to the rights reserved in this Section 3.2, including through non-traditional venues and Alternate Channels of Distribution made within the Territory. Franchisee agrees that such implementation of Franchisor’s rights pursuant to this Section 3.3 is deemed not to impair or injure Franchisee’s rights pursuant to Section 2 hereof.

3.3 Solicitation and Sales Restrictions. Franchisee must target all advertising within the Territory. Franchisee you may only solicit and sell the following services, as further outlined in the Manual: (i) school group classes by semester during the school year at Community Partners, (ii) summers camp in one (1) week sessions during summer vacations at Community Partners, and (iii) private instrument lessons, within the Territory. Franchisee shall not solicit services or products outside of the Territory, including through Alternate Distribution Channels. Franchisee shall not perform services outside of the Territory, unless (i) Franchisee was solicited by the customer, (ii) Franchisee strictly provides in-residence private instrument lessons, (iii) the customer’s residence for the private instrument lessons is not located in an area that is serviced by another Hummingbird Music School franchisee or Franchisor, and (iv) Franchisee has received Franchisor’s prior written permission to provide such services, which permission shall be per/customer. In the event the residence that Franchisee provides private instrument lessons at is

subsequently designated as part of the territory of another Hummingbird Music School franchisee, then Franchisee shall be required to relinquish and refer that customer to the franchisee of that newly designated territory, and Franchisee shall have no further right to service such customer.

3.4 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee's home-based office must be within driving distance of the new Territory and must not have any adverse impact on the sales of franchisees in any adjoining Territory. Franchisee shall not relocate the Franchised Business at any time without Franchisor's prior written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and if permitted, shall be at Franchisee's sole expense.

4. TERM. Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above, and terminate on the date that is five (5) years following the Opening Date, as defined in Section 8 hereof (the "Term").

5. SUCCESSOR OPTIONS. Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Successor Franchise Agreement") for up to three (3) additional terms of five (5) years each. The term of each such Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee equal to ten percent (10%) of the then-current initial franchise fee (the "Successor Agreement Fee").

5.1 Form and Manner of Successor Agreement. If Franchisee desires to exercise Franchisee's option to enter into a Successor Franchise Agreement, it shall be done in the following manner:

5.1.1 Not less than one hundred and eighty (180) days prior to the expiration of the then-current term, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then-current Disclosure Document (including Franchisor's then-current franchise agreement).

5.1.2 Franchisee must execute and return to Franchisor all required documents, including any and all ancillary documents, within thirty (30) days after receipt by Franchisee of a copy of Franchisor's then-current Disclosure Document.

5.1.3 The Successor Franchise Agreement shall supersede this Agreement in all respects, and Franchisee understands and acknowledges that the terms of such new agreement may differ from the terms of this Agreement, including, without limitation, higher or lower royalty and other fees.

5.1.4 If Franchisee fails to perform any of the acts, or deliver any of the notices required pursuant to this Article 5 in a timely fashion, such failure shall be deemed an election by Franchisee not to exercise Franchisee's option to enter into the Successor Franchise Agreement, and such failure shall cause all of Franchisee's rights and options to automatically lapse and expire, without further notice by Franchisor.

5.1.5 Franchisee acknowledges that the initial Term of this Agreement provides Franchisee more than a sufficient opportunity to recoup Franchisee's investment in the Franchise, as well as a reasonable return on such investment.

5.2 Conditions of Successor Agreement. Franchisee's right to enter into a Successor Franchise Agreement is conditioned upon the following:

5.2.1 Franchisee shall be in full compliance with this Agreement and shall have materially performed Franchisee's obligations under this Agreement, the Manual and under all other agreements that may be in effect between Franchisee and Franchisor, including but not limited to all monetary obligations.

5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, whether or not such defaults were cured.

5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.

5.2.4 Franchisee performs such repairs, upgrades and replacements as Franchisor may require to the Franchised Business's equipment, computer systems and other assets to conform to the then-current specifications for franchised businesses on the Successor Agreement date.

5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against Hummingbird Music School Franchise LLC, its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in Franchisor's then-current form. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.

5.2.6 Franchisor reserves the right to re-evaluate the Territory size for shifts in population.

5.2.7 Franchisee shall pay the required Successor Agreement Fee upon execution of the Successor Franchise Agreement. In the event the Territory size has increased to a larger Territory size, Franchisee shall pay a Territory Expansion Fee (per Section 3.1.1) upon execution of the Successor Franchise Agreement, in addition to the Successor Agreement Fee.

5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new Hummingbird Music School franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Section 5.1 hereof that Franchisee desires to enter into a new agreement, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate successor term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Successor Franchise Agreement. Any timeframes specified in this Section 5.3 shall be inclusive of any state mandated notice periods.

5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a Successor Franchise Agreement for this Franchise as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

6. FEES

6.1 Initial Franchise and Royalty Fee. As part of the consideration for the right to operate the Franchise granted herein, Franchisee shall pay to Franchisor the following fees:

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee set forth on the Data Sheet of this Agreement (the “Initial Fee”). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee’s execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, weekly throughout the Term, a royalty fee equal to eight percent (8%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor’s methods, operations and/or trade secrets (the “Royalty Fee”). The term “Gross Revenue” includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor’s methods, operations and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit or otherwise. Gross Revenue is calculated on a cash basis. Gross Revenue shall not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e. coupons). Gross Revenue does not include gift card purchases, at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card.

6.1.3 Gross Revenue Reports. Franchisee shall, on the Tuesday following the close of each calendar week (Monday through Sunday), furnish Franchisor with a report showing Franchisee’s Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during the immediately prior calendar week (the “Gross Revenue Report”). The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. At Franchisor’s discretion, (i) Franchisee shall submit, or (ii) Franchisor may remotely access, the Gross Revenue Report by an electronic transfer of data via the computer information systems (“Computer System”) that Franchisor may require Franchisee use in the operation of the Franchised Business.

6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee, Internal System Fee and the Brand Fund Contribution, as defined and more particularly described in Article 13, then due. At Franchisor’s request, Franchisee must execute documents, including but not limited to, the Authorization set forth in Attachment 4, that allow Franchisor to automatically take the Royalty Fee and Brand Development Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House (“ACH”) payments. Franchisee’s failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Royalty Fee, Brand Fund Contributions and Internal System Fee payable. Franchisor shall reconcile amounts when Gross Revenues are reported.

6.2 Late Fee. If the Royalty Fee, Brand Fund Contribution, Internal Systems Fee, other fee payable hereunder, or any Gross Revenue Reports or other financial reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of Fifty Dollars (\$50). This late fee is reasonably related to Franchisor’s costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee’s failure to pay the Royalty Fee, the Brand Fund Contribution, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.

6.3 Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor

under the terms hereof shall bear interest from the date due until paid at the rate of one and one-half percent (1.5%) per month or at the highest rate permitted by law, whichever is lower.

6.4 Insufficient Funds Fee. If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to Two Hundred Fifty Dollars (\$250). This fee is in addition to late fees and interest on any overdue amount, as described in Section 10.5 above, and any fees charged by your bank. If you incur three (3) insufficient funds fees within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.

6.5 Internal Systems Fee. Franchisor reserves the right to impose an internal systems fee upon Franchisee, in an amount that Franchisor reasonably determines, for the development, adoption and/or use of new or improved internal systems technology for the benefit of the System and Franchised Business, including but not limited to, assigned phone numbers and email addresses required for use in the Franchised Business, a franchise portal, benchmarking platform or other operations or communications systems (“Internal Systems Fee”). In Franchisor’s sole discretion, Franchisor may (i) increase the amount of the internal systems fees, or (ii) replace the technology with different technology, developed by Franchisor or a third-party, and Franchisee shall pay the then-current fees for the replacement technology and for continuous access thereto. Franchisee shall pay the Internal Systems Fee in the manner and frequency as reasonably determined by Franchisor.

6.6 Taxes. If any sales, excise, use or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Fund Contribution or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

7 TRAINING

7.1 Initial Training Program. Franchisee shall attend and complete to Franchisor’s sole and absolute satisfaction, Franchisor’s initial training program (“Initial Training Program”) no later than sixty (60) days, before the Franchised Business Opening Date, unless extended by Franchisor. The Initial Training Program consists of a course conducted remotely and/or in-person at Franchisor’s headquarters or another site designated by Franchisor. Franchisee must at all times during the term of this Agreement have Principal(s) who have successfully completed the Initial Training Program to Franchisor’s sole and complete satisfaction. No charge shall be made for up to two (2) individuals to take the Initial Training Program prior to opening the Franchised Business (“Initial Trainees”). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals and wages.

7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor’s sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Training Program. If the Initial Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor’s reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Training Program cannot be satisfactorily completed by the Principal(s), Franchisor may terminate this Agreement.

7.3 Additional Training. Franchisor may offer mandatory and/or optional annual business meeting or conference from time to time and as may be set forth in the Manual. If required by Franchisor, Franchisee and Principal(s) shall participate in an annual business meeting or conference, for up to three (3) days per year at a location designated by Franchisor. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee’s personnel in connection with attendance at Franchisor’s business meeting or annual conference, including, without limitation, costs of travel, lodging, meals, and

wages. Franchisee's failure to attend Franchisor's business meeting or annual conference is a material default of this Agreement. Franchisee or Franchisee's principal(s) shall be required to (i) pay a non-attendance fee, as set forth in the Manual, and (ii) obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee's principal, and Franchisor's training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor's training personnel within ten (10) days of Franchisor's billing thereof to Franchisee.

7.4 In-Territory Remedial Training. Upon Franchisee's reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide in-Territory remedial training and assistance to Franchisee or Franchisee's personnel. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services of such trained representatives, plus their costs of travel, lodging, and meals.

7.5 Counseling and Assistance. In addition to visits by Franchisor's representatives, as Franchisor deems appropriate, Franchisor shall, within reasonable limits and subject to the availability of Franchisor's personnel, upon Franchisee's request and at no charge, unless such assistance is provided at the Franchised Business pursuant to Section 7.5, furnish consultation and assistance to Franchisee, either in person or by telephone, video conference, electronic mail or postal service, as determined by Franchisor, in Franchisor's sole discretion, with respect to the operation of the Franchised Business, including consultation and advice regarding marketing, operational issues, instructional materials, bookkeeping and System improvements.

8. OPENING REQUIREMENTS

8.1 Site Requirements. Franchisee is hereby permitted to operate the Franchised Business from a home-based office within driving distance of the Territory and may, in Franchisee's sole discretion, operate the Franchised Business from any other site in the Territory with Franchisor's prior consent. Franchisee assumes all cost, liability, expense and responsibility for equipping and outfitting the home-based office or other site as outlined in the Operations Manual.

8.2 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Upon Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business, which shall be defined herein as the "Opening Date". Franchisee is deemed open with the first paying student. Prior to opening, Franchisee shall have (i) satisfactorily complete Franchisor's Initial Training Program, as further set forth in Article 7, (ii) outfitted a home-based or other office site, (iii) obtained all required licenses and insurance to operate the Franchised Business, (iv) obtained all equipment Franchisor requires, including but not limited to, instruments, tools and accessories, (vi) received Franchisor's approval of the advertising, marketing plans and opening marketing campaign, and (vii) provided Franchisor with requested executed ACH Authorization and/or other documents as required by this Agreement and the Manual. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business and (i) in accordance with the foregoing and (ii) within ninety (90) days following the date of this Agreement, unless otherwise extended by Franchisor, shall be deemed a material event of default under this Agreement.

9. SYSTEM MAINTENANCE AND IMPROVEMENT

9.1 Equipment and Technology Updates. Franchisee shall maintain and make any and all repairs and upgrades to equipment, including but not limited to, instruments, tools and accessories, the Computer

System, payment processing systems, and other computer hardware, software, and applications, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.2 Trade Dress Modifications.

9.2.1 Franchisee is aware that to maintain and improve the image and reputation of the System, Franchisor, in its sole and absolute discretion, may change and modify identifying elements of the System, including but not limited to, the adoption and use of new or modified color schemes, tag lines, logos or marks (collectively, “Trade Dress Modifications”).

9.2.2 Franchisee shall, at Franchisee’s sole expense, modify identifying elements of the Franchised Business, as required by Franchisor, to conform to Trade Dress Modifications, and upon notice by Franchisor and in accordance with Section 14.6 hereof, shall immediately discontinue the use of any Mark that is no longer desirable or available to Franchisor and substitute a different Mark or Marks as Franchisor directs.

9.2.3 Franchisee will accept, use and display any such Trade Dress Modifications as if they were a part of this Franchise Agreement at the time of execution hereof.

9.3 No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such expenses, losses or damages caused thereby or seeking compensation therefor. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

9.4 Franchisee Advisory Council. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council as a formal means for System franchisees to communicate ideas. In the event a franchisee advisory council is created, Franchisor may invite Franchisee to participate in council-related activities and meetings, which invitation may be based on a franchisee’s level of success, superior performance and profitability.

10 FRANCHISOR’S OBLIGATIONS

Franchisor and/or its designated representative will provide the services described below:

10.1 Territory Determination. Designate the boundaries of Franchisee’s Territory, by description and/or mapped boundaries, and set forth same in Attachment 2 attached hereto and incorporated herein.

10.2 Manual. Provide Franchisee access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor’s sole and absolute discretion.

10.3 Pre-Opening Requirements. Provide a written list of materials, signage, equipment, supplies and other items that will be required and/or recommended to open the Franchised Business for business.

10.4 Advertising Materials. Provide samples or digital artwork of certain advertising and promotional materials and information that Franchisor may develop from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.

10.5 List of Supplies/Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of required and/or recommended products and services for System franchisees and a list of approved and/or recommended suppliers of such items. Franchisee acknowledges that Franchisor or Franchisor's affiliate(s) may be the sole approved supplier(s) of certain products and services that Franchisee is required to purchase to operate the Franchised Business.

10.6 Training. The training programs specified in Article 7 herein.

10.7 On-Going Assistance. In-Territory post-opening assistance in accordance with the provisions of Article 7.

10.8 Brand Fund. Administer a Brand Fund in accordance with Section 13.3.

11 FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 Best Efforts. Franchisee and Principal(s) covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.

11.2 Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and Principal(s) represent, warrant and covenant that:

11.2.1 The Franchisee entity is duly organized and validly existing under the state law of its formation;

11.2.2 Attachment 5 of this Agreement accurately reflects all individuals with an ownership interest, whether direct or beneficial, in the Franchisee entity;

11.2.3 The Franchisee entity is duly qualified and is authorized to do business in the jurisdiction of the Territory;

11.2.4 The Franchisee entity's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;

11.2.5 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and

11.2.6 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent or otherwise, that are not reflected as liabilities.

11.3 Spouse Guaranty. If any Principal is a married individual and Principal spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 6 hereof.

11.4 Personal Management.

11.4.1 Franchisee and Principal(s) shall personally supervise the operation of the Franchised Business and may not appoint a manager of the Franchised Business, unless Franchisee receives Franchisor's prior written consent. Franchisee accepts full responsibility for, and shall be fully liable to, Franchisor for the acts and omissions of any and all agents, employees or third persons working for or with Franchisee. Franchisee shall ensure that its agents, employees and all third-party business affiliates observe and adhere to all applicable terms, conditions and restrictions contained in this Agreement and in the Manual; including but not limited to quality and service standards, confidentiality, works made for hire, non-compete and the agreement to return all Franchisor proprietary and confidential information. Any breach of a term or condition contained in this Agreement by an agent, employee or third party working for Franchisee shall be deemed to be the same as a direct breach by Franchisee and Principal(s); and Franchisor shall have all the same rights and remedies as if the breach occurred through the direct acts or omissions of the Franchisee and Principal(s). Franchisee's agents, employees and third-party business affiliates shall further meet all Franchisor's standards and criteria for such individual(s), as set forth in the Manual.

11.4.2 Franchisee shall promptly notify Franchisor when any employee, agent or third-party affiliate previously granted access to Franchisor's proprietary or confidential information ceases to be employed or affiliated with Franchisee, so that any and all access rights to Franchisor proprietary or confidential information may be terminated and all such materials returned to Franchisor. Any failure by Franchisee to comply with the requirements of this Section shall be deemed a material event of default under this Agreement.

11.4.3 If, at any time during this Agreement, Franchisee or Franchisee's approved manager can no longer personally supervise the Franchised Business in accordance with this Agreement, Franchisee shall promptly notify Franchisor and designate, with Franchisor's prior approval, a replacement manager within thirty (30) days after Franchisee or Franchisee's approved manager ceases to serve, such replacement being subject to the same qualifications required by this Agreement. Franchisee's replacement manager shall attend and satisfactorily complete Franchisor's Initial Training Program, at Franchisee's sole cost and expense, including the payment of the then-current initial training program therefor. Franchisor, in Franchisor's sole discretion, may provide interim management support and charge Franchisee an interim management support fee, at the then-current rate, until an approved replacement manager is properly trained or certified in accordance with Franchisor's requirements. Payment of such interim management support fee, plus any and all costs of travel, lodging, meals and other expenses reasonably incurred by Franchisor, shall be withdrawn from Franchisee's designated bank account in accordance with Section 6.1.4.

11.5 Legal Compliance. Franchisee shall comply with all federal, state and local laws, rules and regulations and shall timely obtain any and all permits, certificates or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules and regulations shall include, without limitation, licenses to do business, fictitious name registrations, sales and other tax permits, certificates or licenses required by any industry regulatory agency or association and any other requirement, rule, law or regulation of any federal, state or local jurisdiction.

11.6 Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any order, writ, injunction, award or decree of any court, agency, or other governmental instrumentality, which in any way relating to or affecting the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business, including, but not limited to, the business operation and incidents and occurrences related to a client or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.

11.7 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents included in Attachment 7 to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers, listings, and passwords and administrator rights for all email, software, social media, or other such accounts used or created by Franchisee to operate the Franchised Business. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.

11.8 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority.

11.9 Continuing Obligation. Franchisee and Principal(s) acknowledge and agree that the representations, warranties and covenants set forth in this Article 11 are continuing obligations of Franchisee and Principal(s), and that any failure to comply with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

12 FRANCHISEE'S OPERATIONS

12.1. Operation of Franchised Business. To maintain the highest degree of quality and service on a uniform System-wide basis, Franchisee shall operate the Franchised Business in conformity with the methods, standards and specifications prescribed by Franchisor. Franchisee agrees to comply with the Manual, as it is modified from time to time, and all directives, rules and procedures specified by Franchisor, and will, among other things:

12.1.1 Procure the necessary licenses or permits to allow the operation of the Franchised Business and otherwise comply with all applicable governmental laws, ordinances, rules and regulations;

12.1.2 Use only the equipment, tools, and supplies that conform with Franchisor's specifications and/or which shall be purchased from only those vendors designated and approved by Franchisor.

12.1.3 Use only those teaching/instructional methods and provide instruction in strict accordance with Franchisor's methods and specifications, including but not limited to, Franchisor's venue selection criteria, instructional content and format, and cancellation and snow date policies. Franchisee acknowledges and agrees that any use by Franchisee of any unauthorized instructional method is extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement; Franchisee acknowledges and agrees that: (i) Franchisor and/or Franchisor's affiliate may be a designated supplier or sole approved supplier of any product or service that Franchisee is required to lease or purchase, (ii) Franchisor and/or Franchisor's affiliate may receive payment from supplier(s) related to Franchisee's required purchases or leases, and (iii) any payments so received are for Franchisor's benefit only and may be used or applied in any manner determined by Franchisor in Franchisor's sole and absolute discretion;

12.1.4 Maintain and operate the instruments, tools and accessories in good condition and repair, and in accordance with System standards, the Manual and all other directives and requirements of

Franchisor, and make such repairs and replacements as from time to time may be reasonably required to meet System standards and Franchisor's requirements as they may be modified from time to time;

12.1.5 Maintain in good working order, cleanliness and appearance, a vehicle for use in the Franchised Business and which displays such System branding, as required by Franchisor. Franchisor reserves the right to set specifications and standards of condition, age and branding, as set forth in the Manual, of vehicles used in the Franchised Business.

12.1.6 Conduct sales in accordance with Franchisor's standards and specifications. Franchisee acknowledges and accepts that Franchisee may only engage in providing System services and products to individual end-users. Franchisee is expressly prohibited from selling services or products (i) that are not a part of the Hummingbird Music School System or that are not approved by Franchisor (ii) outside of educational programs scheduled in strict accordance with Franchisor's specifications, (iii) on the internet (except as part of System services in strict accordance with Franchisor's specifications), or (iv) to dealers and/or distributors for subsequent re-sale of System products. Engaging in such sales shall be a material default of this Agreement;

12.1.7 Timely make all required payments to suppliers and other contractors and creditors of the Franchised Business in accordance with the applicable agreements and provide documentation thereof, as requested by Franchisor;

12.1.8 Employ only qualified individuals, with license(s) and/or certification(s) if required by the laws and regulations of the Territory, who Franchisee has trained to provide System goods and services in accordance with Franchisor's standards, which includes but is not limited to, the protection of Franchisor's confidential and proprietary information, and who will at all times enhance Franchisor's brand and conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall use its best efforts to ensure that Franchisee's employees maintain a neat and clean appearance and render competent and courteous service to customers of the Franchised Business. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;

12.1.9 Permit Franchisor or its agents, to inspect the Franchised Business and any services, products or equipment, through class attendance or otherwise, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any item that does not conform to the System standards and specifications;

12.1.10 Prominently display identifying elements of the System of such nature, form, color, number, location and size, and containing such material, as Franchisor may from time to time reasonably direct or approve in writing; and to refrain from using any sign, advertising media or identifying element of any kind to which Franchisor reasonably objects, including signs and advertising media which have been outdated. Upon giving Franchisee notice of its objection to same or upon termination hereof, Franchisor may at any time enter upon any location to remove any objectionable or non-approved sign, advertising media or identifying element and keep or destroy same without paying therefor or without being deemed guilty of trespass or any other tort; and

12.1.11 Conduct all advertising programs in a manner consistent with Franchisor's standards and specifications, in a manner satisfactory to Franchisor and that will not detract from the reputation of the System or the Marks.

12.1.12 Provide music education in strict accordance with Franchisor's methods and specifications, including but not limited to, Franchisor's venue selection criteria, instructional content and format, and cancellation and rain date policies.

12.2. Bookkeeping and Reports.

12.2.1 Franchisee agrees to keep and maintain complete and accurate books and records of its transactions and business operations using the accounting procedures and chart of accounts specified by Franchisor. Franchisee agrees to purchase the Computer System and other computer systems specified in Section 12.3 to maintain the records and accounts of the Franchisee to the standards of the Franchisor. Franchisee acknowledges and agrees that the financial data of Franchisee's Franchised Business (i) is owned by Franchisor, (ii) is Franchisor's Proprietary Information, (iii) may be published in franchise disclosure document(s) issued by Franchisor following the Effective Date hereof, and (iv) may be shared with other franchisees in the System

12.2.2 Within fifteen (15) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3 The financial statements required hereunder shall be in such form and contain such information as Franchisor may from time to time reasonably designate. Franchisee must maintain complete financial records for the Franchised Business for at least seven (7) years from their date of preparation.

12.2.4 Franchisor reserves the right to require Franchisee to engage the services of a third-party accounting services firm, designated and approved by Franchisor, in the event that (i) Franchisee fails to keep books and records in accordance with Franchisor's standards or (ii) Franchisor, in its sole discretion, determines that use of a third-party accounting services firm by all System franchisees is beneficial to the System.

12.2.5 Franchisor shall have the right at all reasonable times to examine, at its expense, Franchisee's books, records, and tax returns. If Franchisor's examination finds an understatement of any Gross Revenue Report, Franchisee shall pay Franchisor the amounts due together with interest thereon at the rate provided herein. Additionally, if Franchisee (i) had failed to timely submit Gross Revenue Reports twice or more within a twelve (12) month period or (ii) understated Gross Revenue by two percent (2%) or more, Franchisee shall reimburse Franchisor for the cost of such examination. Such understatement may be considered a material default hereunder. Two (2) such understatements during the term of this Agreement may, at the option of Franchisor, be considered an incurable default and thereby subject to termination as provided herein.

12.3 Computer Systems.

12.3.1 Franchisee, at Franchisee's sole expense, shall install and maintain the Computer System and other computer hardware, software, applications and accounts Franchisor requires for the operation of the Franchised Business and shall follow the procedures related thereto that Franchisor specifies in the Manual or otherwise in writing.

12.3.2 Franchisor may require Franchisee, at Franchisee's sole expense, to install and maintain systems and payment processing and bookkeeping accounts that permit Franchisor to access and retrieve any information stored in Franchisee's Computer System and accounts, including, without limitation, information concerning Gross Revenue independently and electronically. Upon Franchisor's request,

Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to access and retrieve all information stored on Franchisee's Computer System, other systems and payment processing and bookkeeping accounts independently and electronically.

12.3.3 Any and all data, including customer data, collected or provided by Franchisee, retrieved from Franchisee's Computer System, or otherwise collected from Franchisee by Franchisor or provided to Franchisor, is and will be owned exclusively by Franchisor and is considered Franchisor's proprietary and Confidential Information. Franchisor has the right to use such data in any manner without compensation to Franchisee. Franchisor licenses to Franchisee the use of such data solely for the purpose of operating the Franchised Business; provided that, this license shall automatically and irrevocably terminate, without any additional action or notice required by Franchisor, upon the expiration or earlier termination of this Agreement.

12.3.4 From time to time during the Term, Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software Franchisor develops, acquires, or requires for use in the System.

12.3.5 Franchisee shall have and maintain adequate hardware and software in order to access the Internet at the speed required by Franchisor from time to time. Franchisee shall use the electronic mail account provided by Franchisor. Franchisee shall promptly read and respond to all electronic mail related to the Franchised Business no less often than on a daily basis and shall accept and acknowledge receipt of all electronic mail sent by Franchisor. Franchisee shall not establish any website or other listing on the Internet except as provided and specifically permitted herein.

12.3.6. Franchisor has established a website that provides information about the System and the services and products offered by the Hummingbird Music School System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall establish and link a dedicated webpage for Franchisee's Franchised Business within Franchisor's Website, which shall include installation of class registration and payment processing systems. Franchisee has no ownership or other proprietary rights to Franchisor's Website or Franchisee's dedicated webpage and Franchisee will lose all rights to the Website and webpage upon expiration or termination of this Agreement for any reason.

12.3.7. In addition to Franchisee's obligation pursuant to Section 6.5 hereof, Franchisee shall pay all other fees, whether to Franchisor or to third party vendor(s), and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, regularly recurring fees for software and Internet access, license fees, help desk fees, and any other licensing or user-based fees for operations or communications hardware, software, programs and applications.

12.3.8 Franchisee is solely responsible for maintaining the security and integrity of the computer and payment processing systems used in the Franchised Business and the customer and other data stored therein. Franchisee, at Franchisee's sole cost and expense, shall implement all computer hardware, software and Internet security procedures, including required updates or upgrades thereto, that are reasonably necessary to protect Franchisee's computer and payment processing systems and the data stored therein from viruses, malware, privacy breaches or other unauthorized access.

12.4 Safety and Security. Franchisee is solely responsible for the safe and secure operation of the Franchised Business and the services provided thereby for Franchisee, Franchisee's personnel, customers, agents and the general public. All matters of safety and security are within Franchisee's discretion and control, and Franchisee's indemnification obligations set forth in Section 15.6 hereof shall apply to any claims made against Franchisor regarding safety or security.

12.5 Prices. Franchisor may from time to time offer guidance with respect to pricing of services and products. Franchisee is in no way bound to adhere to any such recommended or suggested prices. Franchisee shall have the right to provide services and sell products at any price that Franchisee may determine. If Franchisee elects to offer services and products at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such services or products at the recommended price will enhance Franchisee's sales or profits.

12.6 Unapproved Item/Suppliers. If Franchisee desires to purchase, lease or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a product or supplier evaluation fee equal to the actual cost and expense for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service or supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.

12.7 Variations in Standards. Notwithstanding anything to the contrary contained in this Agreement and this Section 12 in particular, Franchisee acknowledges and agrees that because complete and detailed uniformity under many varying conditions may not be possible or practical, Franchisor specifically reserves the right and privilege, at its sole discretion and as it may deem in the best interests of all concerned in any specific instance, to vary performance standards for some franchisees based upon the peculiarities and characteristics of the particular site or circumstance, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of such particular franchise business. Franchisor reserves the right to establish quality assurance programs conducted by third-party providers, including, but not limited to, mystery shop programs, satisfaction surveys and periodic quality assurance audits ("Quality Review Services"). Upon Franchisor's request and at Franchisee's sole cost and expense, Franchisee shall subscribe to any such third-party provider for Quality Review Services to monitor the operations of the Franchised Business as directed by Franchisor. Franchisor has full rights to vary standard specifications and practices for any other franchisee at any time without giving Franchisee comparable rights. Franchisee shall not be entitled to require Franchisor to disclose or grant to Franchisee a like or similar variation.

12.8 Critical Operations Standards. In furtherance of the obligations set forth in this Article 12, Franchisee acknowledges that (i) Franchisor has established certain critical operations standards, as set forth in the Manual, and (ii) any deviation from a critical operations standard constitutes a violation of this Agreement that requires Franchisor to incur incalculable administrative and management costs to address. Accordingly, Franchisee shall pay Franchisor a Critical Operations Standard Violation Fee, as set forth in the Manual, for each violation of a critical operations standard. **Franchisee hereby authorizes Franchisor to take payment of the Critical Operations Standard Violation Fee, at Franchisor's option, through electronic funds transfer or ACH payment.** Franchisee acknowledges that Franchisor's imposition of a Critical Operations Standard Violation Fee does not preclude Franchisor from seeking injunctive relief to restrain any subsequent or continuing violation or exercising any of Franchisor's rights pursuant to Article 17 hereof.

13. ADVERTISING, PROMOTIONS AND RELATED FEES

13.1 Advertising Programs. Franchisor may from time to time develop and administer advertising and sales promotion programs designed to promote and enhance the collective success of all Franchised Businesses operating under the System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor from time to time for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor, as modified from time to time, shall be final and binding upon Franchisee.

13.2 Local Advertising.

13.2.1 In addition to the ongoing advertising contributions set forth herein, and in addition to the following the expenditures set forth in Section 13.2.2 below, Franchisee shall spend each month at least Three Hundred Dollars (\$300) on advertising for the Franchised Business in the Territory (“Local Advertising”). Franchisee may allocate required Local Advertising Expenditures, as described in Section 13.4, to an Advertising Cooperative in partial satisfaction of Franchisee’s obligations pursuant to this Section 13.2.1.

13.2.2 Franchisee shall spend at least Five Thousand Dollars (\$5,000) on Local Advertising and promotional activities in the Territory for an opening marketing campaign to promote the Franchised Business and student enrollment the first year of operations as follows: One Thousand Five Hundred Dollars (\$1,500) for the first fall school semester; One Thousand Dollars (\$1,000) for the first winter school semester; One Thousand Dollars (\$1,000) for the first spring school semester; and One Thousand Five Hundred Dollars (\$1,500) for the first summer on summer camps. Franchisee shall conduct Franchisee’s opening marketing campaign in accordance with plans approved by Franchisor, which approval must be secured prior the Franchised Businesses Opening Date.

13.2.3 Franchisor reserves the right to collect some or Franchisees opening marketing campaign funds and/or Local Advertising expenditure and implement opening campaign activities and/or Local Advertising on Franchisee’s behalf. Franchisee must provide Franchisor with a report within ten (10) days after the end of each calendar quarter detailing Franchisee’s local marketing activities, including verification copies of advertising and copies of bills for expenses, relating the Local Advertising and opening marketing campaign expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee’s expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee’s personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.3 Brand Fund.

13.3.1 Franchisor has established a national Brand Fund (the “Brand Fund”) on behalf of the System for national advertising, marketing, and business system development and enhancements. Franchisee is required to contribute up to two percent (2%) of the Gross Revenues generated weekly by Franchisee’s Franchised Business to the Brand Fund (“Brand Fund Contribution”). Franchisor reserves the right, in Franchisor’s sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed three percent (3%) of the Gross Revenue. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross

Revenues, then, in addition to a late fee and interest pursuant to Sections 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Revenues are reported. Franchisor reserves the right to modify the method and frequency of collection of the Brand Fund Contribution upon forty-five (45) days' prior notice to Franchisee.

13.3.2 Franchisor shall direct all advertising and marketing programs, including and not limited to Section 13.2, and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective success of all Franchised Businesses operating under the System.

13.3.3 Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Hummingbird Music School outlets operated by Franchisor or Franchisor's affiliates.

13.3.4 Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars, and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website, social media platforms, apps, and other technology for the benefit of the Brand image and/or Systemwide improvements; and staff salaries and other personnel and departmental costs for advertising that Franchisor internally administers or prepares). While Franchisor does not intend that any part of the Brand Fund will be used for advertising which is principally a solicitation for franchisees, Franchisor reserves the right to use the Brand Fund for public relations, to explain the franchise system, and/or to include a notation in any advertisement indicating "Franchises Available."

13.3.5 The Brand Fund will be operated solely as a conduit for collecting and expending the brand development contributions for the System. The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs, staff salaries of Brand Fund personnel and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit.

13.3.6 At Franchisee's request, Franchisor will prepare an unaudited annual statement of the Brand Fund's operations and will make it available to Franchisee. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.

13.3.7 Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for brand development or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

13.4 Regional Advertising Cooperative. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the

cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts equal to Franchisee's share of the total cost of cooperative advertising, in addition to required Brand Fund Contributions. Franchisee's contributions for a calendar month to a regional cooperative can be applied as a credit against Franchisee's required Local Advertising expenditure in the lesser of fifty percent (50%) of Franchisee's monthly Local Advertising requirement or One Hundred Fifty Dollars (\$150) per month.

13.5 Directory Listings. At Franchisee's sole cost and expense, Franchisee must list the Franchised Business in local business directories, including, but not limited to, listings on Internet search engines. If feasible, and with Franchisor's prior written approval, Franchisee may do cooperative listings with other System franchisees. Notwithstanding the foregoing, Franchisee may not maintain any business profile on Facebook, Twitter, X, Instagram, LinkedIn, TikTok, YouTube or any other social media and/or networking site without Franchisor's prior written approval and in strict accordance with Franchisor's requirements.

13.6 Approval of Advertising. All advertising and promotion by Franchisee, in any medium, shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manual or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising, press releases, promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within ten (10) business days of Franchisor's receipt thereof. If Franchisor fails to respond to Franchisee's submission within ten (10) business days, such plans and materials shall be deemed "disapproved". Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor in writing, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Any advertising, marketing or sales concepts, programs or materials proposed or developed by Franchisee for the Hummingbird Music School brand and approved by Franchisor may be used by other System franchisees without any compensation to Franchisee.

14. INTELLECTUAL PROPERTY

14.1 Ownership

14.1.1 Franchisee expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) are the record owner of the Marks. Franchisor holds the exclusive right to license the Marks to franchisees of the System for use pursuant to the System. Franchisee further expressly understands and acknowledges that Franchisor and/or Franchisor's affiliate(s) claims copyrights and other proprietary rights on certain material used in the System, including but not limited to its website, documents, lesson plans, photographs, social media content, advertisements, promotional materials and the Manual, whether or not Franchisor has filed for copyrights thereto with the U.S. Copyright Office. The Marks and copyrights, along with Franchisor's trade secrets, service marks, trade dress and proprietary materials and systems are hereafter collectively referred to as the "Intellectual Property".

14.1.2 As between Franchisor and Franchisee, Franchisor and/or Franchisor's affiliate(s) are the owner of all right, title and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

14.2 No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor and/or Franchisor's affiliate(s)'s rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor and/or Franchisor's affiliate(s)'s service marks,

trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business location or in approved advertising related to the Franchised Business.

14.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and/or Franchisor's affiliate(s), and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.

14.4 Validity. Franchisee shall not contest the validity of, or Franchisor and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor and/or Franchisor's affiliate(s)'s interest in, the Intellectual Property.

14.5 Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor and/or Franchisor's affiliate(s)'s rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor and/or Franchisor's affiliate(s) with all assignments, affidavits, documents, information and assistance Franchisor and/or Franchisor's affiliate(s) reasonably requests to fully vest in Franchisor and/or Franchisor's affiliate(s) all such rights, title and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor and/or Franchisor's affiliate(s) to register, maintain and enforce such rights in the Intellectual Property.

14.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained as a result of additions, modifications, substitutions or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

14.7 Franchisee's Use of Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:

14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "Hummingbird Music School" and design. Franchisee shall not use the Marks, or any portions, variations, or derivatives thereof, as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of Hummingbird Music School Franchise LLC".

14.7.2 Franchisee shall identify itself as the owner of the Franchised Business and as an independent Hummingbird Music School franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, registration forms, receipts, and contracts.

14.7.3 Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.

14.7.4 Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.

14.7.5 Franchisee shall not use the Intellectual Property in association with the offer or sale of any product or service that is outside of the System or that is not approved by Franchisor.

14.8 Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments, tools and accessories, documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.

14.9 Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.

14.10 Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity, or corporation.

15 INSURANCE AND INDEMNIFICATION

15.1 Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the below minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing). Each policy must be written by carriers that meet Franchisors minimum requirements and ratings as set forth in the Manual.

Requirements	Limits
Commercial General Liability	\$1,000,000/\$3,000,000
Personal and Advertising Injury	\$1,000,000
Products/Completed Ops Aggregate	\$3,000,000
Damage to Premises Rented to You	\$100,000
Medical Payments (does not apply to children)	\$10,000
Abuse or Molestation	\$100,000/\$300,000
Miscellaneous Professional Liability	\$1,000,000/\$3,000,000
Commercial Property Coverage	Full replacement cost of all equipment

Workers' Compensation	As required by law. Must be maintained for franchisee and all employees/contractors providing services.
Auto Insurance	\$1,000,000 single limit and \$500,000/\$1,000,000 split limit for all vehicles, including those owned and operated by employees/contractors providing services
Umbrella Liability	\$2,000,000 minimum coverage
Other Insurances	As required by local, state or federal laws; or by the landlord

Should any individual, entity or venue with whom Franchisee contracts or provides music education on premises or local, state or federal law requires higher insurance policy minimum(s) than set forth above, such higher minimum(s) shall control.

15.2 Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.

15.3 Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with an administrative fee of ten percent (10%) for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

15.4 Increase in Coverage. The levels and types of insurance stated herein are minimum requirements. Franchisor reserves the right to raise the required minimum requirements for any type of insurance or add additional types of insurance requirements as Franchisor deems reasonably prudent to require. Within thirty (30) days of any such required new limits or types of coverage, Franchisee must submit proof to Franchisor of Franchisee's coverage pursuant to Franchisor's requirements.

15.5 Additional Insured. All required insurance policies shall name Franchisor and its affiliates and their members, officers, agents and employees as additional insureds as their interests may appear, on a primary, noncontributory basis, and shall contain a waiver of rights of subrogation against Franchisor. All public liability policies shall contain a provision that the additional insureds, although named as insureds, shall nevertheless be entitled to recover under such policies on any loss caused by Franchisee or Franchisee's servants, agents or employees.

15.6 Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC, HUMMINGBIRD MUSIC SCHOOL HOLDING COMPANY LLC AND EITHER OF THEIR PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "HUMMINGBIRD MUSIC SCHOOL INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY

WAY RELATED TO FRANCHISEE'S FRANCHISE AND/OR THE OPERATION THEREOF, INCLUDING BUT NOT LIMITED TO, ANY CLAIM IN CONNECTION WITH FRANCHISEE'S EMPLOYEES OR AGENTS; FRANCHISEE'S COMPUTER SYSTEMS; FRANCHISEE'S INSTRUCTIONAL METHODS; OR FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL OF THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY THE HUMMINGBIRD MUSIC SCHOOL INDEMNITEES.

Initial

16 TRANSFERS

16.1 Transfers by Franchisor.

16.1.1 Franchisor shall have the right to assign this Agreement, and all of Franchisor's rights and privileges hereunder, to any person, firm, corporation or other entity, without Franchisee's permission or prior knowledge, provided that, with respect to any assignment resulting in the subsequent performance by the assignee of Franchisor's obligations, the assignee shall expressly assume and agree to perform Franchisor's obligations hereunder. Specifically, and without limitation to the foregoing, Franchisee expressly affirms and agrees that Franchisor may: (i) sell Franchisor's assets and Franchisor's rights to the Marks and the System outright to a third party; (ii) engage in a public or private placement of some or all of Franchisor's securities; (iii) merge, acquire other corporations, or be acquired by another corporation, including competitors; (iv) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring; and (v) with regard to any or all of the above sales, assignments and dispositions, Franchisee expressly and specifically waives any claims, demands or damages arising from or relating to the loss of association with or identification of Franchisor. Nothing contained in this Agreement shall require Franchisor to remain in the business franchised herein or to offer the same products and services, whether or not bearing the Marks, in the event that Franchisor exercises its prerogative hereunder to assign Franchisor's rights in this Agreement.

16.1.2 Franchisee agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of the facilities (which Franchisee acknowledges may be within the Territory or proximate thereto). However, Franchisor represents that it will not convert any such acquired facilities that are operating within the Territory of a Hummingbird Music School franchise during the Term of this Agreement.

16.1.3 If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the music education business or to offer or sell any products or services to Franchisee.

16.2 Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principal(s) of the business as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee or Principal(s). Thus, no transfer, as hereafter defined, may be made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

16.3 Transfers by Franchisee. Franchisee shall not directly or indirectly sell, assign, transfer, give, devise, convey or encumber this Agreement or any right or interest herein or hereunder (a "Transfer"), the Franchise, the Franchised Business or any assets thereof (except in the ordinary course of business) or suffer or permit any such assignment, transfer, or encumbrance to occur by operation of law unless it first obtains the written consent of Franchisor. A transfer of any stock in the Franchisee if it is a corporation or a transfer of any ownership rights in Franchisee if it is a partnership, a limited liability company or limited partnership shall be considered a Transfer restricted hereunder. If Franchisee has complied fully with this Agreement and subject to Franchisor's Right of First Refusal set forth in Section 16.6, Franchisor will not unreasonably withhold its consent of a Transfer that meets the following requirements:

16.3.1 The proposed transferee and all its principals must have the demeanor, be individuals of good character, and otherwise meet Franchisor's then-applicable standards for franchisees.

16.3.2 The transferee must have sufficient business experience, aptitude and financial resources to operate the Franchised Business and to comply with this Agreement;

16.3.3 The transferee has agreed to complete Franchisor's Initial Training Program to Franchisor's satisfaction;

16.3.4 Franchisee has paid all amounts owed to Franchisor and third-party creditors;

16.3.5 The transferee has executed Franchisor's then-standard form of Franchise Agreement, which may have terms and conditions different from this Agreement, except that the transferee shall not be required to pay the Initial Franchise Fee;

16.3.6 Franchisee and the transferee and each of Franchisee's and the transferee's Principals shall have executed a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's officers, directors, shareholders, members and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances. Franchisee will agree to subordinate any claims Franchisee may have against the transferee to Franchisor, and indemnify Franchisor against any claims by the transferee relating to misrepresentations in the transfer process, specifically excluding those representations made by Franchisor in the Franchise Disclosure Document given to the transferee;

16.3.7 Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on

such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer; and

16.3.8 If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor.

16.4 Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to (i) seventy five percent (75%) of the then-current Initial Franchise Fee, individual(s) new to the system; (ii) fifty percent (50%) of the then-current Initial Franchise Fee, individual(s) that are already existing owners in the System, and (iii) addition of an entity you own or for transfers among owners that does not change management control, One Thousand Five Hundred (\$1,500)

16.5 Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.

16.6 Franchisor 's Right of First Refusal.

16.6.1 If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, which shall include a relocation of the Franchised Business per Section 3.4, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer, and shall provide such information and documentation relating to the offer as Franchisor may require.

16.6.2 Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.

16.6.3 Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor may substitute cash for any other form of consideration contained in the offer; (ii) at Franchisor 's option, Franchisor may pay the entire purchase price at closing; (iii) Franchisor 's credit will be deemed equal to the credit of any proposed transferee; (iv) Franchisor will have at least sixty (60) days to close the purchase; and (v) Franchisor will be entitled to receive from the Franchisee all customary representations and warranties given by a seller of the assets of a business or equity interest in an entity, as applicable.

16.6.4 If Franchisor does not exercise its right to buy within thirty (30) days, Franchisee may thereafter transfer the interest to the transferee on terms no more favorable than those disclosed to Franchisor, provided that such transfer is subject to Franchisor's prior written approval pursuant to Section 16.3 hereof. However, if (i) the sale to the transferee is not completed within one hundred twenty (120) days after the offer is given to Franchisor or (ii) there is any material change in the terms of the offer, the offer will again be subject to Franchisor's right of first refusal.

16.7 Death or Permanent Disability.

16.7.1 The grant of rights under this Agreement is personal to Franchisee, and on the death or permanent disability of Franchisee or any of Franchisee's Principals, the executor, administrator, conservator or other personal representative of Franchisee or Principal, as the case may be, shall be required to transfer Franchisee's or Principal's interest in this Agreement within six (6) months from the date of death or permanent disability, to a third party approved by Franchisor. Failure to transfer in accordance with the forgoing will constitute a material default and the Franchise granted by this Agreement will terminate. A transfer under this Section 16.7, including without limitation, transfer by devise or inheritance, is subject to the conditions for Transfers in this Article 16 and unless transferred by gift, devise or inheritance, subject to the terms of Section 16.6 above. For purposes of this Agreement, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent such person from providing continuous and material supervision of the operation of Franchisee's Franchised Business during the six (6)-month period from its onset.

16.7.2 Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at Franchisor's then-current rates during the term of interim management, plus all travel related and other expenses, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

16.8 Effect of Consent to Transfer. Franchisor's consent to a Transfer will not waive any claims Franchisor may have against the Franchisee or any Franchisee's Principals nor waive its right to demand that the transferee comply strictly with this Agreement.

16.9 Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for Franchisee's initial investment, provided that the security interest is subordinate to Franchisee's obligations to Franchisor, that a foreclosure on such a pledge or security interest and/or any Transfer resulting from such a foreclosure shall be subject to all provisions of this Agreement, and that Franchisee obtains from the lender a written acknowledgement to Franchisor of these restrictions. Notwithstanding the foregoing, in the event Franchisee obtains financing whereby funding is provided with the assistance of the United States Small Business Administration ("SBA Financing"), Franchisee shall be permitted to grant the lender of such SBA Financing a senior lien on any collateral Franchisee uses to secure the SBA Financing, and Franchisor agrees to (i) subordinate its interest in any lien on Franchisee's collateral to that of the lender of the SBA Financing and (ii) waive the requirement of the written acknowledgement referenced in this Section.

17 DEFAULTS

17.1 Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with

creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.

17.2 Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.2.1 has misrepresented or omitted material facts in applying for the Franchise;

17.2.2 fails to obtain all required licenses and permits before opening or fails to open the Franchised Business within the time and in the manner specified in Article 8.

17.2.3 falsifies any report required to be furnished Franchisor hereunder;

17.2.4 ceases to operate the Franchised Business for a period of three (3) days or more, however, that this provision shall not apply if Franchisee applies for Franchisor's approval to relocate the Franchised Business and Franchisee diligently pursues such relocation in accordance with Section 3.4;

17.2.5 fails to comply with any federal, state or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the failure to pay taxes;

17.2.6 understates Gross Revenue on two (2) occasions or more, whether or not cured, on any or all of those occasions;

17.2.7 fails to comply with the covenants in Article 15;

17.2.8 permits a Transfer in violation of the provisions of Article 16 of this Agreement;

17.2.9 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal of Franchisee as required by Section 16.7.

17.2.10 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks or does anything to harm the reputation of the System or the goodwill associated with the Marks;

17.2.11 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;

17.2.12 conceals revenues, knowingly maintains false books or records, or knowingly submits any false reports;

17.2.13 creates a threat or danger to public health or safety from operation of the Franchised Business;

17.2.14 refuses to permit Franchisor to inspect or audit Franchisee's books or records;

17.2.15 makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);

17.2.16 fails to comply with the non-competition covenants in Section 19.5;

17.2.17 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12) month period, whether or not the defaults have been corrected;

17.2.18 has insufficient funds to honor a check or electronic funds transfer three (3) or more times within any consecutive twelve (12) month period;

17.2.19 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement with Franchisor or any of its affiliates or suppliers and does not cure such default within the time period provided in such other agreement;

17.2.20 offers or uses any unauthorized and unapproved products or services, including any unauthorized or unapproved instructional method, lesson plans or lesson materials;

17.2.21 terminates this Agreement without cause; or

17.2.22 fails to meet Minimum Performance Requirement.

17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12) month period, and the third such late payment in any twelve (12) month period shall be a non-curable default under Sections 17.2.17 and/or 17.2.18;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for five (5) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said five (5)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12) month period, and the third such default, whether monetary or non-monetary, in any twelve (12) month period shall be a non-curable default under Section 17.2.17.

17.4 Franchisor's Cure of Franchisee's Defaults. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor may, but has no obligation to:

17.4.1 effect a cure on Franchisee's behalf and at Franchisee's expense, and Franchisee shall immediately pay Franchisor the costs incurred by Franchisor upon demand; or

17.4.2 exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control and operate the Franchised Business. In addition to all other fees paid under this Agreement, Franchisee shall pay Franchisor at Franchisor's then-current rates for interim management, plus all travel related and other expenses, during Franchisor's operation thereof as compensation therefor. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

17.5 Notice to Suppliers. In the event of a default by Franchisee, in addition to Franchisor's right to terminate the Franchise Agreement, and not in lieu thereof, Franchisor reserves the right with five (5) days' prior written notice to Franchisee, to direct suppliers to stop furnishing any and all products and supplies, including, but not limited to products sold under Franchisor's discounted pricing schedules, until such time as Franchisee's default is cured. Such right shall include Franchisor's right to deny Franchisee's access to scheduling, registration and payment processing systems. In no event shall Franchisee have recourse against Franchisor for loss of revenue, customer goodwill, profits or other business arising from Franchisor's actions and the actions of suppliers.

17.6 Reimbursement of Costs. Franchisee shall reimburse Franchisor all costs and expenses, including but not limited to attorney's fees, incurred by Franchisor as a result of Franchisee's default, including costs in connection with collection of any amounts owed to Franchisor and/or enforcement of Franchisor's rights under this Agreement.

18 POST-TERMINATION

18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:

18.1.1 immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly identify himself, herself or itself as a current or past Hummingbird Music School owner, franchisee or licensee;

18.1.2 immediately and permanently cease to use the Marks, any imitation of any Mark, Franchisor's copyrighted material or other intellectual property, confidential or proprietary material or indicia of the Franchised Business, or use any trade name, trade or service mark or other commercial symbol that suggests an association with Franchisor and/or Franchisor's affiliate(s), or the System. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms and any other articles, which display the Marks. Immediately return to the Franchisor any business cards, marketing materials, or any other items containing Marks;

18.1.3 take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation, which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;

18.1.4 promptly pay all sums owing to Franchisor and its affiliates. Such sums shall include all damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor, as a result of

any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, equipment and inventory owned by Franchisee at the time of default;

18.1.5 pay to Franchisor all damages for any breach or early termination of this Agreement, plus costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation or early termination of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;

18.1.6 immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, all confidential, proprietary and copyrighted material and software, and all other materials related to operation of the Franchised Business, including but not limited to customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;

18.1.7 comply with the non-disclosure and non-competition covenants contained in Article 19; and

18.1.8 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.8 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement.

18.2 Right to Purchase.

18.2.1 Franchisor shall have the option, to be exercised within sixty (60) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including the Computer System), signs, fixtures, advertising materials, supplies, and inventory of Franchisee related to the operation of the Franchised Business, at Franchisee's cost or fair market value, whichever is less, and assume any and all contracts related to the operation of the Franchised Business. Franchisor shall purchase Franchisee's assets free and clear of any liens, charges, encumbrances or security interests and Franchisor shall assume no liabilities whatsoever, unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within sixty (60) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise its option to purchase herein provided, it shall have the right to set off (i) all fees for any such independent appraiser due from Franchisee, (ii) all amounts due from Franchisee to Franchisor or any of its affiliates and (iii) any costs incurred in connection with any escrow arrangement (including reasonable legal fees), against any payment therefor and shall pay the remaining amount in cash. Closing of the purchase shall take place no later than thirty (30) days after determination of the fair market value.

18.2.2 With respect to the option described in Section 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such

other documents and instruments, tools and accessories that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

18.2.3 Franchisor shall be entitled to assign any and all of its options in Section 18.2.1 to any other party, without the consent of Franchisee.

18.3 Assignment of Communications. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media accounts and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.7, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, social media accounts, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

18.4. Survival. The rights and obligations of the parties contained in this Article 18 shall survive the expiration or sooner termination of this Agreement.

19 NON-DISCLOSURE AND NON-COMPETITION COVENANTS

19.1 Operations Manual.

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and Principal(s) shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Principal(s), if any, shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Principal(s), and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in

part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

19.1.3 The Manual, written directives, and other materials and any other confidential communications provided or approved by Franchisor shall at all times remain the sole property of Franchisor. Franchisee shall maintain the Manual and all Franchisor's confidential and proprietary materials at all times in a safe and secure location, shall take all reasonable measures to prevent unauthorized access thereto, whether any attempted unauthorized access takes the form of physical access or access via computer or telecommunications networks or otherwise, and shall report the theft or loss of the Manual, or any portion thereof, immediately to Franchisor. At a minimum, Franchisee shall, in the case of computer and telecommunications networks, use the latest available firewall, encryption and similar technology to prevent unauthorized access. Franchisee shall delete all electronic copies, and return and cease using any physical copy of the Manual and other confidential and proprietary materials to Franchisor immediately upon request or upon transfer, termination or expiration of this Agreement.

19.1.4 Franchisor may from time to time revise the contents of the Manual and other materials created or approved for use in the operation of the Franchised Business. Franchisee expressly agrees to comply with each new or changed policy, standard or directive. In the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by Franchisor shall control.

19.2 Confidential Information. Franchisee and Principals acknowledge and accept that during the term of this Agreement Franchisee and Principals will have access to Franchisor's trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, program prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee and Principal(s) shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and Principal(s) shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and Principal(s) shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

19.3 Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.

19.4 New Concepts. If Franchisee or any Principal develops any new concept, process, product, service, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information,

processes, products or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.

19.5 Noncompetition Covenants. Franchisee and Principal(s) specifically acknowledge that, pursuant to this Agreement, Franchisee and Principal(s) will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee and Principal(s). Franchisee and Principal(s) acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Franchised Business, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why Franchisee and Principal(s) are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee and Principal(s) covenant that, except as otherwise approved in writing by Franchisor:

19.5.1 During the term of this Agreement, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with, any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any youth music education business; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Hummingbird Music School franchisees or Franchisor-affiliated outlets.

19.5.2 Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any youth music education business within twenty-five (25) miles of the Territory or within twenty-five (25) miles of the territory of any Hummingbird Music School franchised or affiliate-owned business; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Hummingbird Music School franchisees.

19.6 Reasonableness of Restrictions. Franchisee and Principal(s) acknowledge and agree that the covenants not to compete set forth in this Agreement are fair and reasonable and will not impose any undue hardship on Franchisee or Principal(s), since Franchisee or Principal(s), as the case may be, have other considerable skills, experience and education which afford Franchisee or Principal(s), as the case may be, the opportunity to derive income from other endeavors.

19.7 Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by

Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

19.8 Injunctive Relief. Franchisee and Principal(s) acknowledge that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and Principal(s) hereby consent to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.

19.9 No Defense. Franchisee and Principal(s) expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

19.10 Covenants of Employees, Agents and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors or third persons who will have access to Franchisor's confidential and proprietary information, and Franchisee shall provide Franchisor with executed versions thereof. Such covenants shall be substantially in the form set forth in Attachment 8 as revised and updated from time to time and contained in the Manual. Franchisee shall indemnify and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of Franchisee's failure to obtain executed restricted covenants by employees, agents and third persons as required by this Section.

20. DISPUTE RESOLUTION

20.1 Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

20.2 Mediation. At Franchisor's option, any claim, controversy or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy or dispute to mediation. Mediation shall be conducted through a mediator or mediators in accordance with the American Arbitration Association Commercial Mediation Rules. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of mediation, including compensation and expenses of the mediator (and except for the attorney's fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

20.3 Arbitration.

20.3.1 Except disputes not subject to alternative dispute resolution as set forth in Section 20.4, any dispute between Franchisor and Franchisee and/or any Principal arising out of or relating to this Agreement, the Attachments hereto or any breach thereof, including any claim that this Agreement or any of its parts, is invalid, illegal or otherwise voidable or void, which has not been resolved in accordance with Sections 20.1 or 20.2, will be resolved by submission to the American Arbitration Association or its

successor organization to be settled by a single arbitrator in accordance with the Commercial Arbitration Rules then in effect for such Association or successor organization.

20.3.2 All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained in this Article 20 will be governed by the Federal Arbitration Act (9 U.S.C. §1 *et seq.*) and the federal common law of arbitration. All hearings and other proceedings will take place in Pennsylvania County, Pennsylvania, or the offices of the American Arbitration Association, or, if Franchisor so elects, in the county where the principal place of business of Franchisee is then located.

20.3.3 This arbitration provision is self-executing and will remain in full force and effect after expiration or termination of this Agreement. Any arbitration will be conducted on an individual, and not a class-wide or multiple plaintiffs, basis. If either party fails to appear at any properly-noticed arbitration proceeding, an award may be entered against the party by default or otherwise, notwithstanding the failure to appear. Judgment upon an arbitration award may be entered in any court having jurisdiction and will be binding, final and not subject to appeal. No punitive or exemplary damages will be awarded against Franchisor, Franchisee, or entities related to either of them, in an arbitration proceeding or otherwise, and are hereby waived.

20.3.4 The provisions of this Section 20.3 are independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of the provisions are unlawful in any way, the court will modify or interpret the provisions to the minimum extent necessary to have them comply with the law.

20.3.5 In proceeding with arbitration and in making determinations hereunder, no arbitrator shall extend, modify or suspend any terms of this Agreement or the reasonable standards of business performance and operation established by Franchisor in good faith. No notice, request or demand for arbitration shall stay, postpone or rescind the effectiveness of any termination of this Agreement.

20.3.6 Except as expressly required by law, Franchisor, Franchisee and any Principal shall keep all aspects of any mediation and/or arbitration proceeding in confidence, and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

20.4 Exceptions. Notwithstanding the requirements of Sections 20.2 or 20.3, the following claims shall not be subject to mediation or arbitration:

20.4.1 Franchisor's claims for injunctive or other extraordinary relief;

20.4.2 disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

20.4.3 disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks; and

20.4.4 enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.

20.5. Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the Commonwealth of Pennsylvania. Any claims, controversies, disputes, or actions arising out of this Agreement shall be governed, enforced, and interpreted pursuant to the laws of the Commonwealth of Pennsylvania. Franchisee and Principal(s), except where specifically prohibited by law, hereby irrevocably

submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Pennsylvania. Franchisee and Principal(s) hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.

20.6 Mutual Benefit. Franchisee, Principal(s), and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.5 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, Principal(s), and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.

20.7 Waiver of Certain Damages. Franchisee and Principal(s) hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and Principal(s) shall be limited to the recovery of any actual damages sustained.

20.8 Limitations of Claims. Any and all claims asserted by Franchisee and Principal(s) arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which Franchisee or Principal(s) knew or should have known of the facts giving rise to such claims.

20.9 Survival. The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement.

21 GENERAL

21.1 Relationship of the Parties

21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee or Principal(s) which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee's operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and

will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, whether set forth in the Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls any aspect or element of the day-to-day operations of the Franchised Business, which Franchisee alone controls, but only constitute standards to which Franchisee must adhere when exercising control of the day-to-day operations of the Franchised Business.

21.1.3 Franchisee's Employees. Franchisor has no authority to control, either directly or indirectly, the essential terms and conditions of employment of Franchisee's employees. Franchisee acknowledges and agrees that Franchisee, in Franchisee's sole and absolute discretion, shall determine all such essential terms and conditions of employment, which are defined in the Manual. Franchisee specifically agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a Hummingbird Music School outlet and in no fashion reflects any employment relationship between Franchisor and such employees. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf, participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

21.2 Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principal(s) in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.

21.3 Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.

21.4 Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed, and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and Principal(s) shall be deemed to be joint and several covenants, agreements, and obligations of each of the persons named as Franchisee, if more than one person is so named.

21.5 Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.

21.6 Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally or by certified mail or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or delivery is refused. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses as the parties may from time to time designate in writing.

21.7 Effect of Waivers. No waiver, delay, omission or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than in the Territory shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the Territory.

21.8 Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Articles 17 and 18 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

21.9 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the Commonwealth of Pennsylvania, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement, and by attaching their electronic signature, including any DocuSign signature, to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature, including a DocuSign signature, as the respective party's signature.

21.10 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.

21.11 Survival. Any obligation of Franchisee or Principal(s) that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or Principal(s) therein shall be deemed to survive such termination, expiration or transfer.

21.12 Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, except that nothing herein is intended to disclaim any representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.

(Signatures appear on the following page)

The parties hereto have executed this Franchise Agreement on the day and year first above written.

FRANCHISEE (Entity):

FRANCHISOR:

HUMMINGBIRD MUSIC SCHOOL

FRANCHISE LLC

By: _____

Name: _____

Title: _____

By: _____

Name: Francesca Draughon

Title: Owner

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

ATTACHMENT 1

TRADEMARKS

HUMMINGBIRD MUSIC SCHOOL



ATTACHMENT 2

TERRITORY DESCRIPTION

1. Territory Size:

<u>Territory:</u> <u>(select one):</u>	<u>Territory Size</u>	<u>Population</u>	<u>Initial Franchise Fee</u>
	"A"	< 25,000	\$ 25,000
	"B"	25,000 – 50,000	\$ 35,000
	"C"	50,001 – 75,000	\$ 45,000
	"D"	75,001 – 100,000	\$ 55,000

2 Territory: (insert map and/or define by zip codes):

ACCEPTED:

FRANCHISEE (Entity):

FRANCHISOR:

HUMMINGBIRD MUSIC SCHOOL
FRANCHISE LLC

By: _____

Name: _____

Title: _____

By: _____

Name: Francesca Draughon

Title: Owner

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

ATTACHMENT 3

MINIMUM PERFORMANCE REQUIREMENTS

*Required Minimum Number of:	“A” Territory		
	YEAR 1	YEAR 2	YEAR 3+
Paying Students Enrolled in Private Lessons (per week - school year)	10	15	20
Paying Students Enrolled in After School Programs (per week)	20	30	40
Paying Students Enrolled in Summer Camp Sessions (total for summer)	20	30	40

*Required Minimum Number of:	“B” Territory		
	YEAR 1	YEAR 2	YEAR 3+
Paying Students Enrolled in Private Lessons (per week - school year)	20	30	40
Paying Students Enrolled in After School Programs (per week)	40	60	80
Paying Students Enrolled in Summer Camp Sessions (total for summer)	40	60	80

*Required Minimum Number of:	“C” Territory		
	YEAR 1	YEAR 2	YEAR 3+
Paying Students Enrolled in Private Lessons (per week - school year)	30	45	60
Paying Students Enrolled in After School Programs (per week)	60	90	120
Paying Students Enrolled in Summer Camp Sessions (total for summer)	60	90	120

*Required Minimum Number of:	“D” Territory		
	YEAR 1	YEAR 2	YEAR 3+
Paying Students Enrolled in Private Lessons (per week - school year)	40	60	80
Paying Students Enrolled in After School Programs (per week)	80	120	160
Paying Students Enrolled in Summer Camp Sessions (total for summer)	80	120	160

ATTACHMENT 4

AUTHORIZATION AGREEMENT
AUTOMATIC DEPOSITS (ACH WITHDRAWALS)

Franchisor Name: **Hummingbird Music School Franchise LLC**

I (We) hereby authorize Hummingbird Music School Franchise LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Select One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges.

Financial Institution Name: _____ Branch: _____

City: _____ State: _____ Zip: _____ Phone: _____

ACH/Routing Number: _____ Account Number: _____
(Nine Digits)

This authorization is to remain in full force and effect until Franchisor has received a written replacement ACH Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to Articles 6 and 18 of the Franchise Agreement.

Print Franchisee / Account Holder Name

Print Franchisee/Co-Account Holder Name

Franchisee/ Account Holder Signature-Date

Franchisee/Co-Account Holder Signature-Date

Daytime Phone Number

Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to: Hummingbird Music School Franchise LLC
2261 Market Street, Suite 5984
San Francisco, California, 94114

ATTACHMENT 5

STATEMENT OF OWNERSHIP INTERESTS IN
FRANCHISEE ENTITY

Name

Percentage of Ownership

ATTACHMENT 6

SPOUSE GUARANTY

This Guaranty and Covenant (this “Guaranty”) is given by the undersigned (“Guarantor”) on _____ (the “Effective Date”) to Hummingbird Music School Franchise LLC, a California limited liability company (“Franchisor”), in order to induce Franchisor to enter into that certain Franchise Agreement dated on or about the Effective Date hereof (the “Franchise Agreement”) with _____, a(n) _____ and _____ (collectively “Franchisee”).

Guarantor acknowledges that Guarantor is the spouse of Franchisee’s Principal, as that term is used in the Franchise Agreement.

Guarantor acknowledges that Guarantor has read the terms and conditions of the Franchise Agreement and acknowledges that the execution of this Guaranty is in partial consideration for, and a condition to the granting of, the rights granted in the Franchise Agreement to Franchisee, and that Franchisor would not have granted these rights without the execution of this Guaranty by Guarantor.

Guarantor hereby individually makes, agrees to be bound by, and agrees to perform, all of the monetary obligations and non-disclosure and non-competition covenants and agreements of the Franchisee as set forth in the Franchise Agreement, including but not limited to, the covenants set forth in Sections 19.2, 19.5, 19.6, 19.8 and 19.9 of the Franchise Agreement (“Guaranteed Obligations”). Guarantor shall perform and/or make punctual payment to Franchisor of the Guaranteed Obligations in accordance with the terms of the Franchise Agreement or other applicable document forthwith upon demand by Franchisor.

This Guaranty is an absolute and unconditional continuing guaranty of payment and performance of the Guaranteed Obligations. This Guaranty shall not be discharged by renewal of any claims guaranteed by this instrument, change in ownership or control of the Franchisee entity, transfer of the Franchise Agreement, the suffering of any indulgence to any debtor, extension of time of payment thereof, nor the discharge of Franchisee by bankruptcy, operation of law or otherwise. Presentment, demand, protest, notice of protest and dishonor, notice of default or nonpayment and diligence in collecting any obligation under any agreement between Franchisee and Franchisor are each and all waived by Guarantor and/or acknowledged as inapplicable. Guarantor waives notice of amendment of any agreement between Franchisee and Franchisor and notice of demand for payment by Franchisee. Guarantor further agrees to be bound by any and all amendments and changes to any agreement between Franchisee and Franchisor.

Franchisor may pursue its rights against Guarantor without first exhausting its remedies against Franchisee and without joining any other guarantor hereto and no delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy.

If other guarantors have guaranteed any and or all of the Guaranteed Obligations, their liability shall be joint and several to that of Guarantor.

Until all of the Guaranteed Obligations have been paid in full and/or performed in full, Guarantor shall not have any right of subrogation, unless expressly given to Guarantor in writing by Franchisor.

All Franchisor’s rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between Franchisor and Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to Franchisor by law.

Should any one or more provisions of this Guaranty be determined to be illegal or unenforceable, all other provisions nevertheless shall remain effective.

This Guaranty shall extend to and inure to the benefit of Franchisor and its successors and assigns and shall be binding on Guarantor and its successors and assigns.

Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

Print Name: _____

Address: _____

ATTACHMENT 7

INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE ACCOUNT AGREEMENT (the “Agreement”) is made and entered into this day of _____ (the “Effective Date”) by and between Hummingbird Music School Franchise LLC a California limited liability company (the “Franchisor”), and _____ a(n) _____, with its principal place of business located at _____ and _____’s principal(s) _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be individually and collectively referred to, and each is, the “Franchisee”.

WHEREAS, Franchisee desires to enter into a franchise agreement with Franchisor for a Hummingbird Music School business (“Franchise Agreement”) which will allow Franchisee to conduct internet-based advertising, maintain social media accounts, software accounts, and use telephone listings linked to the Hummingbird Music School brand.

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions

All terms used but not otherwise defined in this Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. Internet Advertising and Telephone Accounts

2.1 Interest in Websites, Social Media, and Software Accounts and Other Electronic Listings. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of Franchise Agreement, certain right, title, or interest in and to certain domain names, social media accounts, software accounts, hypertext markup language, uniform resource locator addresses, access to corresponding internet websites, and the right to hyperlink to certain websites and listings on various internet search engines (collectively, “Electronic Advertising”) related to the Franchised Business or the Marks.

2.2 Interest in Telephone Numbers and Listings. Franchisee has or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, internet page, and other telephone directory listings (collectively, the “Telephone Listings”) related to the Franchised Business or the Marks.

2.3 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately:

2.3.1 direct all internet service providers, domain name registries, internet search engines, social media and software companies, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Electronic Advertising and Telephone Listings: (i) to transfer all of Franchisee’s interest in such Electronic Advertising and Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Electronic Advertising and Telephone Listings, Franchisee will immediately direct the Internet Companies to terminate such Electronic Advertising and Telephone Listings or will take such other actions with respect to the Electronic Advertising and Telephone Listings as Franchisor directs; and

2.3.1 direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Listings: (i) to transfer all Franchisee’s interest in such Telephone Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Listings or will take such other actions with respect to the Telephone Listings as Franchisor directs.

2.4 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.4.1 Direct the Internet Companies to transfer all Franchisee’s interest in and to the Electronic Advertising and Telephone Listings to Franchisor, or alternatively, to direct the Internet Companies to terminate any or all of the Electronic Advertising and Telephone Listings;

2.4.2 Direct the Telephone Companies to transfer all Franchisee’s interest in and to the Telephone Listings to Franchisor, or alternatively, to direct the Telephone Companies to terminate any or all of the Telephone Listings; and

2.4.3 Execute such standard assignment forms or other documents as the Internet Companies and/or Telephone Companies may require in order to affect such transfers or terminations of Franchisee’s interest.

2.5 Certification of Termination. Franchisee hereby directs the Internet Companies and Telephone Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor’s written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.6 Cessation of Obligations. After the Internet Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations with respect to the particular Electronic Advertising and/or Telephone Listing. Notwithstanding the foregoing,

Franchisee will remain liable to each and all of the Internet Companies and Telephone Companies for the respective sums Franchisee is obligated to pay to them for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such interests, or for any other obligations not subject to the Franchise Agreement or this Agreement.

3. **Miscellaneous**

3.1 **Release.** Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and/or Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertible in, or in any way related to this Agreement.

3.2 **Indemnification.** Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, claims, demands, or obligations that are related to or are based on this Agreement.

3.3 **No Duty.** The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's interest in any matter hereunder.

3.4 **Further Assurances.** Franchisee agrees that at any time after the date of this Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Agreement.

3.5 **Successors, Assigns, and Affiliates.** All Franchisor's rights and powers, and all Franchisee's obligations, under this Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Agreement.

3.6 **Effect on Other Agreements.** Except as otherwise provided in this Agreement, all provisions of the Franchise Agreement and attachments and schedules thereto shall remain in effect as set forth therein.

3.7 **Survival.** This Agreement shall survive the Termination of the Franchise Agreement.

3.8 **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Pennsylvania, without regard to the application of Pennsylvania conflict of law rules.

(Signatures appear on the following page)

The undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISEE (Entity):

FRANCHISOR:

HUMMINGBIRD MUSIC SCHOOL

FRANCHISE LLC

By: _____

Name: _____

Title: _____

By: _____

Name: Francesca Draughon

Title: Owner

FRANCHISEE (Principal):

Name: _____

FRANCHISEE (Principal):

Name: _____

ATTACHMENT 8

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this day of _____, by _____, a(n) _____ (“Franchisee”), a franchisee of Hummingbird Music School Franchise LLC a California limited liability company (“Franchisor”), and _____, an individual (“Covenantor”).

WHEREAS, Franchisee and Franchisor are parties to a franchise agreement dated _____ (the “Franchise Agreement”), whereby Franchisor has granted Franchisee the right to use certain of Franchisor’s trademarks and copyrights, including but not limited to, the Hummingbird Music School trademarks and logo, website, documents, advertisements, photographs, social media content, promotional materials and operations manual (collectively referred to as the “Intellectual Property”) for the establishment and operation of a Hummingbird Music School franchised business;

WHEREAS, in connection with his or her duties, it will be necessary for Covenantor to have access to some or all of the Intellectual Property and other confidential information, knowledge, know-how, techniques, training, and other materials used in or related to the Hummingbird Music School brand and/or concerning the methods of operation of a Hummingbird Music School franchised business (collectively referred to as “Confidential Information”);

WHEREAS, the Intellectual Property and Confidential Information provide economic advantages to Franchisor and licensed users of Franchisor, including Franchisee;

WHEREAS, Franchisee has acknowledged the importance of restricting the use, access and dissemination of the Intellectual Property and Confidential Information, and Franchisee therefore has agreed to obtain from Covenantor a written agreement protecting the Intellectual Property and Confidential Information and further protecting the Hummingbird Music School brand against unfair competition; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Intellectual Property and Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor herein.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, the parties agree as follows:

1. Confidentiality Agreement.

a. Covenantor shall, at all times, maintain the confidentiality of the Confidential Information and shall use the Intellectual Property and such Confidential Information only in the course of his or her employment by or association with Franchisee in connection with the operation of a Hummingbird Music School franchised business under the Franchise Agreement and in accordance with the requirements thereof.

b. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Intellectual Property or Confidential Information, and shall not reproduce, in whole or in part, any of the Intellectual Property or Confidential Information, without Franchisor’s express written permission.

c. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except, and only then to the limited extent necessary, to those employees of Franchisee for training and assisting such employees in the operation of Franchisee's Hummingbird Music School franchised business.

d. Covenantor shall surrender any material containing some or all of the Intellectual Property or Confidential Information to Franchisee or Franchisor, upon request, or upon termination of employment or association with Franchisee.

e. Covenantor shall not at any time, directly or indirectly, do any act or omit to do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Hummingbird Music School brand.

f. Upon termination of employment or association with Franchisee, Covenantor shall immediately lose all rights to access and/or use the Intellectual Property and Confidential Information for any purpose whatsoever.

2. Covenants Not to Compete.

a. In order to protect the goodwill and unique qualities of the Hummingbird Music School brand, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants that during Covenantor's employment or association with Franchisee, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

- (i) divert, or attempt to divert, any business or customer of Franchisee's Hummingbird Music School franchised business or of other franchisees in the Hummingbird Music School system to any competitor, by direct or indirect inducement or otherwise, or
- (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any youth music education business substantially similar to Franchisee's Hummingbird Music School franchised business ("Competitive Business").

b. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the goodwill and unique qualities of the Hummingbird Music School system, Covenantor further agrees and covenants that, upon the termination of Covenantor's employment or association with Franchisee and continuing for twenty-four (24) months thereafter, Covenantor shall not, for Covenantor or through, on behalf of or in conjunction with any person or entity:

- (i) divert, or attempt to divert, any business or customer of Franchisee's Hummingbird Music School franchised business or of other franchisees in the Hummingbird Music School system to any competitor, by direct or indirect inducement or otherwise, or
- (ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational, or supervisory capacity in any Competitive Business within twenty-five (25) miles of Franchisee's Territory or the territory of any other Hummingbird Music School affiliate-owned or franchised business.

c. The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor.

d. If the period of time or the geographic scope specified Section 2.b. above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement or any portion thereof, without Covenantor's or Franchisee's consent, effective immediately upon receipt by Covenantor of written notice thereof, and Covenantor agrees to forthwith comply with any covenant as so modified.

3. General.

a. Franchisee shall take full responsibility for ensuring that Covenantor acts as required by this Agreement.

b. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of such a breach, or threatened or attempted breach of any of the provisions hereof, Franchisee is obligated to enforce the provisions of this Agreement and shall be entitled, in addition to any other remedies that are made available to it at law or in equity, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

c. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Franchisee in enforcing this Agreement.

d. Any failure by Franchisee to object to or take action with respect to any breach of any provision of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

e. THIS AGREEMENT SHALL BE INTERPRETED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REFERENCE TO SUCH STATE'S CHOICE OF LAW PRINCIPLES. COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF OR HERSELF TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF SUCH STATE. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON COVENANTOR IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY SUCH STATE OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE IN SUCH STATE; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR FRANCHISEE MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

f. The parties agree that each of the foregoing covenants contained herein shall be construed as independent of any other covenant or provision of this Agreement.

g. Covenantor acknowledges and agrees that each of the covenants contained herein will not impose any undue hardship on Covenantor since Covenantor has other considerable skills, experience and education which affords Covenantor the opportunity to derive income from other endeavors.

h. This Agreement contains the entire agreement of the parties regarding the subject matter hereof. This Agreement may be modified only by a duly authorized writing executed by all parties.

i. All notices and demands required to be given hereunder shall be in writing, and shall be delivered personally or by certified or registered mail, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or the date delivery is refused. All such notices shall be addressed to the party to be notified at the following addresses:

If directed to Franchisee:

If directed to Covenantor:

Any change in the foregoing addresses shall be effected by giving written notice of such change to the other parties.

j. Franchisor is an intended third-party beneficiary of this Agreement, and Franchisor may take whatever action it deems necessary to enforce Covenantor's obligations hereunder. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and shall inure to the benefit of its respective affiliates, successors and assigns.

k. The respective obligations of Franchisee and Covenantor hereunder may not be assigned by Franchisee or Covenantor, without the prior written consent of Franchisor.

The undersigned have entered into this Confidentiality and Non-Compete Agreement as of the date first written above.

FRANCHISEE:

By: _____

Name: _____

Title: _____

COVENANTOR:

Name: _____

EXHIBIT C
FINANCIAL STATEMENTS

Hummingbird Music School Franchise, LLC

Financial Statements with Independent Accountant's Review Report

For the period January 1, 2024 (Inception) through February 12, 2024

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Independent Accountant's Review Report

To the Member(s) of
Hummingbird Music School Franchise, LLC:

Report on the Financial Statements

We have reviewed the accompanying financial statements of Hummingbird Music School Franchise, LLC ("Company") which comprise the balance sheet as of February 12, 2024 and the related statements of income, changes in members' equity, and cash flows for the period January 1, 2024 through February 12, 2024 and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

DA Advisory Group PLLC

Troy, MI
March 11, 2024

Hummingbird Music School Franchise, LLC
BALANCE SHEET
As of February 12, 2024

	<u>February 12, 2024</u>
ASSETS	
Current assets:	
Cash	\$ <u>100,000</u>
Total current assets	<u>100,000</u>
Total assets	\$ <u><u>100,000</u></u>
LIABILITIES AND MEMBERS' EQUITY	
Current liabilities:	
Payroll Liabilities	\$ -
Total liabilities	<u>-</u>
Equity	<u>100,000</u>
Total liabilities and members' equity	\$ <u><u>100,000</u></u>

see accompanying notes

Hummingbird Music School Franchise, LLC
STATEMENT OF OPERATIONS
For the period January 1, 2024 through February 12, 2024

	<u>February 12, 2024</u>
REVENUE	
Income	\$ <u>-</u>
Total revenue	-
OPERATING EXPENSES	
Office Expense	15
Total expenses	<u>15</u>
Operating income	(15)
	<u> </u>
Net Income (Loss)	\$ <u><u>(15)</u></u>

see accompanying notes

Hummingbird Music School Franchise, LLC
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the period January 1, 2024 through February 12, 2024

	<u>February 12, 2024</u>
BALANCE, JANUARY 1, 2024	\$ -
Capital contributions	\$ 100,015
Capital distributions	\$ -
Net Income (Loss)	<u>\$ (15)</u>
BALANCE, February 12, 2024	<u><u>\$ 100,000</u></u>

see accompanying notes

Hummingbird Music School Franchise, LLC
STATEMENT OF CASH FLOW
For the period January 1, 2024 through February 12, 2024

	<u>February 12, 2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss) income	\$ (15)
Change in:	
Other current liabilities	<u>-</u>
Net cash (used in) provided by operating activities	(15)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash (used in) provided by investing activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital contributions	100,015
Capital distributions	<u>-</u>
Net cash (used in) provided by financing activities	100,015
Net change in cash and cash equivalents	\$ 100,000
Cash and cash equivalents at January 1, 2024	<u>-</u>
Cash and cash equivalents at February 12, 2024	\$ <u><u>100,000</u></u>
Total cash and cash equivalents	\$ <u><u>100,000</u></u>

see accompanying notes

Hummingbird Music School Franchise, LLC
NOTES TO FINANCIAL STATEMENTS
February 12, 2024

1. Organization

Hummingbird Music School Franchise, LLC (the “Company”) is a California limited liability company. The Company was formed in 2023 for the purpose of franchising music school businesses across the United States.

For the period ended February 12, 2024, total contributed capital was \$100,015.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Company prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue and expenses

Operating income consists of contractual franchise royalties based on a percentage of monthly sales which are recognized as revenue in the month earned as well as revenue from other contractual agreements. For the period ended February 12, 2024, no royalties were earned.

Initial franchise fees are recognized as revenue once substantially all of the initial services of the Company required by franchise agreement have been performed and no other material conditions or obligations related to the determination of substantial performance exist, which typically aligns with when a new franchisee location is open for business. For the period ended February 12, 2024, initial franchise fee revenue was zero.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

The Company maintains its cash in bank deposit accounts which could exceed federally insured limits. The Company has not experienced an instance where cash held in the account exceeded insured limits since its inception and has not had losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

Related party transactions

As of February 12, 2024 amounts due from a related party totaled \$0 as a result of cash withdrawals during 2024.

Hummingbird Music School Franchise, LLC
NOTES TO FINANCIAL STATEMENTS
February 12, 2024

2. Summary of significant accounting policies and nature of operations (continued)

Subsequent events

Subsequent events have been evaluated through March 11, 2024, which is the date the financial statements were available to be issued. No significant events or transactions were identified that would require adjustment to the balance sheet or disclosure.

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OPERATIONS MANUAL TABLE OF CONTENTS

Hummingbird Music School Franchise Operations Manual

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EXHIBIT E

FRANCHISED OUTLETS

(As of December 31, 2023)

None.

Franchise Agreements Signed But Outlet Not Open as of December 31, 2023

None.

Franchisees Who Have Left the System

Franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recent fiscal year or who has not communicated with the franchisor within the 10 weeks preceding the Issuance Date of this Disclosure Document.

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

None.

EXHIBIT F
STATE SPECIFIC ADDENDA

**ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE
AGREEMENT REQUIRED BY THE STATE OF CALIFORNIA**

The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the agreements. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. Neither the franchisor or any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
6. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
7. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
8. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
9. OUR WEBSITE www.hummingbirdmusicschoolfranchise.com HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
10. Item 6 of the Franchise Disclosure Document and the appropriate sections of the Franchise Agreement are amended to state that the highest interest rate allowed under California law is 10% per annum.

11. The Franchise Agreement requires application of the laws of Pennsylvania. This provision may not be enforceable under California law.
12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT G
GENERAL RELEASE

GENERAL RELEASE

This release (the "Release") is given this day of _____ by _____, a(n) _____, with its principal place of business located at _____ ("Franchisee") and _____'s principals _____, an individual residing at _____ and ("Principal(s)").

Franchisee and Principal(s), on behalf of themselves and their respective officers, directors, employees, successors, assigns, heirs, personal representatives, and all other persons acting on their behalf or claiming under them (collectively, the "Franchisee Releasors"), hereby release, discharge and hold harmless Hummingbird Music School Franchise LLC ("Franchisor") and Franchisor's parents, affiliates, officers, directors, members, shareholders, employees, agents, attorneys, successors, and assigns (collectively, the "Franchisor Releasees") from any suits, claims, controversies, rights, promises, debts, liabilities, demands, obligations, costs, expenses, actions, and causes of action of every nature, character and description, in law or in equity, whether presently known or unknown, vested or contingent, suspected or unsuspected arising under, relating to, or in connection with the Franchise Agreement dated _____ between Franchisee and Franchisor and any related agreements and the relationship created thereby, or the Franchised Business operated under the Franchise Agreement, or any claims or representations made relative to the sale of the franchise to operate such Franchised Business or under any federal or state franchise or unfair or deceptive trade practice laws, which any of the Franchisee Releasors now own or hold or have at any time heretofore owned or held against the Franchisor Releasees (collectively, the "Franchisee Released Claims").

FRANCHISEE AND PRINCIPAL(S) ON BEHALF OF THEMSELVES AND THE FRANCHISEE RELEASORS WAIVE ANY RIGHTS AND BENEFITS CONFERRED BY ANY APPLICABLE PROVISION OF LAW EXISTING UNDER ANY FEDERAL, STATE OR POLITICAL SUBDIVISION THEREOF WHICH WOULD INVALIDATE ALL OR ANY PORTION OF THE RELEASE CONTAINED HEREIN BECAUSE SUCH RELEASE MAY EXTEND TO CLAIMS WHICH THE FRANCHISEE RELEASORS DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTION OF THIS AGREEMENT. The Franchisee Releasors also covenant not to bring any suit, action, or proceeding, or make any demand or claim of any type, against any Franchisor Releasees with respect to any Franchisee Released Claim, and Franchisee and Principal(s) shall defend, indemnify and hold harmless each of Franchisor Releasees against same.

Release given this day of _____, 20__:

FRANCHISEE (Entity)

FRANCHISEE (Principal):

By: _____
Name: _____
Title: _____
Date: _____

Name: _____
Date: _____

FRANCHISEE (Principal):

Name: _____
Date: _____

(Print Name)

STATE EFFECTIVE DATES

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin.

This Franchise Disclosure Document is registered, on file or exempt from registrations in the following states having franchise disclosure laws, with the following effective dates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>
California	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF
HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC**

This Franchise Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Franchise Disclosure Document and all exhibits carefully.

If Hummingbird Music School Franchise LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hummingbird Music School Franchise LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Francesca Draughon 2261 Market Street, Suite 5984 San Francisco, California 94114 650-547-9954

Issuance Date: March 22, 2024.

I received a Disclosure Document dated March 22, 2024, that included the following Exhibits:

- EXHIBIT A: State Administrators/Agents for Service of Process
- EXHIBIT B: Franchise Agreement
- EXHIBIT C: Financial Statements
- EXHIBIT D: Operations Manual Table of Contents
- EXHIBIT E: Franchised Outlets as of December 31, 2023
- EXHIBIT F: State Specific Addenda
- EXHIBIT G: General Release

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

Please return signed receipt to Hummingbird Music School Franchise LLC,
2261 Market Street, Suite 5984, San Francisco, California 94114

**RECEIPT OF FRANCHISE DISCLOSURE DOCUMENT OF
HUMMINGBIRD MUSIC SCHOOL FRANCHISE LLC**

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EXHIBIT G: General Release

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

City, State: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS