# FRANCHISE DISCLOSURE DOCUMENT

New York Musician's Center Franchising, LLC
A Wyoming Limited Liability Company
484 White Star Avenue
West Hempstead, NY 11552
(516) 233-4285
tthomas@nymcmusic.com
https://nymcmusic.com/

As a New York Musician's Center franchisee, you will operate a business offering instrumental and vocal music lessons and music therapy, catering to aspiring musicians of all ages and skill levels. Franchisees will operate the business under the brand "New York Musician's Center"

The total investment necessary to begin operation of a New York Musician's Center franchise is $79,400 to $181,300. This includes $35,000 that must be paid to the franchisor or 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 this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Talonda Thomas at 484 White Star Avenue, West Hempstead, NY 11552 and (516) 233-4285.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC- HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW. Washington, D.C. 20580. You can also visit the FTC's home page at www.ftc.gov 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: April 15, 2025, as amended June 30, 2025

## 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 H. |
| **How much will I need to invest?** | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| **Does the franchisor have the financial ability to provide support to my business?** | Item 21 or Exhibit F 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 New York Musician's Center 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 New York Musician's Center franchisee?** | Item 20 or Exhibit H 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 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 New York. 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 New York than in your own state.

2. **General Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

3. **Short Operating History.** The Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

4. **Mandatory minimum payments.** You must make minimum royalty, advertising, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

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

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

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or sub-franchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding this notice should be directed to:

State of Michigan Department of Attorney General
G. Mennen Williams Building, 7th Floor
525 W. Ottawa
Street Lansing,
Michigan 48909
Telephone Number: (517) 373 7117

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**Exhibits**

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## Item 1 THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

In this disclosure document, "we", "us," or "our" refers to New York Musician's Center Franchising, LLC. "You" means the person to whom we grant a franchise. If you are a corporation, limited liability company, or other entity, each owner of the franchise entity must sign our Guaranty and Non-Compete Agreement, which means that all of the franchise agreement's provisions also will apply to your owners.

The Franchisor

Our name is New York Musician's Center Franchising, LLC. Our principal business address is 484 White Star Avenue, West Hempstead, NY 11552. We are a Wyoming Limited Liability Company, formed on March 8, 2024 to offer New Yor Musician's Center franchises. We have been offering franchises since July 2024. We use the names "New York Musician's Center Franchising, LLC" "New York Musician's Center Franchising," and "New York Musician's Center." We do not intend to use any other names to conduct business.

Our Experience with the Franchised Business

We do not operate any businesses of the type being franchised, but our Affiliate operates two Company affiliated units of the type of business being franchised. Our affiliate, New York Musician's Center, LLC has operated New York Musician's Center in West Bellmore, New York since 2006. This affiliate has the business address 484 White Star Avenue, West Hempstead, NY 11552. This Affiliate opened a second Company affiliated unit in 2021 in Rockville Center, New York. We do not have any other business activities. We have not offered franchises in other lines of business.

Our Parents, Predecessors, and Certain Other Affiliates

We do not have any parent entities. We do not have any predecessors. We do not have any affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Agent for Service of Process

Our agent for service of process in Wyoming is Registered Agents, Inc., and the agent's principal business address is 30 N. Gould St, Ste R, Sheridan, WY 82801. Our agents for service of process in other states are disclosed in Exhibit A.

Information About the Franchises Offered

If you sign a franchise agreement with us, you will develop and operate a business offering instrumental and vocal music lessons and music therapy, catering to aspiring musicians of all ages and skill levels, under the trade name New York Musician's Center.

We operate in the Music Education market that is well developed. Our products and services are offered year-round. You will compete for customers with independent owners, national chains, regional chains, and franchised businesses, offering various instrumental and vocal music lessons.

Laws and Regulations

We are not aware of any laws or regulations specific to the industry in which the franchise business operates. Operation of a Small Business will require you to be aware of federal, state and local regulations that are common to all businesses. Most states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of all businesses, including occupational health and safety; labor and employment laws and minimum wage requirements; licensing and bonding; insurance; and advertising. Also, some jurisdictions have passed laws that require businesses to pay their employees a higher minimum wage than what is required under federal law, which laws may disproportionately affect franchised businesses. You must also comply with federal, state, and local intellectual property laws (including music licensing) and abandoned property / escheat laws.

You must investigate and comply with all applicable federal, state, county and city laws and regulations. You are responsible for complying with all applicable laws and regulations. You should consult with a legal advisor about legal requirements that may apply to your business.

## Item 2 BUSINESS EXPERIENCE

**Talonda Thomas- CEO.** Talonda Thomas has been our Chief Executive Officer since March 2024. Talonda is also the CEO of New York Musician's Center, LLC, our affiliate which operates New York Musician's Center locations in West Hempstead, New York and Rockville Center New York, and has held that position since 2006. From July 2019 to June 2021 Talonda was also the Music Chairperson for Sewanhaka School in Elmont, New York. From May 2008 to August 2018 Talonda was a music instructor for Freeport public schools in Freeport, New York.

**Malachi Thomas – Franchise Sales and Development Associate**. Malachi Tomas has been our Franchise & Sales Development Associate since January 2024. Malachai also serves as a sales associate for our affiliate locations in Bellmore and Rockville Center and has assisted our affiliate location in Bellmore since its founding in 2013, gaining cross-functional experience in customer service, sales, and operations. Mr. Thomas attended the American Musical and Dramatic Academy from September 2019 to May 2023. Mr. Thomas also worked as a Guest Services Associate at Dave & Buster's in Manhattan, NY from 2022-2024.

## Item 3 LITIGATION

No litigation is required to be disclosed in this Item.

## Item 4 BANKRUPTCY

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

## Item 5 INITIAL FEES

When you sign your franchise agreement, you must pay us $35,000 as the initial franchise fee. We offer a discount of $10,000 to existing franchisees who meet our qualifications and are opening an additional location. To qualify for the existing franchisee discount, the existing unit must have at least $350,000 of Gross Sales and the same individual beneficial owners must own 51% or more of both franchise entities.

The initial fees are uniform, except as set forth in this Item 5. The initial fees are nonrefundable. The initial franchise fee is compensation to us for our efforts in offering and selling a franchise to you, our franchise sales and marketing activities to promote the sale of a franchise to qualified franchisees, our participation in the franchise sale, our legal compliance



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with franchise laws and regulations, the development and hosting of initial training programs, our participation in terminating the franchise, and our lost or deferred opportunity to enter into a Franchise Agreement with others. We reserve the right to modify the initial fees in the future to reflect the changing costs of doing business and changes in the value of the franchises being offered. We may also discount the initial franchise fee if we are unable to locate a franchisee in a particular area we consider desirable or based on other subjective factors we deem important to the System.

## Item 6 OTHER FEES

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Royalty | 7% of your Gross Sales[1], subject to monthly minimums after the first 12 months[2] | Monthly, by the 5th day of the following month | You must pay your royalty directly to us. We reserve the right to change the payment date for royalties and may, with notice to you, collect royalties weekly or monthly[3]. After the first 12 months of operations, minimum royalties apply. See Notes below for minimum royalty requirements[2] and definition of Gross Sales[1]. |
| National Marketing Fund Contribution | 1% of your Gross Sales[1] | Monthly, by the 5th day of the following month | See Item 11 for a detailed discussion about these funds. Amounts due will be withdrawn by electronic wire transfer from your designated bank account, together with royalties. |
| Market Cooperative Contribution | Up to 5% of Gross Sales[1], as determined by co-op. Currently, none. | Monthly, by the 5th day of the following month | We have the right to establish local or regional advertising cooperatives. The maximum contribution that a co-op may require is 5% of Gross Sales[1]. Any location owned by us or any affiliate will have the same voting rights as our franchisees.<br>Contributions will be imposed by a majority vote. If any location owned by us or any affiliates have a majority vote, the maximum fees imposed will not exceed 3% of Gross Sales[1]. The amounts contributed to the cooperative may be applied toward your minimum local advertising requirement. |
| Local Marketing/Required Spending | 3% of your Gross Sales[1] | Monthly | You must commit to a local advertising campaign and must be prepared to spend the amount we designate from time to time, currently 3% of Gross Sales[1]. Your local advertising campaign and all marketing materials must be approved by us. |
| Technology Fee | $150 per month, subject to change with 30 days' notice | Monthly | You must pay us a monthly technology fee, which may be increased with thirty days' notice to you. Technology fees may increase to adjust for increased costs, but the increase will not be more than the equivalent of twenty percent per year (cumulative) during the term of your franchise agreement. You may incur additional fees if you require additional seats/emails. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Replacement / Additional Training fee | Currently, $450 per day | Prior to attending training | If you send a manager or other employee to our training program after you open, we will charge our then-current training fee. If your Designated Manager is replaced by an individual who has not completed our initial training program, you must have your new Designee complete our initial training program and pay our training costs, plus the costs and expenses of your Designee attending the training program. We may also require additional training as a condition of curing any non-payment default. |
| Convention | Amount will vary, currently estimated at $1,500 | Annually, before convention | If we hold a franchise convention, your Managing Owner must attend. You will be responsible for paying the Convention fee, regardless of attendance. |
| Ongoing Training | Approximately $400 - $3,000 | Time of Program | We may periodically offer ongoing training programs, including an annual conference, regional in-person training programs, and periodic online or in-person training programs and may designate some programs as mandatory. You agree to attend the ongoing training programs we specify from time to time. While we may not charge a fee for all ongoing training programs, we reserve the right to charge a fee for these programs, and you will also be responsible for your costs of attendance. |
| Affiliate Products or Services Ordered | The purchase price plus shipping costs (if any), as may be periodically provided to you, of any products or services you purchase from us or our affiliates. | At the time you place an order | Neither we nor our affiliates currently offer any products or services to you, but we reserve the right to do so. Your cost to purchase products or services from us or our affiliates will be provided to you in the Operations Manual and may be periodically updated from time to time by providing notice to you. |
| Third party vendors | Pass-through of costs, plus reasonable administrative charge. Currently, none. | Varies | We have the right to require franchisees to use third-party vendors and suppliers that we designate. Examples can include computer support vendors, mystery shopping, and customer feedback systems. The vendors and suppliers may bill franchisees directly, or we have the right to collect payment for these vendors. |
| Software subscription | Currently, $240 per month | Monthly | We require you to use certain software as described in Item 11. You pay subscription fees directly to the software supplier. The software subscription fees may change from time to time. |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Non-compliance fee | $500 | On demand | We may charge you a $500 non-compliance charge per violation for any violation by you of any term or condition of the Franchise Agreement. Thereafter, we may charge you $250 per week until you correct such non-compliance. |
| Reimbursement | Amount that we spend on your behalf, plus 10% | Within 15 days of invoice | If we pay any amount that you owe or are required to pay to a third party, you must reimburse us. |
| Approval of Products or Suppliers | Approximately $100 - $1,000 | Time of evaluation | Applies to our evaluation of new suppliers you wish to purchase from or products you wish to purchase. Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product or service, the type of product or service under review, whether the product or supplier has been rated and other similar factors. |
| Relocation Assistance | $10,000 | Time of assistance | If you intend to relocate, you must obtain our approval and pay us a Relocation Assistance Fee to assist you. |
| Late fee / Interest | $100 plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law) | On demand | We may charge a late fee and interest if you fail to make a required payment when due. Applies to all overdue fees you owe us and our affiliates for any reason, including royalties, contributions to the National Marketing Fund, purchases of products/services, and any other amounts owed. Also applies to any understatement in amounts due revealed by an audit. |
| Insufficient funds fee | $50 (or, if such amount exceeds the maximum allowed by law, then the maximum allowed by law) | On demand | Payable only if a payment to us is returned or an ACH withdrawal is not processed due to insufficient funds; amount subject to state law. |
| Costs of collection | Our actual costs | As incurred | Payable if we incur costs (including reasonable attorney fees) in attempting to collect amounts you owe to us. |
| Special support fee | Our then-current fee, plus our expenses. Currently, $600 per day. | On demand | If we provide in-person support to you in response to your request, we may charge this fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support). |

| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Customer complaint resolution | Our expenses | On demand | We may take any action we deem appropriate to resolve a customer complaint about your business. If we respond to a customer complaint, we may require you to reimburse us for our expenses. |
| Records audit | Our actual cost | On demand | Payable only if (1) we audit you because you have failed to submit required reports or other non-compliance, or (2) the audit concludes that you under-reported gross sales by more than 3% for any 4-week period. |
| Special inspection fee | Currently $600, plus our out-of-pocket costs | On demand | Payable only if we conduct an inspection of your business because of a governmental report, customer complaint or other customer feedback, or your default or non-compliance with any system specification. |
| Non-compliance cure costs and fee | Our out-of-pocket costs and internal cost allocation, plus 10% | When billed | We may cure your non-compliance on your behalf (for example, if you do not have required insurance, we may purchase insurance for you), and you will owe our costs plus a 10% administrative fee. |
| Transfer fee | $10,000 plus any broker fees and other out-of-pocket costs we incur | When transfer occurs | Payable if you sell or transfer ownership of your business. |
| Renewal fee | $2,000 | At renewal | Payable to us if you enter into a renewal or successor franchise agreement. |
| Modifications, Maintenance, and Refurnishing of the Franchise | Costs incurred, which may vary | As required | You must maintain, remodel and refurnish your franchised business periodically to maintain our standards. If we make changes to our System standards, you must also adapt your business to conform to the changes. Some examples of changes include new equipment, fixtures, software or new Marks. If we provide notice to you of deficiencies, and you do not undertake correction of the deficiencies, we may correct the deficiencies, and you must reimburse us for all costs and expenses we incur. |



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| Type of Fee | Amount | Due Date | Remarks |
|---|---|---|---|
| Management Fee | The greater of $500 per day or 10% of daily Gross Sales[1], plus any costs or expenses we incur | As incurred | If you breach the Franchise Agreement, following the death or incapacity of an owner/designated manager of the franchise, or upon your and our agreement, we may temporarily manage your franchised business, and you must pay our management fee and our costs and expenses. |
| Termination Fee | An amount equal to royalty fees and national marketing fund contributions for the lesser of (i) 2 years or (ii) the remaining weeks of the franchise term. | On demand | Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so. |
| Indemnity | Our costs and losses from any legal action related to the operation of your franchise | On demand | You must indemnify and defend (with counsel reasonably acceptable to us) us and our affiliates against all losses in any action by or against us related to, or alleged to arise out of, the operation of your franchise. |
| Prevailing party's legal costs | Our attorney fees, court costs, and other expenses of a legal proceeding, if we are the prevailing party | On demand | In any legal proceeding (including arbitration), the losing party must pay the prevailing party's attorney fees, court costs and other expenses. |

All fees are imposed by us and payable to us (other than local marketing spend and software subscription charges payable to third parties and Affiliate Products/Services Ordered payable to the affiliate). All fees are non-refundable. All fees are uniform for all franchisees, although we reserve the right to change, waive, or eliminate fees for any one or more franchisees as we deem appropriate. There are currently no marketing cooperatives, purchasing cooperatives, or other cooperatives that impose fees on you.

Notes

1. "Gross Sales" is defined in our franchise agreement as the total dollar amount of all sales generated through your business or using the Marks for a given period, including, but not limited to, payment for any services or products sold by you, whether in cash, by check, credit card, debit card, digital currency, exchange, other credit transactions, or otherwise. Gross Sales includes gift certificates, gift cards, Groupons, and similar program payments at the time the gift card or other instrument is purchased. Gross Sales also includes all insurance proceeds you receive for the loss of business due to a casualty or similar event. . Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, or (iii) sale of used equipment not in the ordinary course of business.

2. All franchises are subject to the following minimum royalties:

| MONTH OF OPERATION | ROYALTY |
|---|---|

| | |
|---|---|
| MONTHS 1 - 12 | No minimum |
| MONTHS 13-24 | $1,120 per month |
| MONTHS 25-36 | $2,240 per month |
| MONTHS 37-48 | $3,360 per month |
| MONTHS 49 AND AFTER (including any renewal term) | $5,600 per month |

3. We currently require you to pay royalty fees and other amounts due to us by pre-authorized bank draft. However, we can require an alternative payment method. We currently collect royalty fees and marketing fund contributions monthly but may change the time for payment.

## Item 7 ESTIMATED INITIAL INVESTMENT

### YOUR ESTIMATED INITIAL INVESTMENT - FRANCHISE AGREEMENT

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|
| Initial franchise fee[1] | $35,000 - $35,000 | Check or wire transfer | Upon signing the franchise agreement | Us |
| Lease Acquisition [2] | $2,000 - $21,000 | Check | Upon signing lease | Landlord |
| Utilities[3] | $500 - $1,000 | Check, debit, and/or credit | Upon ordering service | Utility providers |
| Leasehold Improvements[4] | $600 - $25,000 | Check | As incurred or when billed | Contractors |
| Market Introduction Program[5] | $5,000 - $10,000 | Check, debit, and/or credit | As incurred or when billed | Vendors and suppliers |
| Furniture, Fixtures, and Equipment[6] | $2,500 - $5,000 | Check, debit, and/or credit | As incurred | Vendors and suppliers |
| Computer Systems[7] | $1,000 - $2,500 | Check, debit, and/or credit | As incurred | Vendors and suppliers |
| Insurance[8] | $200 - $4,000 | Check | Upon ordering | Insurance company |
| Signage[9] | $2,000 - $6,000 | Check, debit, and/or credit | Upon ordering | Vendor |
| Office Expenses[10] | $250 - $500 | Check, debit, and/or credit | As incurred | Vendors |
| Inventory & Supplies[11] | $1,000 - $12,000 | Check, debit, and/or credit | Upon ordering | Vendors |

| Type of expenditure | Amount | Method of payment | When due | To whom payment is to be made |
|---|---|---|---|---|
| Licenses and Permits[12] | $250 - $1,000 | Check | Upon application | Government |
| Dues and Subscriptions | $100 - $300 | Check, debit, and/or credit | As incurred | Vendors, trade organizatio ns |
| Professional Fees (lawyer, accountant, etc.)[13] | $1,500 - $3,000 | Check, debit, and/or credit | As incurred or when billed | Professional service firms |
| Travel, lodging and meals for initial training[14] | $2,500 - $5,000 | Cash, debit or credit | As incurred | Airlines, hotels, and restaurants |
| Additional funds (for first 3 months)[15] | $25,000 - $50,000 | Varies | Varies | Employees, suppliers, utilities |
| **Total[16]** | **$79,400 - $181,300** | | | |

Notes

[1] Franchise Fee. The franchise fee and its refund policy are described in greater detail in ITEM 5. We do not finance any fee. (California Residents please see addendum)

[2] Lease Acquisition. You must operate your franchised business from an approved location with 1,600 square feet to 2,300 square feet and at least 10 lesson rooms. The estimates are based on the assumption that, to acquire your lease, you will pay $2,000 to $7,000 per month for your lease and, to acquire your lease, will pay an acquisition deposit equivalent of between one and three months' rent. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage and cost per square foot. Some lessors may refund the security deposit if you cancel the lease before you occupy the premises. We also recommend that you have funds available for three additional months of rent. Estimated rental costs for rent for three additional months of operations are included with the category "Additional Funds," (see Note 17 below).

[3] Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits to obtain services, including electric, telephone, internet, gas and water. You will also typically have to pay for some utilities such as electric and water before opening, while your leasehold improvements are being completed. The amount of the deposit and whether the deposit is refundable will vary depending on the local utilities. You should contact your local utilities for more information.

[4] Leasehold Improvements. You must build out your location pursuant to our plans and specifications. Our plans and specifications will be provided to you in a general format, and you will be required to incur architectural, design, and permitting costs to develop a site plan for your location based on our plans and specifications. The low estimate assumes you will be making minimum improvements or have tenant buildout funds from the landlord, and the high estimate allows for buildout from a white box. The cost of the leasehold improvements will vary depending on multiple factors, including the size, condition,

and location of the facility, local wage rates and the cost of materials. The amounts you pay for leasehold improvements are typically non-refundable. You should inquire about the refund policy of the architect and contractor at or before the time of hiring.

[5]Market Introduction / Grand Opening Marketing. You must conduct a grand opening marketing campaign to introduce your new business to the market and must spend a minimum of $5,000 on the market introduction / grand opening marketing. We must approve of your grand opening marketing campaign and all advertisements used in your campaign before it is conducted. Your campaign must be conducted in the 90 day period that typically takes place 30 days before and 60 days after the opening of your franchised business. We may designate a different time period for you to conduct the grand opening campaign. Factors that may affect the actual amount you spend include the type of media used, the size of the area you advertise to, local media cost, location of the franchised business, time of year and customer demographics in the surrounding area. The amounts you spend for grand opening advertising are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing.

[6]Furniture, Fixtures, & Equipment. You must purchase the furniture, fixtures, & equipment ("FF&E") we specify. The low estimate assumes you have selected a location at the lower end of acceptable square footage and elected a lease or financing arrangement for some items while the high estimate assumes you have paid in full for the FF&E. Other factors that may affect your cost of FF&E include the size of the Approved Location, the equipment package selected, local market conditions, competition among suppliers and other factors. We do not know if the amounts you pay for FF&E are refundable. Factors determining whether FF&E are refundable typically include the condition of the items at time of return, level of use and length of time of possession. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

[7] Computer System. You must use the Point of Sale and Computer System designated by us. See Item 11 for details.

[8] Insurance. You must purchase the insurance we specify from time to time. See Item 8 for additional details. Factors that may affect your cost of insurance include the size and location of the franchised business, the value of the leasehold improvements, equipment, and inventory, number of employees and other factors. 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] Signage. You must install signage according to our specifications. The signage requirements and costs for your Approved Location will vary based upon the local market for signage and landlord requirements. The amounts you pay for signage are typically non-refundable. You should inquire about the return and refund policy of the suppliers at or before the time of purchase.

[10] Office Expenses. You will require office furnishings and supplies for the non-consumer facing / administrative aspects of the business.

[11] Inventory & Supplies. You must procure an opening inventory of products and supplies as specified in our Operations Manual.

[12] Licenses & Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses, and permits to make improvements to your approved location. Your actual costs may vary from the estimates based on the requirements of state and local government agencies. These fees are typically non-refundable. You should inquire about the cancellation and refund policy of the agencies at or before the time of payment.

[13] Professional Fees. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your franchised business. You are required to have your accounting files and standard chart of accounts set-up and maintained in accordance with our system standards. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants, and consultants. Accounting and legal fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant, or consultant at or before the time of hiring.

[14] Travel, Lodging, Meals for Initial Training. The initial training for your Designated Managing Owner ("DMO") and up to one additional owner or staff person designated by Franchisee and who attends training at the same time as the DMO is included in the franchise fee, but you will incur additional fees for any additional training or ongoing training. For any training program (including the initial training program), you are responsible for transportation, and expenses for meals and lodging while attending training. This estimate includes those transportation, meals, & lodging expenses that you will incur for the initial training program. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Before making airline ticket, hotel, rental car, or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation.

[15] Additional Funds. We recommend that you have a minimum amount of money available to cover operating expenses, including rent, utilities, accounting, and employees' salaries, for the first 3 months that the franchised business is open. We cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if income is low or operating costs are high. These expenses are typically non-refundable. In determining the estimate for additional funds, we relied on our affiliate's industry knowledge and experience in starting and operating a business similar to the franchised business being offered.

[16] Total. In compiling this chart, we relied on our and our Affiliate's industry knowledge and experience. The amounts shown are estimates only and may vary for many reasons, including the size and condition of your facility, the capabilities of your management team, where you locate your franchised business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only, and we cannot guarantee that you will not have additional expenses in starting the franchised business. Please note that all cost estimates are calculated using current market values for goods and services, prices may be subject to change based on inflation rates, shortages, or other unforeseen economic factors, no estimate is final.

## Item 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Generally

The consistency of the New York Musician's Center brand and of the products and services it offers to consumers is an essential component of the franchise system. Accordingly, you must purchase all items bearing the Marks and all supplies, products, software, services, tools, computers, furniture, fixtures, and equipment (together "goods and services") used in the development and operation of the franchised business from Us or from an approved supplier, pursuant to our specifications set forth in the Confidential Operations Manual ("Operations Manual"), as they may be changed from time to time.

We have developed and may develop from time-to-time various standards and specifications for various goods and services. These specifications include standards and specifications for the appearance, quality, price, performance, and functionality. These standards and specifications are based on our Affiliate's experience in operating a business of the type we are franchising and on research and testing in our Affiliate's business. We may communicate our standards and specifications directly to suppliers who wish to supply you with goods or services pursuant to our specifications. We communicate our standards and specifications to you when we evaluate your proposed location for the franchised business, during training, before you conduct your grand opening advertising, during on-site opening assistance, during periodic visits to your franchise location, and through the Brand Standards Manual (including periodic bulletins). We will periodically issue new standards and specifications (if any) and new approved suppliers (if any) through written notices.

We have and will continue to periodically approve specifications, suppliers and/or distributors for the goods and services used in the development and/or operation of the franchised business, which may include us or our affiliates, that meet our standards and requirements, including standards and requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations and customer relations. We may approve a single distributor or other supplier (collectively "supplier"), for any goods or services and may approve a supplier only as to certain goods or services. We may concentrate purchases with one or more suppliers to obtain lower prices or better advertising support or services for any group of New York Musician's Center locations franchised or operated by us. You acknowledge that we and/or our affiliates may derive revenue from the products and services offered to you.

Specific Obligations

The following are our current specific obligations for purchases and leases:

A. Real Estate. Your business location is subject to our approval and must meet our specifications. You must use reasonable efforts to have your landlord sign our form of Rider to Lease Agreement (attached to this disclosure document as Exhibit D).

B. Insurance. You must obtain insurance as described in the Franchise Agreement and in our Operations Manual, which may be modified from time to time and currently includes:

a. workers' compensation insurance with a minimum of $100,000 for each accident and $100,000 for each disease or such higher limit as your state law requires;

b. "Special" causes of loss coverage, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business for full repair and replacement value;

c. comprehensive general liability insurance with a minimum liability coverage of $1,000,000 per occurrence and $2,000,000 (this policy must include coverage for contractual indemnity and advertising injury);

d. owned and non-owned automobile liability insurance of at least $1,000,000;

e. business interruption insurance covering at least 12 months of income;

f. cyber security/data breach insurance of $1,000,000 per occurrence and $1,000,000 in the aggregate;

g. insurance coverage for contractual indemnity and such other insurance as is necessary to provide coverage under the indemnity provisions set forth in the Franchise Agreement

C. Point-of-sale software and hardware, and related software and hardware. You must purchase (or lease) the point-of-sale software and hardware, and related software and hardware, that we specify. See Item 11 for more details.

D. Products, inventory and equipment. You must purchase required items from our approved vendors and according to our standards and specifications as prescribed. See our Operations Manual for details.

Us or our Affiliates as Supplier

Currently, we are the only approved supplier of the System Technology Services. Neither we nor any affiliate is currently a supplier of any other good or service that you must purchase. We reserve the right to designate ourselves or our affiliates as an approved supplier or the only approved supplier for other goods or services, to charge a fee for goods or services offered, and to earn a profit on those goods or services. None of our officers currently have an ownership interest in any approved supplier other than us and our affiliates identified in Item 1.

Designated Third-Party Suppliers.

We have designated suppliers of certain inventory, products, and equipment. We currently have designated exclusive suppliers for scheduling software and CRM software. We currently have designated preferred suppliers for branded apparel and trophies. We reserve the right to designate exclusive suppliers and preferred suppliers for other goods or services in the future. If we designate one or more exclusive suppliers for a particular good or service, you may not utilize an alternative supplier. If we have designated a preferred supplier, you must obtain our consent to use an alternate supplier.

Alternative Suppliers

If you want to use goods or services in establishing and/or operating the franchised business that we have not approved or if you would like to purchase goods or services from a supplier we have not approved, you must request our approval in writing. To request our approval, you must first send us sufficient information, specifications and samples for us to determine whether the goods or services comply with our standards and specifications, or the supplier meets our approved supplier criteria. We have the right to inspect the proposed supplier's facilities and to require product samples and testing. We will grant or revoke approvals of suppliers based on criteria appropriate to the situation, which may include evaluations of the supplier's capacity, dependability, quality, financial stability, reputation, and reliability, system uniformity, impact on other supplier agreements, inspections; product testing, and performance reviews. We permit you to contract with alternative suppliers who meet our criteria only if you request our approval in writing, and we grant approval. There is no fee for us to review or approve an alternate supplier, but you must pay our expenses to evaluate goods, services, or suppliers. We are not required to approve any proposed supplier, and we may disapprove a proposed supplier who does not meet our requirements. We may also disapprove a proposed supplier if the purchase would violate a contract with an existing supplier. We will provide you with written notification of the approval or disapproval of any goods/services/supplier you propose upon completion of our review (usually within 30 days after receipt of all information). We may grant approvals of new suppliers or revoke past approvals of suppliers on written notice to you, or by updating our Operations Manual.

Periodically, we may review our approval of any goods, services or suppliers. We will notify you if we revoke our approval of goods, services or suppliers, and you must immediately stop purchasing disapproved goods or services or must immediately stop purchasing from a disapproved supplier.

Issuing Specifications and Standards

We issue specifications and standards to you for applicable aspects of the franchise in our Manual and/or in written directives. We may issue new specifications and standards for any aspect of our brand system, or modify existing specifications and standards, at any time by revising our Manual and/or issuing new written directives (which may be communicated to you by any method we choose). We will generally (but are not obligated to) issue new or revised specifications only after thorough testing in our headquarters, in company-owned outlets, and/or a limited market test in multiple units.

Revenue to Us and Our Affiliates



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In 2024, our total revenue was $0, and $0 or 0% of our total revenue was derived from required purchases or leases of products or services acquired by franchisees. We currently do not derive revenue from the required purchases and leases by franchisees. However, the franchise agreement does not prohibit us from doing so.

Proportion of Required Purchases and Leases

We estimate that the required purchases and leases to establish your business are 50% to 80% of your total purchases and leases to establish your business. We estimate that the required purchases and leases of goods and services to operate your business are 50% to 80% of your total purchases and leases of goods and services to operate your business.

Payments by Designated Suppliers to Us

We will receive a rebate of 5% of the Gross Margin of apparel purchased from our preferred apparel supplier. We do not currently receive any other payments from any designated suppliers based on purchases by you or other franchisees. However, the franchise agreement does not prohibit us from doing so.

Purchasing or Distribution Cooperatives

No purchasing or distribution cooperative currently exists.

Negotiated Arrangements

We do negotiate purchase arrangements with suppliers, including price terms, for the benefit of franchisees.

Benefits Provided to You for Purchases

We do provide material benefit to you based on your purchase of particular goods or services and your use of particular suppliers.

## Item 9 FRANCHISEE'S OBLIGATIONS

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

| Obligation | Section in agreement | Disclosure document item |
|---|---|---|
| a. Site selection and acquisition/lease | Franchise Agreement (FA): §§ 6.1, 6.2 | Item 11 |
| b. Pre-opening purchase/leases | FA: §§ 6.2, 6.3 | Items 5, 7, 8 and 11 |
| c. Site development and other pre-opening requirements | FA: Article 6 | Items 5, 7, 8 and 11 |
| d. Initial and ongoing training | FA: §§ 5.4, 6.4, 7.6 | Items 5, 6, 8 and 11 |

| Obligation | Section in agreement | Disclosure document item |
|---|---|---|
| e. Opening | FA: §§ 6.5, 6.6 | Items 7, 8 and 11 |
| f. Fees | FA: Article 4, §§ 5.5, 7.8, 10.5, 11.2, 11.3, 15.2, 16.1, 17.6 | Items 5, 6 and 7 |
| g. Compliance with standards and policies/operating manual | FA: §§ 6.3, 7.1, 7.3, 7.5, 7.9 –7.13, 7.15, 10.1, 10.4, 11.1 | Items 8, 11 and 14 |
| h. Trademarks and proprietary information | FA: Article 12, § 13.1 | Items 13 and 14 |
| i. Restrictions on products/services offered | FA: § 7.3 | Items 8, 11 and 16 |
| j. Warranty and customer service requirements | FA: §§ 7.3, 7.8, 7.9 | Item 8 |
| k. Territorial development and sales quotas | FA: Not applicable | Item 12 |
| l. Ongoing product/service purchases | FA: Article 8 | Items 6 and 8 |
| m. Maintenance, appearance, and remodeling requirements | FA: §§ 7.12, 7.13 | Items 6, 7 and 8 |
| n. Insurance | FA: § 7.15 | Items 6, 7 and 8 |
| o. Advertising | FA: Article 9 | Items 6, 7, 8 and 11 |
| p. Indemnification | FA: Article 16 | Items 6 and 8 |
| q. Owner's participation/management/staffing | FA: § 2.4 | Items 15 |
| r. Records and reports | FA: Article 10 | Item 11 |
| s. Inspections and audits | FA: §§ 10.5, 11.2 | Items 6 and 11 |
| t. Transfer | FA: Article 15 | Items 6 and 17 |

| Obligation | Section in agreement | Disclosure document item |
|---|---|---|
| u. Renewal | FA: § 3.2 | Item 17 |
| v. Post-termination obligations | FA: Article 13, § 14.3 | Item 17 |
| w. Non-competition covenants | FA: § 13.2 | Item 17 |
| x. Dispute resolution | FA: Article 17 | Items 6 and 17 |

## Item 10 FINANCING

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

## Item 11 FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

<u>Our Pre-Opening Obligations</u>

Before you open your business:

A. *Your site.* We will provide you with our site selection criteria and will review and advise you regarding potential locations that you submit to us. (Section 5.4). You are responsible for locating the proposed location for your franchised business, and you must submit your selection to us for approval. We are not obligated to further assist you in locating a site or negotiating the purchase or lease of the site.

(i) We generally do not own your premises.

(ii) If your site is not already known and approved by us when you sign your franchise agreement, then we and you will specify in your franchise agreement the area in which you must select a site (Franchise Agreement, Summary Page). We do not select your site. Your site is subject to our approval. To obtain our approval, you must provide all information and documents about the site that we require.

(iii) We may consider a variety of legal, construction, economic, and demographic factors in approving the site for your franchised business including but not limited to: zoning/permitting issues, willingness of lessor to consent to our required lease terms and execute the lease rider, general location and neighborhood, competition, neighboring businesses, trade area demographics, traffic patterns, parking, size (1,600 to 2,300 square feet), physical characteristics of existing construction, feasibility of building out premises to meet our requirements (10 lesson rooms), signage, visibility, and accessibility for disabled persons.

(iv) The time limit for us to approve or disapprove your proposed site is 30 days after you submit all of our required documents and information. (Section 6.1). If you and we cannot agree on an Approved Location, you will be required to locate an alternative site and resubmit a request for approval. If we are not able to agree on an Approved Location within the time frame for Opening, unless we agree to extend the deadline, you will be in default, and the franchise agreement may be terminated without refund. We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. This will be your responsibility.

B. *Constructing, remodeling, or decorating the premises*. We will provide you with our standard building specifications and/or standard recommended floor plans, and our specifications for required décor. (Section 5.4) You must construct and decorate the premises according to our specifications and must obtain our approval of your completed construction and décor before opening your franchised business.

C. *Hiring and training employees*. We will provide you with our suggested guidelines for hiring employees and some factors to consider in determining staffing levels for your franchised business, (Section 5.2), operational instructions in the Manual which you can use as part of training new employees (Section 5.3), and our initial training program described below. You will determine the staffing levels for your franchised business and will be responsible for training your staff. All hiring decisions and conditions of employment are your sole responsibility.

D. *Necessary equipment, signs, fixtures, opening inventory, and supplies.* We will provide you a list of our specifications and approved suppliers for equipment, signs, fixtures, opening inventory, and supplies necessary to open your business. (Section 5.4) We do not provide these items directly; we only provide the names of approved suppliers. We do not deliver or install these items.

E. *Operations Manual*. We will loan you a copy of our Operations Manual (Section 5.1).

F. *Initial Training Program.* We will conduct our initial training program. (Section 5.4). The current initial training program is described below.

G. *Market introduction plan*. We will advise you regarding the planning and execution of your market introduction plan and approve your promotional materials. (Section 5.4)

H. *On-site opening support.* We may have a representative provide on-site support for 2-3 days in connection with your business opening. (Section 5.4)

<u>Length of Time to Open</u>

The typical length of time between signing the franchise agreement and the opening of your business is 60-120 days. Factors that may affect the time period include your ability to obtain a lease, obtain financing, develop your location, obtain business permits and licenses, hire employees, and complete our initial training program.

<u>Our Post-Opening Obligations</u>

After you open your business:

A. *Developing products or services you will offer to your customers*. Although it is our intent and practice to refine and develop products or services that you will offer to your customers, the franchise agreement does not obligate us to do so.

B. *Hiring and training employees*. We will provide you with our suggested guidelines for hiring employees and some factors to consider in determining staffing levels for your franchised business, (Section 5.2), and operational instructions in the Manual which you can use as part of training new employees (Section 5.3). You will determine the staffing levels for your franchised business and will be responsible for training your staff. All hiring decisions and conditions of employment are your sole responsibility.

C. *Improving and developing your business; resolving operating problems you encounter.* If you request, we will provide advice to you (by telephone or electronic communication) regarding improving and developing your business, and resolving operating problems you encounter, to the extent we deem reasonable. If we provide in-person support in response to your request, we may charge a fee (currently $600 per day) plus any out-of-pocket expenses (such as travel, lodging, and meals for our employees providing onsite support). (Section 5.5). We have the right, at our discretion, to conduct in-person, virtual, and/or third-party inspections of your franchised business. We may prepare written reports suggesting changes or improvements in the operations of the franchised business and detailing deficiencies that become evident as a result of a visit. If we prepare a report, we may provide you with a copy.

D. *Establishing prices*. Upon your request, we will provide recommended prices for products and services. (Section 5.5). We have the right to determine prices charged by our franchisees for goods and services (but only to the extent permitted by applicable law).

E. *Establishing and using administrative, bookkeeping, accounting, and inventory control procedures.* We will provide you our standard chart of accounts and our recommended procedures for administration, bookkeeping, accounting, and inventory control (Section 5.5). We may make any such procedures part of required (and not merely recommended) procedures for our system. You must maintain books and records according to our standard chart of accounts.

F. *National Marketing Fund*. We will administer the National Marketing Fund (Section 5.5). We will prepare an unaudited annual financial statement of the National Marketing Fund within 120 days of the close of our fiscal year and will provide the financial statement to you upon request. (Section 9.3)

G. *Website*. We will maintain a website for the New York Musician's Center brand, which will include your business information and telephone number. (Section 5.5) If we provide you with a webpage on the franchise system website, you must (i) provide us the information and materials we request to develop, update and modify your webpage; (ii) notify us whenever any information on your webpage is not accurate; and (iii) if we give you the right to modify your webpage, notify us whenever you change the context of your webpage. We may also establish or authorize a third party to establish an email system in which you are required to participate. You must execute any agreements required by the third-party provider and pay the provider any fees required to participate in the email system. We will maintain the franchise system website. We periodically may update and modify the franchise system website (including your webpage), and we have final approval rights over all information on the franchise system website (including your webpage). We will only maintain your webpage while you are in full compliance with the franchise agreement and all system standards, and we reserve the right to remove your webpage if you are in default of such until you cure such default. You may not develop, maintain or authorize any other webpage, internet site or social networking site (including but not limited to Facebook, Instagram, Tik Tok, and X) that mentions or describes you, your Franchised business, or the services provided through your business or which displays any of the Marks without our prior written permission. You may request that we establish and authorize you to use a social media or other online page using the Marks for your franchised business by using the form attached to the Franchise Agreement. In the event we authorize you to use the Marks in an online or social media platform, you agree that we will own and have administrative access to such platform and agree to provide us with all access, login and password information for such online and/or social media platform. We have no obligation to agree to your use of the Marks in any online media or platform.

Advertising

*Our obligation*. We will use the National Marketing Fund only for marketing and related purposes and costs. We may use any media we determine is in the best interests of the brand, in our discretion, and our rights to determine the media used from time to time are not restricted. We may use outside vendors and consultants or employees to produce advertising. We are not required to spend any amount of advertising in the area where any particular franchisee is located. We will maintain the brand website (which may be paid for by the National Marketing Fund). We have no other obligation to conduct advertising.

*Your own advertising material*. You may use your own advertising or marketing material only with our approval. To obtain our approval, you must submit any proposed advertising or marketing material at least 14 days prior to use. If we do not respond, the material is deemed rejected. If you develop any advertising or marketing materials, we may use those materials for any purpose, without any payment to you. We may, but are not required to, specify from time to time in the Operations Manual certain online social media posting that, when made in accordance with the System Standards on an approved platform (Attachment 7), does not require pre-approval prior to posting. In all cases, we reserve the right to require removal or discontinuance of any advertising or posting we determine in our reasonable judgment to be harmful to the brand or not in accordance with our System Standards. Your advertising, promotion and marketing materials must be clear, factual, not misleading and conform to all ethical advertising and marketing standards, as well as our advertising and marketing policies, as we may periodically change. You must ensure that your advertising meets all applicable state and local laws governing advertising of your franchised location before submitting it to us for approval. We will not approve advertising which is false, inaccurate, or misleading, advertising which does not correctly use the trademarks and other symbols as designated by us, or advertising which contains offensive material or which disparages the name or goodwill of the brand (or any third party), as determined in our sole discretion. We shall have the right to terminate our approval of any advertising materials at any time upon written notice to you. You must include notices of the franchise system website in the manner we designate on your advertising.

*Advertising council*. We do not have an advertising council composed of franchisees. We reserve the right to establish an advisory advertising council in the future.

*Local or Regional Advertising Cooperatives.* We do not currently have any local or regional advertising cooperatives. We have the right to require you to participate in a local or regional advertising cooperative. We will define the area of the cooperative based on media markets, or other geographic criteria that we deem appropriate. Each franchisee in the area would have one vote per outlet (unless the franchisee is in default under its franchise agreement). The amount you must contribute to the cooperative will be determined by vote of the members, but not more than 5% of gross sales. If our own outlets are members of a cooperative, they must contribute to the cooperative on the same basis as franchisees, and they will vote on the same basis as other members. We may administer any cooperative, but



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we have the right to delegate responsibility for administration to an outside company such as an advertising agency or accounting firm, or to the franchisee members of the cooperative. We have the right to require the cooperative to operate from written bylaws or other governing documents that we determine. The documents are not currently available for you to review. Cooperatives will prepare annual financial statements which will be made available for review only by us and by the members of cooperative. We have the power to require cooperatives to be formed, changed, dissolved, or merged.

*National Marketing Fund*. You and all other franchisees must contribute to our National Marketing Fund. Your contribution is 1% of gross sales per month. We reserve the right to have other franchisees contribute a different amount or at a different rate. Outlets that we own or our affiliates own may but are not obligated to contribute to the National Marketing Fund.

We administer the National Marketing Fund. The National Marketing Fund is not a trust, and we assume no fiduciary duty in administering the National Marketing Fund. The fund is not audited. We will make unaudited annual financial statements available to you upon request.

We may use the National Marketing Fund to meet or reimburse us for any cost of producing, maintaining, administering and directing consumer advertising (including the cost of preparing and conducting television, radio, internet, magazine, direct mail, social media, and newspaper advertising campaigns and other public relations activities; hosting an internet web page of similar activities; employing advertising agencies to assist therein; providing promotional brochures; conducting market research and analytics; and providing other marketing materials to franchisees).

We may deposit National Marketing Fund contributions in our general account and co-mingle them with other funds but will separately account for these funds, and we will not use them for any of our general operating expenses, except for our reasonable administrative costs, salaries, and overhead related to the administration of the National Marketing Fund, creation of marketing materials, and any employees or contractors used specifically for consumer marketing.

We intend for the National Marketing Fund to be perpetual, but we have the right to terminate it if it is desirable to do so. We will not terminate the National Marketing Fund until all contributions and earnings have been used for advertising and promotional purposes or we have returned to contributors to the fund their pro rata share of the unused portion of the fund.

Because we are a new franchisor, we did not spend any money from the National Marketing Fund in our most recently concluded fiscal year.

If less than all funds in the National Marketing Fund are spent in the fiscal year in which they accrue, the money will remain in the National Marketing Fund to be spent in the next year.

No money from the National Marketing Fund is spent principally to solicit new franchise sales.

*Market introduction plan.* You must develop a market introduction plan and obtain our approval of the plan at least 30 days before the projected opening date of your business. You must spend a minimum of $5,000 on the market introduction plan. We must approve your market introduction plan and all advertisements used in your campaign before the plan is conducted.

*Required spending*. After you open, you must spend at least 3% of gross sales each



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month on marketing your business.

Point of Sale and Computer Systems

We require you to buy (or lease) and use a point-of-sale system and computer system. The system will include our currently required POS/CRM system, credit card processing system, and accounting platform. These systems will generate or store data such as inventory/product details, sales transactions, client, employee, scheduling, reporting, and accounting information.

The system components and their estimated current cost (which may change) are further described below:

| HARDWARE | CURRENT COST |
|---|---|
| Computer & Printer | $1,000 and $2,500 |

| SOFTWARE | COST |
|---|---|
| System Technology | Included in $150/ mo technology fee |
| Approved Scheduling Software | $205/month *Pricing may vary |
| Approved Accounting Software | $100 / mo |
| Approved Digital and Email Marketing Software | $150 / mo |
| Approved Text Marketing Software | $150 |
| Approved Online Marketing Software | Prices vary |

We are not obligated to provide any ongoing maintenance, repairs, upgrades, or updates. We do require you enter into such contract with a third party for the above system.

You must upgrade or update any system when we determine. There is no contractual limit on the frequency or cost of this obligation.

We estimate that the annual cost of any optional or required maintenance, updating, upgrading, or support contracts will be $2,880 to $3,200.

You must give us independent access to the information that will be generated or stored in these systems. The information that we may access will include sales, customer data, and reports. There is no contractual limitation on our right to access the information.

Operations Manual

See Exhibit G for the table of contents of our Operations Manual as of the date this disclosure document, with the number of pages devoted to each subject. The Manual has 203 pages.

Training Program

We provide you an initial training program that covers material aspects of the operation of the franchised business. The topics covered are listed in the chart below. The hours for training are estimates, and actual timeframes will vary depending on the background and experience of the trainees. This training is offered both through online/remote conferences, and on a periodic basis at our headquarters in West Hempstead, NY or another location we designate. The in-person portions of the training program are scheduled by Franchisor as needed, typically once per quarter. We expect that your attendees will advance through the training program at different rates depending on a variety of factors, including background and experience. The time frames provided in the chart are an estimate of the time it will take to complete training.

You must designate to us a Designated Managing Owner ("DMO") who must complete our initial training program. If your DMO will not be the onsite manager for your business, you must also designate an onsite manager ("OSM") who must complete our initial training program One additional owner and/or staff member (2 total trainees) may attend the training program for no additional charge provided that they attend training at the same time as the DMO/OSM. We recommend that every stakeholder in your Franchised Business attend our training program.

We do not charge for initial training for up to two (2) owners/staff members completing training at the same time. You must pay for all travel costs and living expenses for yourself and any of your other attendees. These costs are estimated in ITEM 7. If you replace your DMO or OSM, your new designee must attend our training program within 90 days. You may be charged fees for additional training. Our current fees for replacement designee training are described in ITEM 6. You are responsible for training your own employees and other management personnel. Your franchised business must at all times be under the day-to-day supervision of the DMO who has completed our initial training program.

**TRAINING PROGRAM**

| Subject | Hours of Classroom Training | Hours of On-The-Job Training | Location |
|---|---|---|---|
| Franchise Foundations | 1 hour | 0 | HQ, West Hempstead, NY or Virtual |
| Business Setup | 2 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Technology & Systems | 3 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Customer Service | 4 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Sales & Enrollment | 4 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Marketing & Local Promotion | 8 hours | 0 | HQ, West Hempstead, NY or Virtual |



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| | | | |
|---|---|---|---|
| Human Resources & Team Development | 3 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Recitals & Events | 3 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Operations | 8 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Financial Management | 2 hours | 0 | HQ, West Hempstead, NY or Virtual |
| Growth & Long-Term Success | 2 hours | 0 | HQ, West Hempstead, NY or Virtual |
| **TOTALS:** | 40 | 0 | |

The instruction materials consist primarily of our Operations Manual and Onboarding Checklist which contains links organized by section for all applicable written procedures, training videos, learning checks referred to as Knowledge Reviews (automatically graded with correct answers provided, with a structure in place requiring successful completion via a minimum score threshold), and a shadowing/coaching checklist and approval process all required to successfully and fully complete the necessary training. Additional instructional material will be provided consisting of additional similar training (additional procedures, additional video training, additional checklists, etc.) for "higher-level" functions required of the franchisee and/or the individual acting as the owner/operator and/or manager of the franchisee.

The Initial Training Program is currently overseen by our CEO, Talonda Thomas (See Item 2), though Ms. Thomas may not personally attend all training sessions. Training classes will be led by Ms. Thomas and such other trainers as she may direct. If circumstances require, a substitute trainer may provide training to you. We may periodically name additional trainers if the training schedule requires it. Any additional or substitute trainers will be required to have at least 6 months experience with the New York Musician's Center family of companies in the area in which they are training. There are no limits on our right to assign a substitute trainer to provide training. Certain segments of the training may vary from the chart shown above based on schedule changes due to business requirements and other factors. We will attempt to give you advance notice when this occurs.

There is no fee for up to 2 people to attend training. You must pay the travel and living expenses of your employees or managers attending training.

Your Designated Managing Owner and Designated Onsite Manager must attend training. You may send an additional staff person or owner to training (up to the maximum described above). You must complete training to our satisfaction at least four weeks before opening your business. You will be required to pass a test which evaluates your understanding for the content and franchise operating content as covered in the training program. Should you fail to pass the test or complete the initial training, we have the right to terminate the franchise agreement with no refund of the initial franchise fee.

Your franchised business must at all times be under the day-to-day supervision of the DMO or OSM who has completed our initial training program. If you need to send a new DMO or OSM to our training program, we will charge a fee, which is currently $450 per day.

**Ongoing Training:** We may also choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your Designated Managing Owner, or such other personnel we specify. We may charge our then-current fee for refresher training (currently $400 per person, per day of seminar or training) and you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages.

We may choose to hold an annual meeting of our franchisees to provide for collaboration among franchisees, to provide additional training, introduce new products or changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you, your Designated Managing Owner, or such other personnel we specify and may charge a fee, which is currently estimated at $400 - $3,000 per person, which is payable whether you attend or not, and you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting, such as a resort hotel, but we will not designate an unreasonably expensive site. We do not expect that any meeting will last longer than four days.

## Item 12 TERRITORY

Your Location

The franchise is for a specific, Approved Location, and you may only operate your Franchised business from the Approved Location. If the specific location is not known at the time you sign a franchise agreement, then your location is subject to our approval.

Territory

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

Relocation; Establishment of Additional Outlets

You may not relocate your Franchised business from the Approved Location without first obtaining our written consent. You do not have the right to relocate your business, and we have no obligation to approve any request for relocation. Our policy is to approve relocation of a franchisee's business on case-by-case basis, considering factors such as changes in demographics, profitability of your current business, or a loss of your premises due to circumstances beyond your control, the rights of other franchisees, our current franchise sales plans and activities, market demographics, and whether the location meets our site selection criteria.

You do not have the right to establish additional franchised outlets or locations.

Options to Acquire Additional Franchises

You do not receive any options, rights of first refusal, or similar rights to acquire additional franchises.

Restrictions on Us from Soliciting or Accepting Orders in Your Area

There are no restrictions on us from soliciting or accepting orders from consumers inside your area. We reserve the right to use other channels of distribution, such as the internet, catalog sales, telemarketing, or other direct marketing sales, to make sales within your area using our principal trademarks or using trademarks different from the ones you will use under your franchise agreement. We do not pay any compensation to you for soliciting or accepting orders from inside your geographic area.

Soliciting by You

There are no restrictions on you from soliciting or accepting orders from consumers regardless of their location, except that all marketing and advertising is subject to our approval. Further, you may not advertise on-line without our express written approval.

Competition by Us Under Different Trademarks

Neither we nor any of our affiliates operates, franchises, or has plans to operate or franchise a business under a different trademark selling goods or services similar to those you will offer. However, the franchise agreement does not prohibit us from doing so.

## Item 13 TRADEMARKS

The following are the principal trademarks that we license to you. These trademarks are owned by us. You may also use any other current or future Marks to operate your Franchised Business that we designate, including the logo on the front of this Disclosure Document and the service marks listed below. By "Mark," we mean any trade name, trademark, service mark or logo used to identify your business. We have obtained a registration for the following Marks on the U.S. Patent and Trademark Office ("USPTO") Principal Register:

| Trademark | Registration Date | Registration Number |
|---|---|---|
| New York Musician's Center | 06/10/25 | 7828914 |
| NYMC New York Musician's Center | 06/24/25 | 7840538 |

We intend to file all required affidavits to maintain our registrations.

Superior Prior Rights and Infringing Uses

We do not know of either superior prior rights or infringing uses that could materially affect your use of the principal trademarks. There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court. There are no pending infringement, opposition, or cancellation proceedings. There is no pending material federal or state court litigation regarding our use or ownership rights in a trademark.

Agreements

There are no currently effective agreements that significantly limit our rights to use or license the use of trademarks listed above in a manner material to the franchise.

Protection of Rights


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We protect your right to use the principal trademarks listed in this Item, and we protect you against claims of infringement or unfair competition arising out of your use of the trademarks, to the extent described in this section.

The franchise agreement obligates you to notify us of the use of, or claims of rights to, a trademark identical to or confusingly similar to a trademark licensed to you. The franchise agreement does not require us to take affirmative action when notified of these uses or claims. We have the right to control any administrative proceedings or litigation involving a trademark licensed by us to you.

If you use our trademarks in accordance with the franchise agreement, then (i) we will defend you (at our expense) against any legal action by a third-party alleging infringement by your use of the trademark, and (ii) we will indemnify you for expenses and damages if the legal action is resolved unfavorably to you.

Under the franchise agreement, we may require you to modify or discontinue using a trademark, at your expense. We do not have to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. If we adopt and use new or modified Marks, you must add or replace equipment, signs, supplies and fixtures, and you must make other modifications we designate as necessary to adapt your franchised business for the new or modified Marks. We do not reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

Restrictions on Your Rights to Use the Marks

Your right to use the Marks is derived solely from the franchise agreement and is limited to your conduct of business in compliance with the franchise agreement and all applicable specifications, standards and operating procedures we prescribe during the term of the franchise. You do not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your franchised business. You must follow our rules when you use the Marks. Any unauthorized use of the Marks by you will constitute an infringement of our rights in and to the Marks. Your usage of the Marks and any goodwill established by such Marks will be for our exclusive benefit, and the franchise agreement does not confer any goodwill or other interest in the Marks upon you. Any goodwill associated with the Marks automatically transfers to us, without the requirement of any act and without any further compensation, upon termination or expiration of the franchise agreement. Our provisions of this agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols authorized for use by and licensed to you under the franchise agreement.

You must use the Marks as the sole trade identification of the franchised business, subject to applicable State laws. You cannot use a Mark as part of a corporate, partnership or limited liability company name and will instead register a d/b/a or fictional name in the format "New York Musician's Center – *[insert Franchisor assigned geographic designator]*. You cannot use the Mark with modifying words, designs or symbols except for those which we license to you. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You must not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You must not assist any other person in contesting the validity or ownership of the Marks.

You must notify us if you or your Owners apply for a trademark or service mark registrations for any business. You must not use or register or seek to register as a trademark



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or service mark, either with the USPTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not advertise on the Internet using, or establish, create or operate an Internet site or website using, any domain name containing the words "New York Musician's Center," "Musician's Center," "New York Musician," "New York Music," "New York Musician's Center" or any variation of thereof without our prior written consent. You can apply for consent by using the form attached to the Franchise Agreement.

## Item 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own rights in, or licenses to, patents that are material to the franchise. We do not have any pending patent applications.

Copyrights

All of our original works of authorship fixed in a tangible medium of expression are automatically protected under the U.S. Copyright Act, whether or not we have obtained registrations. This includes our Operations Manual as well as all other sales, training, management and other materials that we have created or will create. You may use these copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for your franchised business.

We do not have any registered copyrights. There are no pending copyright applications for our copyrighted materials. There are no currently effective determinations of the U.S. Copyright Office (Library of Congress) or any court regarding any copyright.

There are no agreements currently in effect that limit our right to use or license the use of our copyrighted materials.

We have no obligation to protect any of our copyrights or to defend you against claims arising from your use of copyrighted items. The franchise agreement does not require us to take affirmative action when notified of copyright infringement. We control any copyright litigation. We are not required to participate in the defense of a franchisee or indemnify a franchisee for expenses or damages in a proceeding involving a copyright licensed to the franchisee. We may require you to modify or discontinue using the subject matter covered by any of our copyrights, at your expense.

We do not know of any copyright infringement that could materially affect you.

Proprietary Information

We have a proprietary, confidential Operations Manual and related materials that include guidelines, standards and policies for the development and operation of your business. We also claim proprietary rights in other confidential information or trade secrets that include all methods for developing and operating the business, and all non-public plans, data, financial information, processes, vendor lists, vendor pricing, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how.

All ideas, concepts, techniques or materials concerning the franchised business and/or the System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be our



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sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees, and you agree to assign to us all right, title and interest in any intellectual property so developed. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any such concept or development if requested.

Your use of the Operations Manual, trade secrets or other confidential information in an unauthorized manner is a default of the Franchise Agreement that may result in automatic termination of the Franchise Agreement. Further information about termination of the Franchise Agreement following a default is included in ITEM 17.

You (and your owners, if the franchise is owned by an entity) must protect the confidentiality of our Operations Manual and other proprietary information, and you must use our confidential information only for your franchised business. We may require your managers and key employees to sign confidentiality agreements. You are responsible for enforcing the confidentiality provisions as to your employees.

## Item 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

Your Participation

The franchised business must always be under the supervision of a Designated Managing Owner or Designated Onsite Manager who must regularly spend 25 hours or more onsite in the Franchised business, unless you have received a written approval from us for an alternate arrangement. If you are an individual, you must also be the Designated Managing Owner, and you must obtain our consent to select another individual to replace you as the Designated Managing Owner. If you are a corporation or other business entity, you will select one of your owners as the Designated Managing Owner, and the Designated Managing Owner must own at least 10% of the business. The Designated Managing Owner must complete our initial training program and must make reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls), including regional or national brand conferences, that we require. The Designated Managing Owner cannot fail to attend more than three consecutive required meetings.

If your business is owned by an entity, all legal and beneficial owners of the business must sign our Guaranty and Non-Compete Agreement (see Attachment 3 to Exhibit B). We will be a third-party beneficiary with the independent right to enforce the agreements.

Under the Franchise Agreement, you and your owners must at all times faithfully, honestly and diligently perform your and their obligations under the Franchise Agreement. You and they must continuously exert your and their best efforts to promote and enhance your franchised business. Neither you nor your owners can engage in any other business or activity that may conflict with your or their obligations under the Franchise Agreement.

"On-Site" Supervision

We generally grant franchises only to individuals who are looking for an active, rather than a passive, investment. You must directly supervise the Franchised Business. If the franchised business is owned by an entity, you must designate a Designated Managing Owner, and your Designated Managing Owner must own ten percent (10%) or more of you. Your Designated Managing Owner must complete our initial training program and must have authority to make decisions on behalf of the franchise. If Your Designated Managing Owner will not be the onsite manager of the franchised business, you must designate an Onsite



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Manager who must complete our initial training program, must actively supervise and manage the on-site operations of the franchised business, and must commit to 25 or more hours weekly onsite at the franchised business, including peak business hours.

You must keep us informed at all times of the identity of your Designated Managing Owner ("DMO" and Designated Onsite Manager ("OSM"). The DMO and OSM must satisfactorily complete our initial training program before opening the franchised business. If you must replace the DMO or OSM, the replacement must satisfactorily complete our initial training program. You are not a passive investor, and, instead, you must be actively engaged in the operations of the franchise, and you should not expect to derive profits solely from the efforts of others. You must select, train, evaluate, and supervise all staff of your Franchised business.

## Item 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the products and services we specify. You may not sell any products or services that we have not authorized, and you must discontinue offering any products or services that we may disapprove. We may take action, including terminating your franchise, if you purchase or sell unapproved products or make purchases from unapproved suppliers. We may periodically change required or authorized products or services. There are no limits on our right to do so, except that your investment required to change authorized or required services and products will not be unreasonably disproportionate to your initial investment during the initial term of the franchise.

Periodically, we may allow certain products or services that are not otherwise authorized for general use as a part of the System to be offered locally or regionally based on factors, including test marketing, your qualifications, and regional or local differences.

We do not place restrictions on you with respect to who may be a customer of your franchised business. You are prohibited from offering the products or services identical to the products or services offered by us through any means or through any other entity in which you may have an interest, other than your franchised business. You are prohibited from offering products and services through online channels without our express written consent.

## Item 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

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

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| a. Length of the franchise term | Franchise Agreement (FA): § 3.1 | 10 years from date of franchise agreement. |
| b. Renewal or extension of the term | FA: § 3.2 | You may obtain a successor franchise agreement for up to 2 additional 5-year terms. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| c. Requirements for franchisee to renew or extend | FA: § 3.2 | For our franchise system, "renewal" means that at the end of your term, you sign our successor franchise agreement for an additional 5-year term. You may be asked to sign a contract with materially different terms and conditions than your original contract.<br><br>To renew, you must give advance notice to us; be in compliance with all contractual obligations to us and third parties; renovate to our then-current standards; sign then-current form of franchise agreement and related documents (including personal guaranty); pay our renewal fee; sign general release (unless prohibited by applicable law). |
| d. Termination by franchisee | FA: § 14.1 | If we violate a material provision of the franchise agreement and fail to cure or to make substantial progress toward curing the violation within 30 days after notice from you. |
| e. Termination by franchisor without cause | Not Applicable | We do not have the right to terminate the franchise without cause. |
| f. Termination by franchisor with cause | FA: § 14.2 | We may terminate your agreement for cause, subject to any applicable notice and cure opportunity. |
| g. "Cause" defined--curable defaults | FA: § 14.2 | Non-payment by you (10 days to cure); violate franchise agreement other than non-curable default (30 days to cure); operate in a manner dangerous to health or safety (48 hours to cure). |
| h. "Cause" defined--non-curable defaults | FA: § 14.2 | FA: Misrepresentation when applying to be a franchisee; knowingly submitting false information; bankruptcy; lose possession of your location; violation of law; violation of confidentiality; violation of non-compete; violation of transfer restrictions; slander or libel of us; refusal to cooperate with our business inspection; cease operations for more than 5 consecutive days; three defaults in 12 months; cross-termination; charge or conviction of, or plea to a felony, or commission or accusation of an act that is reasonably likely to materially and unfavorably affect our brand; any other breach of franchise agreement which by its nature cannot be cured. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| i. Franchisee's obligations on termination/non- renewal | FA: §§ 14.3 – 14.6 | Pay all amounts due; return Manual and proprietary items; notify phone, internet, and other providers and transfer service; cease doing business; remove identification; purchase option by us. |
| j. Assignment of agreement by franchisor | FA: § 15.1 | Unlimited |
| k. "Transfer" by franchisee - defined | FA: Article 1 | For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) any direct or indirect ownership interest in the business, or (iv) control of the business. |
| l. Franchisor's approval of transfer by franchisee | FA: § 15.2 | No transfers without our approval. |
| m. Conditions for franchisor's approval of transfer | FA: § 15.2 | Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you've made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable). |
| n. Franchisor's right of first refusal to acquire franchisee's business | FA: § 15.5 | If you want to transfer your business (other than to your co-owner or your spouse, sibling, or child), we have a right of first refusal. |
| o. Franchisor's option to purchase franchisee's business | FA: § 14.6 | Upon expiration or termination of the franchise agreement, we have the option to purchase any or all assets of the franchised business. |
| p. Death or disability of franchisee | FA: §§ 2.4, 15.4 | If your Designated Managing Owner dies or becomes incapacitated, a new DMO acceptable to us must be designated to operate the business and must complete our training, and any applicable executor must transfer the business to an approved new DMO within nine months. |
| q. Non-competition covenants during the term of the franchise | FA: § 13.2 | Neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by, any competitor. |

| Provision | Section in franchise or other agreement | Summary |
|---|---|---|
| r. Non-competition covenants after the franchise is terminated or expires | FA: § 13.2, Attachment 3, 8 | For two years, neither you, any owner of the business, or any spouse of an owner may have ownership interest in, lend money or provide financial assistance to, provide services to, or be employed by a competitor located within five miles of your location or the location of any other New York Musician's Center business operating on the date of termination. |
| s. Modification of the agreement | FA: § 18.4 | No modification or amendment of the agreement will be effective unless it is in writing and signed by both parties. This provision does not limit our right to modify the Manual or system specifications. |
| t. Integration/merger clause | FA: § 18.3 | Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document. |
| u. Dispute resolution by arbitration or mediation | FA: § 17.1 | All disputes are resolved by arbitration (except for injunctive relief) (subject to applicable state law). Mediation is a condition precedent to any arbitration or litigation. |
| v. Choice of forum | FA: §§ 17.1; 17.5 | Arbitration will take place where our headquarters is located (currently, New York, New York) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law). |
| w. Choice of law | FA: § 18.8 | New York (subject to applicable state law). |

For additional disclosures required by certain states, refer to Exhibit I - State Addenda to Disclosure Document

## Item 18 PUBLIC FIGURES

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

## Item 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

Written substantiation of the information contained in this Item 19 will be made available to prospective franchisees upon reasonable request.

Our financial performance representation is in the form of a historic financial representation derived from our two Company Affiliated Outlets operating in New York during fiscal years 2022, 2023, and 2024. They are not projections of future performance. The Company Affiliated Outlets are not materially different from the franchised business offered.

**Some outlets have sold and earned this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.**

| | | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Center 1** | Years Open | 9 | 10 | 11 |
| | Average lessons taught per week | 659 | 627 | 501 |
| | Gross Sales | $1,167,179 | $1,244,642 | $1,241,998 |
| **Center 2** | Years Open | 1 | 2 | 3 |
| | Average lessons taught per week | 262 | 379 | 611 |
| | Gross Sales | $405,149 | $404,136 | $868,021 |

Notes:

1. "Gross Sales" means the total revenue derived from the sale of goods or services less sales tax, discounts, and returns.

2. This Item 19 does not include operating expenses, which you would need to account for in order to understand Net Income for the business. These costs would include Labor Costs, which are the costs for all employees, including management, to run and operate the business, Rent, which is the cost of the lease to rent the facility used to operate the franchised business, Supplies, which are the necessary supplies and goods used to operate the franchised business, Insurance, Utilities, Franchise Royalties (7% of Gross Sales), National Marketing Fund Contributions (1% of Gross Sales), and other costs associated with operating a music school services business.

Except for what is included in this Item 19, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting, Talonda



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Thomas, 484 White Star Avenue, West Hempstead, NY 11552, and (516) 233-4285, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20 OUTLETS AND FRANCHISEE INFORMATION

**Table 1**
**Systemwide Outlet Summary**
**For Years 2022 to 2024**

| 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 | 2022 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| Company-Owned | 2022 | 2 | 2 | 0 |
| | 2023 | 2 | 2 | 0 |
| | 2024 | 2 | 2 | 0 |
| Total Outlets | 2022 | 2 | 2 | 0 |
| | 2023 | 2 | 2 | 0 |
| | 2024 | 2 | 2 | 0 |

**Table 2**
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**
**For Years 2022 to 2024**

| Column 1 State | Column 2 Year | Column 3 Number of Transfers |
|---|---|---|
| All States | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 0 |
| Total | 2022 | 0 |
| | 2023 | 0 |
| | 2024 | 0 |



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**Table 3**
**Status of Franchised Outlets**
**For Years 2022 to 2024**

| Column 1 State | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets Opened | Column 5 Termi-Nations | Column 6 Non-Renewals | Column 7 Reacquired by Franchisor | Column 8 Ceased Operations – Other Reasons | Column 9 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|---|
| All States | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

**Table 4**
**Status of Company-Owned Outlets**
**For Years 2022 to 2024**

| Column 1 State | Column 2 Year | Column 3 Outlets at the Start of the Year | Column 4 Outlets Opened | Column 5 Outlets Reacquired from Franchisee | Column 6 Outlets Closed | Column 7 Outlets Sold to Franchisee | Column 8 Outlets at End of the Year |
|---|---|---|---|---|---|---|---|
| New York | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 2 |
| Totals | 2022 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2023 | 2 | 0 | 0 | 0 | 0 | 2 |
| | 2024 | 2 | 0 | 0 | 0 | 0 | 2 |



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**Table 5**
**Projected Openings for 2025**
**As of December 31, 2024**

| Column1<br>State | Column 2<br>Franchise Agreements Signed but Outlet Not Opened | Column 3<br>Projected New Franchised Outlets in the Next Fiscal Year | Column 4<br>Projected New Company-Owned Outlets in the Next Fiscal Year |
|---|---|---|---|
| Connecticut | 0 | 1 | 0 |
| Massachusetts | 0 | 1 | 0 |
| New York | 0 | 4 | 0 |
| Pennsylvania | 0 | 1 | 0 |
| Totals | 0 | 7 | 0 |

Current Franchisees

Exhibit H contains the names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets.

Former Franchisees

Exhibit H contains the name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every 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 recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date.

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

Confidentiality Clauses

In the last three fiscal years, no franchisees have signed any contract, order, or settlement provision that directly or indirectly restricts a current or former franchisee from discussing his or her personal experience as a franchisee in our system with any prospective franchisee.

Franchisee Organizations

There are no trademark-specific franchisee organizations associated with our franchise system.

## Item 21 FINANCIAL STATEMENTS

**We have not been in business for three years or more and therefore cannot include all financial statements required by the Franchise Rule of the Federal Trade Commission.** Exhibit E contains our audited balance sheet as of December 31, 2024. Our fiscal year end is December 31.

## Item 22 CONTRACTS

Copies of all proposed agreements regarding this franchise offering are attached as the following Exhibits:

B. Franchise Agreement (with Guaranty, Non-Compete Agreement, ACH Agreement & State Addenda)
C. Rider to Lease Agreement
D. Form of General Release

## Item 23 RECEIPTS

Detachable documents acknowledging your receipt of this disclosure document are attached as the last two pages of this disclosure document.



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**EXHIBIT A**

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

We may register this Disclosure Document in some or all of the following states in accordance with the applicable state law. If and when we pursue franchise registration, or otherwise comply with the franchise investment laws, in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in each state and the state offices or officials that we will designate as our agents for service of process in those states:

| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|---|---|---|
| California | Department of Financial Protection and Innovation<br>One Sansome Street, Suite 600<br>San Francisco, California 94104<br><br>Department of Financial Protection and Innovation<br>320 W. 4th Street, Suite 750<br>Los Angeles, California 90013<br><br>Department of Financial Protection and Innovation 1515 K. Street, Suite 200<br>Sacramento, California 95814<br>(866) 275-2677 Toll Free | |
| Connecticut | Connecticut Banking Commissioner<br>Department of Banking<br>Securities & Business Investments Division<br>260 Constitution Plaza<br>Hartford, Connecticut 06103 | |
| Florida | Department of Agriculture<br>Division of Consumer Protection<br>State of Florida<br>PO Box 6700<br>Tallahassee, FL 32214-6700 | |
| Hawaii | Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Commissioner of Securities<br>P.O. Box 40<br>Honolulu, HI 96810<br>(808) 586-2722 | Commissioner of Securities<br>Department of Commerce and Consumer Affairs<br>Business Registration Division<br>Securities Compliance Branch<br>335 Merchant Street, Room 203<br>Honolulu, HI 96813 |
| Illinois | Franchise Bureau<br>Office of Attorney General<br>500 South Second Street<br>Springfield, IL 62706<br>(217) 782-4465 | |



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| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|---|---|---|
| Indiana | Franchise Section<br>Indiana Securities Division<br>Secretary of State<br>Room E-111<br>302 W. Washington Street<br>Indianapolis, IN 46204<br>(317) 232-6681 | |
| Iowa | Director, Securities Bureau<br>State of Iowa<br>340 Maple Street<br>Des Moines, IA 50319-0066 | |
| Kentucky | Office of the Attorney General<br>Consumer Protection Division<br>Attn: Business Opportunity<br>1024 Capital Center Drive<br>Frankfort, Kentucky 40601-8204 | |
| Maine | Department of Professional and Financial Regulations<br>Bureau of Banking<br>Securities Division<br>121 Statehouse Station<br>Augusta, Maine 04333 | |
| Maryland | Office of the Attorney General<br>Division of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360 | Maryland Commissioner of Securities<br>200 St. Paul Place<br>Baltimore, MD 21202-2020 |
| Michigan | Michigan Attorney General's Office<br>Consumer Protection Division<br>Attn: Franchise Section<br>525 W. Ottawa Street<br>670 Law Building<br>Lansing, MI 48913<br>(517) 373-7117 | |
| Minnesota | Minnesota Department of Commerce<br>Securities-Franchise Registration<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500 | Commissioner of Commerce<br>Minnesota Department of Commerce<br>85 7th Place East, Suite 280<br>St. Paul, MN 55101-2198<br>(651) 539-1500 |
| Nebraska | Nebraska Department of Banking and Finance<br>Commerce Court<br>1230 O Street, Suite 400<br>Lincoln, Nebraska 68509 | |
| New York | New York State Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21st Floor<br>New York, NY 10005<br>212-416-8236 | Secretary of State<br>99 Washington Avenue<br>Albany, NY 12231 |



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| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|---|---|---|
| North Carolina | Secretary of State<br>Securities Division<br>300 North Salisbury Street, Suite 100<br>Raleigh, North Carolina 27603-5909 | |
| North Dakota | North Dakota Securities Department<br>600 East Boulevard Ave., State Capital Fifth Floor, Dept. 414<br>Bismarck, ND 58505-0510<br>(701) 328-4712 | |
| Oregon | Department of Consumer & Business Services<br>Division of Finance and Corporate Securities<br>Labor and Industries Building<br>Salem, Oregon 97310<br>(503) 378-4140 | Secretary of State<br>State of Oregon<br>350 Winter Street NE<br>Salem, OR 97301 |
| Rhode Island | Department of Business Regulation<br>Securities Division<br>1511 Pontiac Avenue<br>John O. Pastore Complex–69-1<br>Cranston, RI 02920-4407<br>(401) 462-9527 | |
| South Carolina | Office of the Secretary of State<br>1205 Pendleton Street<br>Edgar Brown Building, Suite 525<br>Columbia, South Carolina 29201 | |
| South Dakota | Division of Insurance<br>Securities Regulation<br>124 South Euclid Suite 104<br>Pierre, SD 57501-3185<br>(605) 773-3563 | |
| Texas | Office of the Secretary of State<br>Statutory Document Section<br>1019 Brazos Street<br>Austin, Texas 78701 | Secretary of State<br>State of Texas<br>PO Box 12887<br>Austin, TX 78711 |
| Utah | Utah Department of Commerce<br>Division of Consumer Protection<br>160 East 300 South<br>P.O. Box 146704<br>Salt Lake City, Utah 84111-6704 | |

| State | State Administrator | Agent for Service of Process (if different from State Administrator) |
|---|---|---|
| Virginia | State Corporation Commission<br>1300 East Main Street<br>9th Floor<br>Richmond, VA 23219<br>(804) 371-9051 | Clerk of the State Corporation Commission<br>1300 East Main Street, 1st Floor<br>Richmond, VA 23219 |
| Washington | Department of Financial Institutions<br>Securities Division<br>150 Israel Road SW<br>Tumwater, WA 98507-9033<br>(360) 902-8760 | Department of Financial Institutions<br>Securities Division<br>150 Israel Rd SW<br>Tumwater, WA 98501<br>(360) 902-8760 |
| Wisconsin | Division of Securities<br>Department of Financial Institutions<br>Post Office Box 1768<br>Madison, WI 53701<br>(608) 266-2801 | Securities and Franchise Registration<br>Wisconsin Securities Commission<br>201 West Washington Avenue, Suite 300<br>Madison, WI 53703 |

**EXHIBIT B FRANCHISE AGREEMENT**



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**FRANCHISE AGREEMENT**

| SUMMARY PAGE | |
|---|---|
| **FRANCHISEE** | |
| **INITIAL FRANCHISE FEE** | **$** |
| **DEVELOPMENT AREA** | |
| **APPROVED LOCATION** | |
| **OPENING DEADLINE** | |
| **DESIGNATED MANAGING OWNER** | |
| **FRANCHISEE'S ADDRESS FOR NOTICES** | |

FRANCHISE AGREEMENT TABLE OF CONTENTS






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## FRANCHISE AGREEMENT

This Agreement is made between New York Musician's Center Franchising, LLC, a Wyoming Limited Liability Company ("New York Musician's Center Franchising"), and Franchisee (identified on Summary page) effective as of the date signed by New York Musician's Center Franchising (the "Effective Date").

**Background Statement:**

A. New York Musician's Center Franchising and its affiliate New York Musician's Center, LLC, have created and own a system (the "System") for developing and operating a business offering instrumental and vocal music lessons and music therapy, catering to aspiring musicians of all ages and skill levels, under the trade name "New York Musician's Center".

B. The System includes (1) methods, procedures, and standards for developing and operating a New York Musician's Center business, (2) plans, specifications, equipment, signage and trade dress for New York Musician's Center businesses, (3) particular products and services, (4) the Marks, (5) training programs, (6) business knowledge, (7) marketing plans and concepts, and (8) other mandatory or optional elements as determined by New York Musician's Center Franchising from time to time.

C. The parties desire that New York Musician's Center Franchising license the Marks and the System to Franchisee for Franchisee to develop and operate a New York Musician's Center business on the terms and conditions of this Agreement.

## ARTICLE 1. DEFINITIONS

"**Action**" means any action, suit, proceeding, claim, demand, governmental investigation, governmental inquiry, judgment or appeal thereof, whether formal or informal.

**"Affiliate"** means any business entity that controls, is controlled by, or is under common control with New York Musician's Center Franchising;

"**Approved Vendor**" means a supplier, vendor, or distributor of Inputs which has been approved by New York Musician's Center Franchising.

"**Business**" means the New York Musician's Center business owned by Franchisee and operated under this Agreement.

"**Competitor**" or "**Competitive Business**" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) music lessons, music therapy, and/or products the same as or similar to those provided by the brand, its affiliates, and its franchisees, or in which Trade Secrets or other Confidential Information could be used to the disadvantage of New York Musician's Center Franchising, any Affiliate or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated under a Franchise Agreement with New York Musician's Center Franchising, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

"**Confidential Information**" means all non-public information of or about the System, New York Musician's Center Franchising, and any New York Musician's Center business, including all methods for developing and operating the Business, and all non-public plans, data, financial information, processes, Input specifications, vendor lists, vendor pricing,



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supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, customer data, information and know-how, the Operations Manual, ideas, concepts, methods or techniques of improvement relating to the New York Musician's Center Business developed by you in the course of fulfilling your obligations under this Agreement; any log-in or password information used to access other Confidential Information or the franchise systems, software, and sites, Trade Secrets, and any other information identified or labeled as confidential when delivered by New York Musician's Center Franchising.

**"Designated Managing Owner"** or **"DMO"** means Franchisee if Franchisee is an individual. If Franchisee is an entity, the Designated Managing Owner is an individual owner of the franchisee who holds a ten percent (10%) or greater ownership interest in Franchisee. The DMO must complete our initial training program. The DMO may also serve as the OSM.

**"Designated Onsite Manger" or "OSM"** means the person designated by Franchisee to manage the onsite operations of the franchised business. The OSM may be the DMO. The OSM must actively supervise and manage the onsite operations of the franchised business, must regularly spend 25 or more hours per week onsite in the franchised business to include peak business hours, and must complete our initial training program.

"**Gross Sales**" means the total dollar amount of all sales generated at or from the Location or through the Business for a given period (whether or not in compliance with this Agreement), including, but not limited to, payment for any services or products sold by Franchisee, whether in cash, by check, credit card, debit card, digital currency, exchange, other credit transactions, or otherwise, but (1) excluding applicable sales taxes collected and paid to the appropriate taxing authority; and (2) reduced by the amount of any documented refunds, credits, and discounts granted to customers in good faith. Gross Sales includes gift certificates, gift cards, Groupons, and similar program payments at the time the gift card or other instrument is purchased. Gross Sales also includes all insurance proceeds you receive for the loss of business due to a casualty or other covered event.

"**Input**" means any goods, services, supplies, fixtures, equipment, inventory, computer hardware and software, real estate, or comparable items related to establishing or operating the Business.

"**Location**" means the location stated on the Summary Page. If no location is stated on the Summary Page, then the Location will be determined in accordance with Section 6.1.

"**Losses**" includes (but is not limited to) all losses; damages; fines; charges; expenses; lost profits; reasonable attorneys' fees; travel expenses, expert witness fees; court costs; settlement amounts; judgments; loss of New York Musician's Center Franchising's reputation and goodwill; costs of or resulting from delays; financing; costs of advertising material and media time/space and the costs of changing, substituting or replacing the same; and any and all expenses of recall, refunds, compensation, public notices and other such amounts incurred in connection with the matters described.

"**Manual**" means New York Musician's Center Franchising's confidential Operations Manual(s), including any supplements, additions, or revisions from time to time, which may be in any form or media. The Manual may consist of one (1) or more separate manuals, videos, online modules, and other materials as designated by New York Musician's Center Franchising and may be in written or electronic form. The Manual shall, at all times, remain the sole property of New York Musician's Center Franchising and shall promptly be returned to New York Musician's Center Franchising upon expiration or termination of this Agreement.



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"**National Marketing Fund**" means the fund established (or which may be established) by New York Musician's Center Franchising into which National Marketing Fund Contributions are deposited.

"**Marks**" means the trade name and logo contained on the Summary Page, and all other trade names, trademarks, service marks and logos specified by New York Musician's Center Franchising from time to time for use in a New York Musician's Center business.

"**Owner**" means each person or entity which directly or indirectly owns or controls any equity of Franchisee (including all beneficial owners of any Owner). If Franchisee is an individual person, then "Owner" means Franchisee.

"**Remodel**" means a refurbishment, renovation, and remodeling of the Location to conform to the building design, exterior facade, trade dress, signage, fixtures, furnishings, equipment, decor, color schemes, presentation of the Marks, and other System Standards in a manner consistent with the image then in effect for a new New York Musician's Center business.

"**Required Vendor**" means a supplier, vendor, or distributor of Inputs which New York Musician's Center Franchising requires franchisees to use.

"**System Standards**" means, as of any given time, the then-current mandatory procedures, requirements, and/or standards of the System as determined by New York Musician's Center Franchising, which may include without limitation, any procedures, requirements and/or standards for appearance, business metrics, cleanliness, customer service, design (such as construction, decoration, layout, furniture, fixtures and signs), equipment, inventory, marketing and public relations, operating days, operating hours, presentation of Marks, product and service offerings, quality of products and services (including any guaranty and warranty programs), reporting, safety, technology (such as computers, computer peripheral equipment, smartphones, point-of-sale systems, back-office systems, information management systems, security systems, video monitors,

other software, backup and archiving systems, communications systems (including email, audio, and video systems), payment acceptance systems, and internet access, as well as upgrades, supplements, and modifications thereto), uniforms, and vehicles.

"**Transfer**" means for Franchisee (or any Owner) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the Business,
(ii) this Agreement, (iii) any direct or indirect ownership interest in the Business, or (iv) control of the Business.

## ARTICLE 2. GRANT OF LICENSE

**2.1 Grant.** New York Musician's Center Franchising grants to Franchisee the right to operate a New York Musician's Center business solely at the Location. If no Location is stated on the Summary Page when this Agreement is signed, then the parties will determine the Location in accordance with Section 6.1. Franchisee shall develop, open and operate a New York Musician's Center business at the Location for the entire term of this Agreement.

**2.2 Reservation of Rights.** New York Musician's Center Franchising retains the right to:

(i) establish and license others to establish and operate New York Musician's Center businesses, notwithstanding their proximity to the Location or their impact on the Business;

(ii) operate and license others to operate businesses anywhere that do not operate under the New York Musician's Center brand name; and

(iii) sell and license others to sell products and services through channels of distribution (including the internet) other than New York Musician's Center outlets.

(iv) purchase or otherwise acquire the assets or controlling ownership of one (1) or more businesses identical or similar to Franchised Business (and/or acquire franchise, license and/or similar agreements for such businesses), some or all of which may be located anywhere. If New York Musician's Center Franchising purchases or acquires franchises or licenses, New York Musician's Center Franchising may, in its sole discretion, act as franchisor or licensor with respect to such franchisees or licensees wherever located, pursuant to the individual franchise or license agreement(s) between Franchisor and franchisee(s) or licensee(s). If New York Musician's Center Franchising purchases or acquires such businesses which are not franchised or licensed, New York Musician's Center Franchising may, in its sole discretion:

i. offer to sell any such businesses to Franchisee or to any third party to be operated as a New York Musician's Center franchised business; or

ii. offer Franchisee the opportunity to operate such business(s) in partnership with New York Musician's Center Franchising (or an Affiliate) under the business(s) existing trade name or a different trade name.

(v) be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises, and/or licenses Competitive Businesses;

(vi) engage in any activities not expressly forbidden by this Agreement.

**2.3 Franchisee Control.** Franchisee represents that Attachment 1 (i) identifies each owner, officer and director of Franchisee, and (ii) describes the nature and extent of each owner's interest in Franchisee. If any information on Attachment 1 changes (which is not a Transfer), Franchisee shall notify New York Musician's Center Franchising within 10 days.

**2.4 Management of the Franchised Business.** Franchisee agrees that the person designated as the "Designated Managing Owner" on the Summary Page is the executive primarily responsible for the Business and has decision-making authority on behalf of Franchisee. The Designated Managing Owner must have at least 10% ownership interest in Franchisee. Either the Designated Managing Owner or the Designated Onsite Manager must actively manage and supervise the day-to- day operations of the franchised business, must devote substantial time and attention to the Business, must regularly spend 25 or more hours per week onsite at the Location, and must regularly be onsite during peak business hours. If the Designated Managing Owner dies, becomes incapacitated, transfers his/her interest in Franchisee, or otherwise ceases to be the executive primarily responsible for the Business, Franchisee shall promptly designate a new Designated Managing Owner, subject to New York Musician's Center Franchising's reasonable approval, and shall have such replacement complete the initial training program. If Designated Onsite Manager dies, becomes incapacitated, leaves his/her employment with Franchisee, or otherwise ceases to actively manage the onsite operations of the franchised business, Franchisee shall designate a new Designated Onsite Manager, subject to New York Musician's Center Franchising's reasonable approval, and shall have such replacement complete the initial training program.

**2.5 Guaranty.** If Franchisee is an entity, then Franchisee shall have each Owner sign a personal guaranty of Franchisee's obligations to New York Musician's Center Franchising, in the form of



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Attachment 3.

**2.6 No Conflict.** Franchisee represents to New York Musician's Center Franchising that Franchisee and each of its Owners (i) are not violating any agreement (including any confidentiality or non-competition covenant) by entering into or performing under this Agreement, (ii) are not a direct or indirect owner of any Competitor, and (iii) are not listed or "blocked" in connection with, and are not in violation under, any anti-terrorism law, regulation, or executive order.

**2.7 No Sub-Franchising**. Franchisee shall not sublicense this Agreement, the use of the System, or the use of the Marks to any person or entity. Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

## ARTICLE 3. TERM

**3.1 Term.** This Agreement commences on the Effective Date and continues for 10 years.

**3.2 Successor Agreement.** When the term of this Agreement expires, Franchisee may enter into a successor agreement for up to 2 additional periods of 5 years each, subject to the following conditions prior to each expiration:

(i) Franchisee notifies New York Musician's Center Franchising of the election to renew between 90 and 180 days prior to the end of the term;

(ii) Franchisee (and its affiliates) are in compliance with this Agreement and all other agreements with New York Musician's Center Franchising (or any of its affiliates) at the time of election and at the time of renewal;

(iii) Franchisee has made or agrees to make (within a period of time acceptable to New York Musician's Center Franchising) renovations and changes to the Business as New York Musician's Center Franchising requires (including a Remodel, if applicable) to conform to the then-current System Standards;

(iv) Franchisee and its Owners execute New York Musician's Center Franchising's then-current standard form of franchise agreement and related documents (including personal guaranty), which may be materially different than this form (including, without limitation, higher and/or different fees), except that Franchisee will not pay another initial franchise fee and will not receive more renewal or successor terms than described in this Section;

(v) Franchisee and each Owner executes a general release (on New York Musician's Center Franchising's then-standard form) of any and all claims against New York Musician's Center Franchising, its affiliates, and their respective owners, officers, directors, agents and employees.

(vi) Franchisee pays the Renewal Fee in the amount of two thousand dollars ($2,000);

**3.3 Holdover.** In the event the term of this Agreement expires and the Parties have not entered into a written successor franchise agreement, but the franchisee continues to operate the franchised business, with the written consent of New York Musician's Center Franchising, the franchise agreement shall be deemed to be extended on a month to month basis, and all terms of this franchise agreement shall continue to apply. The parties further agree that in the event Franchisee has continued to operate the franchised business without the written consent of New York Musician's Center Franchising, New York Musician's Center Franchising shall be entitled to enforce all rights and remedies set forth in this Agreement, regardless of the expiration date.



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Nothing in this paragraph shall be construed to require New York Musician's Center Franchising to consent to a holdover or month to month continuation of this Agreement. In the event Franchisee does not enter into a written successor franchise agreement upon the expiration of this Agreement, New York Musician's Center Franchising shall, in its sole discretion, be entitled to exercise any and all legal and contractual remedies available to it. New York Musician's Center Franchising's receipt of royalties or other fees or provision of services to franchisee during a holdover period shall not be deemed a waiver or any rights or remedies of the New York Musician's Center Franchising.

## ARTICLE 4. FEES

**4.1 Initial Franchise Fee.** Upon signing this Agreement, Franchisee shall pay an initial franchise fee in the amount stated on the Summary Page. This initial franchise fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Initial Franchise Fee is payment, in part, for expenses incurred by New York Musician's Center Franchising in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by New York Musician's Center Franchising, including general sales and marketing expenses, training, legal, accounting and other professional fees.

**4.2 Royalty Fee.** equal to the greater of seven percent (7%) of Gross Sales or the minimum royalty set forth in the chart below. For so long as this Agreement shall be in effect, Franchisee shall pay the Franchise Royalty to New York Musician's Center Franchising, without offset, credit or deduction of any nature. New York Musician's Center Franchising reserves the right to change the time and manner of payment and currently requires Franchisee to pay the Royalty Fee monthly via pre-authorized electronic transfer with the Royalty Fee for any given month due on the third business day of the following month. In the event this Agreement is executed as a renewal or successor agreement, the minimum royalties will be those set forth for months 49 and after. In the event this Agreement is executed as a part of a transfer, the franchisee will inherit the minimum royalty requirements of the transferring franchisee.

| MONTH OF OPERATION | ROYALTY |
|---|---|
| MONTHS 1 - 12 | No minimum |
| MONTHS 13-24 | $1,120 per month |
| MONTHS 25-36 | $2,240 per month |
| MONTHS 37-48 | $3,360 per month |
| MONTHS 49 AND AFTER (including any renewal term) | $5,600 per month |

**4.3 Marketing Contributions.**

(a) National Marketing Fund Contribution. Franchisee shall pay New York Musician's Center Franchising a contribution to the National Marketing Fund (the "National Marketing Fund Contribution") equal to 1% of Franchisee's Gross Sales (or such lesser amount as New York Musician's Center Franchising determines), at the same time as the Royalty Fee.

(b) Market Cooperative Contribution. If the Business participates in a Market Cooperative, then Franchisee shall contribute to the Market Cooperative a percentage of Gross Sales (or other amount) determined by the Market Cooperative, not to exceed 5%.

**4.4 Technology Fee**. You will pay us a technology fee monthly, together with your royalties. As of the date of this Agreement, the technology fee is $150 per month, but this amount may be increased upon thirty (30) days' notice to you. You agree to pay additional fees if you need additional seats/log-ins to the technology or additional email addresses.

**4.5 Replacement / Additional Training Fee.** If Franchisee sends an employee to New York Musician's Center Franchising's training program after opening, New York Musician's Center Franchising may charge its then-current training fee. The franchised business must, at all times, be under the day-to-day management of a Designated Managing Owner or Designated Onsite Manager who has completed the training program required by New York Musician's Center Franchising. As of the date of this Agreement, the training fee is $450 per day.

**4.6 Ongoing Training Fee.** If you choose to attend an ongoing training program offered by us or if we designate an ongoing training program as mandatory (regardless of whether you attend), you agree to pay the fee for such Ongoing Training Program. Without limitation as to the ability to designate other programs as mandatory, if New York Musician's Center Franchising hosts an annual franchise conference, attendance at the Conference by the Designated Managing Owner is mandatory. Fees for programs may vary, depending on the program.

**4.7 Management Fee**. If New York Musician's Center Franchising or an Affiliate assumes management of Franchisee's franchised business, Franchisee shall pay to New York Musician's Center Franchising a management fee in the amount of the greater of $500 per day or 10% of the daily Gross Sales of the franchised business. In addition, Franchisee shall reimburse New York Musician's Center Franchising for any costs or expenses incurred.

**4.8 Quality Assurance Costs**. If New York Musician's Center Franchising retains a third-party inspector, quality assurance firm, or mystery shopper to inspect Franchisee's franchised business, Franchisee shall pay to New York Musician's Center Franchising, upon demand, an amount equal to all costs and expenses of the inspection.

**4.9 Renewal/Successor Fee**. If Franchisee has elected to enter into a successor franchise term, Franchisee must pay the renewal fee of two thousand dollars ($2,000).

**4.10 Transfer Fee**. If Franchisee desires to transfer this franchise and New York Musician's Center Franchising has not exercised its right of first refusal, Franchisee shall remit a transfer fee in the amount of Ten Thousand Dollars ($10,000). In addition, Franchisee must pay any brokerage fees that arise from the transaction.

**4.11 Non-Compliance Fee.** New York Musician's Center Franchising may charge Franchisee $500 for any instance of non-compliance with the System Standards or this Agreement. New York Musician's Center Franchising may then charge Franchisee $250 per week until Franchisee ceases such non-compliance. You recognize that when you violate your obligations under this Agreement, we will devote time and expenses toward dealing with the non-compliance, and this fee is a reasonable estimate of New York Musician's Center Franchising's internal cost of personnel time attributable to addressing the non-compliance, and it is not a penalty or estimate of all damages arising from Franchisee's breach. The non-compliance fee is in addition to all of New York Musician's Center Franchising's other rights and remedies (including default and termination under Section 14.2).

**4.12 Reimbursement.** New York Musician's Center Franchising may (but is never obligated to) pay on Franchisee's behalf any amount that Franchisee owes to a supplier or other third party. If New York Musician's Center Franchising does so or intends to do so, Franchisee shall pay such amount plus a 10% administrative charge to New York Musician's Center Franchising within 15 days after invoice by New York Musician's Center Franchising accompanied by reasonable documentation.

**4.13 Designated Third-Party Suppliers.** New York Musician's Center Franchising may, from time-to-time designate one or more third-party suppliers of goods or services to Franchisee's franchised business. Franchisee agrees to execute any agreements required by such designated suppliers and to timely remit payment to such suppliers.



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**4.14 Relocation Assistance Fee**. Franchisee shall operate the Franchised business only from the Location. In the event Franchisee requests approval to re-locate Franchisee's business and New York Musician's Center Franchising consents to such request to relocate, Franchisee shall, at the time of the request, remit to New York Musician's Center Franchising a Relocation Assistance Fee in the amount of ten thousand dollars ($10,000). Nothing herein shall be construed to impose on New York Musician's Center Franchising an obligation to approve any request to re-locate or to approve any proposed substitute location.

**4.15 Input or Vendor Approval Request.** In the event you seek approval of any Input or Vendor not previously approved by New York Musician's Center Franchising and included in the System Standards, you will pay our costs and expenses of evaluating your request. Nothing herein shall be construed to impose on New York Musician's Center Franchising any obligation to grant any requested approval.

**4.11 Payment Terms.**

(a) Method of Payment. Franchisee shall pay the Royalty Fee, National Marketing Fund Contribution, and any other amounts owed to New York Musician's Center Franchising by pre- authorized bank draft or in such other manner as New York Musician's Center Franchising may require. Franchisee shall comply with New York Musician's Center Franchising's payment instructions.

(b) Calculation of Fees. Franchisee shall report monthly Gross Sales to New York Musician's Center Franchising by the fifth day of the following month. If Franchisee fails to report monthly Gross Sales, then New York Musician's Center Franchising may withdraw estimated Royalty Fees and National Marketing Fund Contributions equal to the greater of 125% of the royalties due under the last Gross Sales reported to New York Musician's Center Franchising or the applicable Minimum Royalties, and the parties will true-up the actual fees after Franchisee reports Gross Sales. Franchisee acknowledges that New York Musician's Center Franchising has the right to remotely access Franchisee's point-of-sale system to calculate Gross Sales.

(c) Late Fees and Interest. If Franchisee does not make a payment on time, Franchisee shall pay a $100 "late fee" plus interest on the unpaid amount at a rate equal to 18% per year (or, if such payment exceeds the maximum allowed by law, then interest at the highest rate allowed by law).

(d) Insufficient Funds. New York Musician's Center Franchising may charge $30 for any payment returned for insufficient funds (or, if such amount exceeds the maximum allowed by law, then the fee allowed by law).

(e) Costs of Collection. Franchisee shall repay any costs incurred by New York Musician's Center Franchising (including reasonable attorney fees) in attempting to collect payments owed by Franchisee.

(f) Application. New York Musician's Center Franchising may apply any payment received from Franchisee to any obligation and in any order as New York Musician's Center Franchising may determine, regardless of any designation by Franchisee.

(g) Obligations Independent; No Set-Off. The obligations of Franchisee to pay to New York Musician's Center Franchising any fees or amounts described in this Agreement are not dependent on New York Musician's Center Franchising's performance and are independent covenants by Franchisee. Franchisee shall make all such payments without offset or deduction.



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(h) Taxes. Franchisee will be responsible for all sales taxes, use taxes, and other taxes imposed on the fees payable by Franchisee to New York Musician's Center Franchising or its affiliates and on services or goods furnished to Franchisee by New York Musician's Center Franchising or its affiliates, unless the tax is an income tax assessed on New York Musician's Center Franchising or its affiliates for doing business in the state where the Business is located.

## ARTICLE 5. ASSISTANCE

**5.1 Manual.** New York Musician's Center Franchising shall make its Manual available to Franchisee on loan during the Term.

**5.2 Assistance in Hiring Employees.** New York Musician's Center Franchising shall provide its suggested staffing levels to Franchisee. New York Musician's Center Franchising shall provide suggested guidelines for hiring employees. All hiring decisions and conditions of employment are Franchisee's sole responsibility.

**5.3 Assistance in Training Employees.** New York Musician's Center Franchising shall, to the extent it deems appropriate, provide programs for Franchisee to conduct training of new employees.

**5.4 Pre-Opening Assistance.**

(a) Selecting Location. New York Musician's Center Franchising shall provide its criteria for New York Musician's Center locations to Franchisee. New York Musician's Center Franchising will review and advise Franchisee regarding potential locations submitted by Franchisee.

(b) Pre-Opening Plans, Specifications, and Vendors. Within a reasonable period of time after the Effective Date, New York Musician's Center Franchising shall provide Franchisee with (i) New York Musician's Center Franchising's sample set of standard building plans and specifications and/or standard recommended floor plans; (ii) the applicable System Standards, (iii) other specifications as New York Musician's Center Franchising deems appropriate (which may include specifications regarding inventory, supplies, materials, and other matters), and (iv) New York Musician's Center Franchising's lists of Approved Vendors and/or Required Vendors.

(c) Pre-Opening Training. New York Musician's Center Franchising shall make available its standard pre-opening training available for no additional charge for two (2) total attendees: the Designated Managing Owner and Designated Onsite Manager, or one additional assistant, at New York Musician's Center Franchising's headquarters and/or at a New York Musician's Center business designated by New York Musician's Center Franchising. Franchisee is responsible for its own travel, lodging, meal, and other out-of-pocket expenses for all attendees New York Musician's Center Franchising reserves the right to vary the length and content of the initial training program based on the experience and skill level of any individual attending the program.

(d) Market Introduction Plan. New York Musician's Center Franchising shall advise Franchisee regarding the planning and execution of Franchisee's market introduction plan.

(e) On-Site Opening Assistance. New York Musician's Center Franchising shall have a representative support Franchisee's business opening with up to two to three days of onsite opening training and assistance.

### 5.5 Post-Opening Assistance.

(a) Advice, Consulting, and Support. If Franchisee requests, New York Musician's Center Franchising will provide advice to Franchisee (by telephone or electronic communication) regarding improving and developing Franchisee's business, and resolving operating problems Franchisee encounters, to the extent New York Musician's Center Franchising deems reasonable. If New York Musician's Center Franchising provides in-person support in response to Franchisee's request, New York Musician's Center Franchising may charge its then-current fee plus any out-of-pocket expenses (such as travel, lodging, and meals for employees providing onsite support).

(b) Pricing. Upon request, New York Musician's Center Franchising will provide recommended prices for products and services offered by franchisees of the System.

(c) Procedures. New York Musician's Center Franchising will provide Franchisee with New York Musician's Center Franchising's recommended administrative, bookkeeping, accounting, and inventory control procedures. New York Musician's Center Franchising may make any such procedures part of required (and not merely recommended) System Standards.

(d) Marketing. New York Musician's Center Franchising shall manage the Marketing Fund.

(e) Internet. New York Musician's Center Franchising shall maintain a website for New York Musician's Center, which will include Franchisee's location and telephone number.

## ARTICLE 6. LOCATION, DEVELOPMENT, AND OPENING

**6.1 Determining Location.** If the Location is not stated on the Summary Page:

(i) Franchisee shall find a potential Location within the Development Area described on the Summary Page. Franchisee shall submit its proposed Location to New York Musician's Center Franchising for acceptance, with all related information New York Musician's Center Franchising may request. If New York Musician's Center Franchising does not accept the proposed Location in writing within 30 days, then it is deemed rejected.

(ii) When New York Musician's Center Franchising accepts the Location, it will issue a Location Acceptance Letter in the form of Attachment 2 which states the Location.

(iii) **New York Musician's Center Franchising's advice regarding or acceptance of a site is not a representation or warranty that the Business will be successful, and New York Musician's Center Franchising has no liability to Franchisee with respect to the location of the Business.**

**6.2 Lease.** In connection with any lease between Franchisee and the landlord of the Location: (i) if requested by New York Musician's Center Franchising, Franchisee must submit the proposed lease to New York Musician's Center Franchising for written approval, (ii) the term of the lease (including renewal terms) must be for a period of not less than the term of this Agreement, and (iii) Franchisee shall use commercially reasonable efforts to obtain the landlord's signature to a rider to the lease in the form required by New York Musician's Center Franchising.

**6.3 Development.** Franchisee shall construct (or remodel) and finish the Location in conformity with New York Musician's Center Franchising's System Standards. If required by New York Musician's Center Franchising, Franchisee shall engage the services of an architect licensed in the jurisdiction of the



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Location. Franchisee shall not begin any construction or remodeling work without first obtaining New York Musician's Center Franchising's approval of Franchisee's plans. New York Musician's Center Franchising may, but is not required to, inspect Franchisee's construction or remodeling progress at any reasonable time. Franchisee shall not rely upon any information provided or opinions expressed by New York Musician's Center Franchising or its representatives regarding any architectural, engineering, or legal matters (including without limitation the Americans With Disabilities Act) in the development and construction of the Business, and New York Musician's Center Franchising assumes no liability with respect thereto. New York Musician's Center Franchising's inspection and/or approval to open the Business is not a representation or a warranty that the Business has been constructed in accordance with any architectural, engineering, or legal standards.

**6.4 New Franchisee Training.** Franchisee's Designated Managing Owner and Designated Onsite Manager must complete New York Musician's Center Franchising's training program for new franchisees to New York Musician's Center Franchising's satisfaction at least four weeks before opening the Business.

**6.5 Conditions to Opening.** Franchisee shall notify New York Musician's Center Franchising at least 30 days before Franchisee intends to open the Business to the public. Before opening, Franchisee must satisfy all of the following conditions: (1) Franchisee is in compliance with this Agreement, (2) Franchisee has obtained all applicable governmental permits and authorizations, (3) the Business conforms to all applicable System Standards, (4) New York Musician's Center Franchising has inspected and approved the Business, (5) Franchisee has hired sufficient employees, (6) Franchisee's officers and employees have completed all of New York Musician's Center Franchising's required pre-opening training; and (7) New York Musician's Center Franchising has given its written approval to open, which will not be unreasonably withheld.

**6.6 Opening Date.** Franchisee shall open the Business to the public on or before the date stated on the Summary Page.

**6.7 Relocation.** Franchisee shall not relocate the Franchised business without the prior written consent of New York Musician's Center Franchising. Franchisee acknowledges that rights of other franchisees, market factors, and our franchise sales activities, among other factors and not as a limitation, may impact the evaluation of of any request to relocate. Any such relocation shall be at Franchisee's sole expense and shall proceed in accordance with the requirements set forth in this Agreement and our System Standards as articulated in the Manual or provided to Franchisee in response to a request for relocation. Franchisee shall remit to us a Relocation Assistance Fee to compensate us for our costs and expenses in approving a new location. Notwithstanding the foregoing, New York Musician's Center Franchising has no obligation to agree to a request for relocation or provide assistance to Franchisee in locating or finding a new location.

**6.8 Security Interest.** As security for the performance of Franchisee's obligations under this Agreement, including payments owed to New York Musician's Center Franchising or its Affiliates, Franchisee hereby grants New York Musician's Center Franchising a security interest in all of the assets of the Franchised business (now owned or hereafter acquired), including without limitation, the leasehold or fee simple interest in the Location, all furniture, fixtures, equipment, inventory, accounts, supplies, contracts, and proceeds and products of all those assets. Franchisee agrees to execute such other documents as New York Musician's Center Franchising may reasonably request in order to further document, perfect and record New York Musician's Center Franchising's security interest. If Franchisee defaults in any of its obligations under this Agreement, New York Musician's Center Franchising may exercise all rights of a secured creditor granted to it by law, in addition to our other rights under this Agreement and at law. This Agreement shall be deemed to be a Security Agreement and Financing Statement and may be filed for record as such in the records of any county and/or state that New York Musician's Center Franchising deems appropriate to protect its interests.



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## ARTICLE 7. OPERATIONS

**7.1 Compliance with Manual and System Standards**. Franchisee shall at all times and at its own expense comply with all mandatory obligations contained in the Manual and with all other System Standards, as they are revised from time to time.

**7.2 Compliance with Law.** Franchisee and the Business shall comply with all laws and regulations. Franchisee and the Business shall obtain and keep in force all governmental permits and licenses necessary for the Business.

**7.3 Products, Services, and Methods of Sale.** Franchisee shall offer all products and services, and only those products and services, from time to time prescribed by New York Musician's Center Franchising in the Manual or otherwise in writing. Franchisee shall make sales only to retail customers, and only at the Location. Unless otherwise approved or required by New York Musician's Center Franchising, Franchisee shall not make sales by any other means, including without limitation by wholesale, by delivery, by mail order or over the internet, or at temporary or satellite locations. Franchisee shall provide all products and perform all services in a high-quality manner that meets or exceeds the customer's reasonable expectations and all applicable System Standards. If Franchisee desires to offer a product or service not approved in the Manual, Franchisee must obtain New York Musician's Center Franchising's written approval to do so. New York Musician's Center Franchising reserves the right to approve or deny any request, in its sole in and absolute discretion and reserves the right to terminate any variance approval previously granted.

**7.4 Prices.** To the fullest extent permissible under applicable law, New York Musician's Center Franchising (a) may periodically establish maximum and/or minimum prices, advertising for services and products that the Franchised Business offers including pricing specifications for System-wide promotions, and (b) if New York Musician's Center Franchising establish such prices for any services or products, Franchisee agrees not to exceed or reduce that price, but will charge the price for the service or product that New York Musician's Center Franchising establishes. This provision shall be automatically modified to conform to all applicable state and federal laws, rules and regulations.

**7.5 Personnel.**

(a) Management. The Business must at all times be under the on-site supervision of the Designated Managing Owner or Designated Onsite Manager who has completed New York Musician's Center Franchising's training program. The Designated Onsite Manager must regularly commit to being onsite in the franchised business for 25 or more hours per week, including peak business hours.

(b) Service. Franchisee shall cause its personnel to render competent and courteous service to all customers and members of the public.

(c) Appearance. Franchisee shall cause its personnel to comply with any dress attire, uniform, personal appearance and hygiene standards set forth in the Manual.

(d) Qualifications. New York Musician's Center Franchising may set minimum qualifications for categories of employees employed by Franchisee.

(e) Sole Responsibility. Franchisee is solely responsible for the terms and conditions of employment of all of its personnel, including recruiting, hiring, training, scheduling, supervising, compensation, and termination. Franchisee is solely responsible for all actions of its personnel. Franchisee and New York Musician's Center Franchising are not joint employers, and no employee of Franchisee will be an agent or employee of New York

Musician's Center Franchising. Within seven days of New York Musician's Center Franchising's request, Franchisee and each of its employees will sign an acknowledgment form stating that Franchisee alone (and not New York Musician's Center Franchising) is the employee's sole employer. Franchisee will use its legal name on all documents with its employees and independent contractors, including, but not limited to, employment applications, timecards, pay checks, and employment and independent contractor agreements, and Franchisee will not use the Marks on any of these documents.

(f) Protection of Confidential Information. Prior to providing any employee with access to the Confidential Information, Franchisee shall obtain from all personnel who will have access to Confidential Information and provide to New York Musician's Center Franchising an executed Nondisclosure Agreement in the format attached hereto as Exhibit 8 or such other format as may be specified by Franchisor from time to time. In the event applicable law at any time makes all or part of Exhibit 8 unenforceable with respect to any employee of Franchisee or other person who will have access to Confidential Information, Franchisee shall have modified or updated Agreements in an enforceable form approved by Franchisor signed by each such Individual.

**7.6 Post-Opening Training.** If at any time the Designated Managing Owner (DMO) is changed, the new DMO must complete our initial training program within four weeks. In addition, New York Musician's Center Franchising may at any time require that the Designated Managing Owner and/or any other employees complete training programs, in any format and in any location determined by New York Musician's Center Franchising. New York Musician's Center Franchising may charge a reasonable fee for any training programs. New York Musician's Center Franchising may require Franchisee to provide training programs to its employees. If a training program is held at a location which requires travel by the Designated Managing Owner or any other employee, then Franchisee shall pay all travel, living and other expenses.

**7.7 Software.** Without limiting the generality of Section 7.1 or Section 8.1, Franchisee shall acquire and use all software and related systems required by New York Musician's Center Franchising. Franchisee shall enter into any subscription and support agreements that New York Musician's Center Franchising may require and shall pay any fees required by those agreements. Franchisee shall upgrade, update, or replace any software from time to time as New York Musician's Center Franchising may require. Franchisee shall protect the confidentiality and security of all software systems, and Franchisee shall abide by any System Standards related thereto. Franchisee shall give New York Musician's Center Franchising unlimited access to Franchisee's point of sale system and other software systems used in the Business, by any means designated by New York Musician's Center Franchising.

**7.8 Customer Complaints.** Franchisee shall use its best efforts to promptly resolve any customer complaints. New York Musician's Center Franchising may take any action it deems appropriate to resolve a customer complaint regarding the Business, and New York Musician's Center Franchising may require Franchisee to reimburse New York Musician's Center Franchising for any expenses.

**7.9 Evaluation and Compliance Programs.** Franchisee shall participate at its own expense in programs required from time to time by New York Musician's Center Franchising for obtaining customer evaluations, reviewing Franchisee's compliance with the System, and/or managing customer complaints, which may include (but are not limited to) a customer feedback system, customer survey programs, and mystery shopping. New York Musician's Center Franchising shall share with Franchisee the results of these programs, as they pertain to the Business. Franchisee must meet or exceed any minimum score requirements set by New York Musician's Center Franchising for such programs. New York Musician's Center Franchising may set minimum scores that Franchisee must receive from the public on internet review sites (such as Yelp or Google).

**7.10 Payment Systems.** Franchisee shall accept payment from customers in any form or manner designated by New York Musician's Center Franchising (which may include, for example, cash, specific



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credit and/or debit cards, gift cards, electronic fund transfer systems, and mobile payment systems). Franchisee shall purchase or lease all equipment and enter into all business relationships necessary to accept payments as required by New York Musician's Center Franchising. Franchisee must at all times comply with payment card industry data security standards (PCI-DSS).

**7.11 Gift Cards, Loyalty Programs, and Incentive Programs.** At its own expense, Franchisee shall sell or otherwise issue gift cards, certificates, or other pre-paid systems, and participate in any customer loyalty programs, membership/subscription programs, or customer incentive programs, designated by New York Musician's Center Franchising, in the manner specified by New York Musician's Center Franchising in the Manual or otherwise in writing. Franchisee shall honor all valid gift cards and other pre-paid systems, regardless of whether issued by Franchisee or another New York Musician's Center business. Franchisee shall comply with all procedures and specifications of New York Musician's Center Franchising related to gift cards, certificates, and other pre-paid systems, or related to customer loyalty, membership/subscription, or customer incentive programs.

**7.12 Maintenance and Repair.** Franchisee shall at all times keep the Business in a neat and clean condition, perform all appropriate maintenance, and keep all physical property in good repair. In addition, Franchisee shall promptly perform all work on the physical property of the Business as New York Musician's Center Franchising may prescribe from time to time, including but not limited to periodic interior and exterior painting; resurfacing of the parking lot; roof repairs; and replacement of obsolete or worn out signage, floor coverings, furnishings, equipment and décor. Franchisee acknowledges that the System Standards may include requirements for cleaning, maintenance, and repair.

**7.13 Remodeling.** In addition to Franchisee's obligations to comply with all System Standards in effect from time to time, New York Musician's Center Franchising may require Franchisee to undertake and complete a Remodel of the Location to New York Musician's Center Franchising's satisfaction. Franchisee must complete the Remodel in the time frame specified by New York Musician's Center Franchising. New York Musician's Center Franchising may require the Franchisee to submit plans for New York Musician's Center Franchising's reasonable approval prior to commencing a required Remodel. New York Musician's Center Franchising's right to require a Remodel is limited as follows: (i) the Remodel will not be required in the first two or last two years of the term (except that a Remodel may be required as a condition to renewal of the term or a Transfer), and (ii) a Remodel will not be required more than once every five years from the date on which Franchisee was required to complete the prior Remodel.

**7.14 Meetings.** The Designated Managing Owner shall use reasonable efforts to attend all in-person meetings and remote meetings (such as telephone conference calls) that New York Musician's Center Franchising requires, including any national or regional brand conventions. Franchisee shall not permit the Designated Managing Owner to fail to attend more than three consecutive required meetings.

**7.15 Insurance.**

(a) Franchisee shall obtain and maintain insurance policies in the types and amounts as specified by New York Musician's Center Franchising in the Manual. If not specified in the Manual, Franchisee shall maintain at least the following insurance coverage:

(i) "Special" causes of loss coverage forms, including fire and extended coverage, crime, vandalism, and malicious mischief, on all property of the Business, for full repair and replacement value (subject to a reasonable deductible);

(ii) Business interruption insurance covering at least 12 months of income;

(iii) Commercial General Liability insurance, including products liability coverage, and broad form commercial liability coverage, written on an "occurrence" policy form in an amount of not less than $1,000,000 single limit per occurrence and $2,000,000 aggregate limit (this policy must include coverage for contractual indemnity and advertising injury) ;

(iv) Business Automobile Liability insurance including owned, leased, non-owned and hired automobiles coverage in an amount of not less than $1,000,000; and

(v) Workers Compensation coverage as required by state law, with a minimum of $100,000 for each accident and $100,000 for each disease or such higher limits as required by state law;

(vi) cyber security/data breach insurance of $500,000 per occurrence and $500,000 in the aggregate;

(b) Franchisee's policies (other than Workers Compensation) must (1) list New York Musician's Center Franchising and its affiliates as an additional insured, (2) include a waiver of subrogation in favor of New York Musician's Center Franchising and its affiliates, (3) be primary and non-contributing with any insurance carried by New York Musician's Center Franchising or its affiliates, and (4) stipulate that New York Musician's Center Franchising shall receive 30 days' prior written notice of cancellation.

(c) Franchisee shall provide Certificates of Insurance evidencing the required coverage to New York Musician's Center Franchising prior to opening and upon annual renewal of the insurance coverage, as well as at any time upon request of New York Musician's Center Franchising.

(d) New York Musician's Center Franchising has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

**7.16 Payments to Third Parties.** Franchisee shall pay all vendors and suppliers in a timely manner. Franchisee shall pay all taxes when due. If Franchisee borrows money, it shall comply with the terms of its loan and make all loan payments when due. If Franchisee leases the Location, Franchisee shall comply with its lease for the Location and make all rent payments when due.

**7.17 Public Relations.** Franchisee shall not make any public statements (including giving interviews or issuing press releases) regarding New York Musician's Center, the Business, or any particular incident or occurrence related to the Business, without New York Musician's Center Franchising's prior written approval, which will not be unreasonably withheld.

**7.18 Association with Causes.** Franchisee shall not in the name of the Business (i) donate money, products, or services to any charitable, political, religious, or other organization, or (ii) act in support of any such organization, without New York Musician's Center Franchising's prior written approval. New York Musician's Center Franchising may, from time to time, designate in the Manual specific classes or types of charitable or other organizations that are deemed approved and do not require further written approval. New York Musician's Center Franchising may withdraw any consent previously granted and may withhold its consent in its sole and absolute discretion.

**7.19 No Other Activity Associated with the Business.** Franchisee shall not engage in any business or other activity at the Location other than operation of the New York Musician's Center Business. Franchisee shall not use assets of the Business for any purpose other than the Business. If Franchisee is an entity, the entity shall not own or operate any other business except New York Musician's Center businesses.

**7.20 No Third-Party Management.** Franchisee shall not engage a third-party management company to manage or operate the Business without the prior written approval of New York Musician's Center Franchising, which will not be unreasonably withheld.

**7.21 Identification.** Franchisee must identify itself as the independent owner of the Business in the manner prescribed by New York Musician's Center Franchising. Franchisee must display at the Business signage prescribed by New York Musician's Center Franchising identifying the Location as an independently owned and operated franchise and must include a statement in its email signature block that the Business is an independently owned and operated franchise.

**7.22 Business Practices.** Franchisee, in all interactions with customers, employees, vendors, governmental authorities, and other third parties, shall be honest and fair. Franchisee shall comply with any code of ethics or statement of values from New York Musician's Center Franchising. Franchisee shall not take any action which may injure the goodwill associated with the Marks.

**7.23 Communications**. Franchisee shall timely respond (as soon as possible and at least within forty-eight (48) hours) to all communications regarding the franchised business, including without limitation communications from customers and New York Musician's Center Franchising;

**7.24 Government Communications**. Nothing in this Agreement, including without limitation the covenants not to engage in any act injurious or prejudicial to the goodwill associated with the Marks or the System, shall be interpreted to prevent communications by Franchisee of truthful, factual information to any governmental body, agency, or regulator. No truthful, factual communications made by a Franchisee to any governmental body, agency, or regulator shall be deemed a violation of this Agreement.

**7.25 Privacy and Security**. Franchisee is solely responsible for maintaining the privacy and security of personally identifiable information ("PI") of employees and customers of the Franchised Business. Franchisee agrees to comply with all laws and regulations regarding privacy, data security, and cyber security, to use commercially reasonable efforts to maintain the security of PI, and to take any other steps or measures regarding privacy and security which New York Musician's Center Franchising may request from time to time.

## ARTICLE 8. SUPPLIERS AND VENDORS

**8.1 Generally.** Franchisee shall acquire all Inputs required by New York Musician's Center Franchising from time to time in accordance with System Standards. New York Musician's Center Franchising may require Franchisee to purchase or lease any Inputs from New York Musician's Center Franchising, New York Musician's Center Franchising's Affiliates, New York Musician's Center Franchising's designee, Required Vendors, Approved Vendors, and/or under New York Musician's Center Franchising's specifications. New York Musician's Center Franchising may change any such requirement or change the status of any vendor. To make such requirement or change effective, New York Musician's Center Franchising shall issue the appropriate System Standards.

**8.2 Alternate Vendor Approval.** If New York Musician's Center Franchising requires Franchisee to purchase a particular Input only from an Approved Vendor or Required Vendor, and Franchisee desires to purchase the Input from another vendor, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by New York Musician's Center Franchising. New York Musician's Center Franchising may condition its approval on such criteria as New York Musician's Center Franchising deems appropriate, which may include evaluations of the vendor's capacity, quality, financial stability, reputation, and reliability; inspections; product testing, and performance reviews. New York Musician's Center Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed new vendor within 30 days after receipt of Franchisee's request.

**8.3 Alternate Input Approval.** If New York Musician's Center Franchising requires Franchisee to purchase a particular Input, and Franchisee desires to purchase an alternate to the Input, then Franchisee must submit a written request for approval and any information, specifications and/or samples requested by New York Musician's Center Franchising. New York Musician's Center Franchising will provide Franchisee with written notification of the approval or disapproval of any proposed alternate Input within 30 days after receipt of Franchisee's request.

**8.4 Purchasing.** New York Musician's Center Franchising may negotiate prices and terms with vendors on behalf of the System. New York Musician's Center Franchising and/or its Affiliates may receive rebates, payments or other consideration from vendors in connection with purchases by franchisees. New York Musician's Center Franchising has the right (but not the obligation) to collect payments from Franchisee on behalf of a vendor and remit the payments to the vendor and to impose a reasonable markup or charge for administering the payment program. New York Musician's Center Franchising may implement a centralized purchasing system. New York Musician's Center Franchising may establish a purchasing cooperative and require Franchisee to join and participate in the purchasing cooperative on such terms and conditions as New York Musician's Center Franchising may determine.

**8.5 No Liability of Franchisor.** New York Musician's Center Franchising shall not have any liability to Franchisee for any claim or loss related to any product provided or service performed by any Approved Vendor or Required Vendor, including without limitation defects, delays, or unavailability of products or services.

**8.6 Product Recalls.** If New York Musician's Center Franchising or any vendor, supplier, or manufacturer of an item used or sold in Franchisee's Business issues a recall of such item or otherwise notifies Franchisee that such item is defective or dangerous, Franchisee shall immediately cease using or selling such item, and Franchisee shall at its own expense comply with all instructions from New York Musician's Center Franchising or the vendor, supplier, or manufacturer of such item with respect to such item, including without limitation the recall, repair, and/or replacement of such item.

**8.7 Rebates**. New York Musician's Center Franchising has the right to retain any rebates, markups and other benefits from suppliers or Vendors. Franchisee shall have no entitlement to or interest in any such benefits.

**8.8 Termination of Input or Vendor Approval**. New York Musician's Center Franchising has the right to terminate its approval of any Input or Vendor at any time. Upon receipt of any notice of termination of approval of any Input or Vendor, Franchisee shall comply with New York Musician's Center Franchising's instructions regarding phasing-out or immediately terminating use of any such disapproved Input or Vendor.

## ARTICLE 9. MARKETING

**9.1 Approval and Implementation.** Franchisee shall not conduct any marketing, advertising, or public relations activities (including in-store marketing materials, websites, online advertising, social media marketing or presence, and sponsorships) that have not been approved by New York Musician's Center Franchising. New York Musician's Center Franchising may (but is not obligated to) operate all "social media" accounts on behalf of the System, or it may permit franchisees to operate one or more accounts. Franchisee may not establish any social media account or other online platform related to the franchised business without New York Musician's Center Franchising's express written consent, which must be requested using New York Musician's Center Franchising's online platform request form, the current form of which is attached hereto as Attachment 7. If New York Musician's Center Franchising



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approves a request, New York Musician's Center Franchising will establish the approved page/platform and provide Franchisee with authorization to use it. New York Musician's Center Franchising may grant or deny any request in its sole discretion and may revoke any previously granted request by providing written notice to Franchisee. New York Musician's Center Franchising owns all rights to use of the Marks online, including without limitation, all websites, directories, blogs, and social platforms. Franchisee must comply with any System Standards regarding marketing, advertising, and public relations, include any social media policy that New York Musician's Center Franchising may prescribe. Franchisee shall implement any marketing plans or campaigns determined by New York Musician's Center Franchising.

**9.2 Use by New York Musician's Center Franchising.** New York Musician's Center Franchising may use any marketing materials or campaigns developed by or on behalf of Franchisee, and Franchisee hereby grants an unlimited, perpetual, royalty-free license to New York Musician's Center Franchising for such purpose.

**9.3 National Marketing Fund.** New York Musician's Center Franchising may establish a National Marketing Fund to promote the System on a local, regional, national, and/or international level. If New York Musician's Center Franchising has established a National Marketing Fund:

(a) Separate Account. New York Musician's Center Franchising shall hold the National Marketing Fund Contributions from all franchisees in one or more bank accounts separate from New York Musician's Center Franchising's other accounts.

(b) Use. New York Musician's Center Franchising shall use the National Marketing Fund only for marketing, advertising, and public relations materials, programs and campaigns (including at local, regional, national, and/or international level), and related overhead. The foregoing includes such activities and expenses as New York Musician's Center Franchising reasonably determines, and may include, without limitation: development and placement of advertising and promotions; sponsorships; contests and sweepstakes; development of décor, trade dress, Marks, and/or branding; development and maintenance of brand websites; social media; internet activities; e- commerce programs; search engine optimization; market research; public relations, media or agency costs; trade shows and other events; printing and mailing; and administrative and overhead expenses related to the National Marketing Fund (including the compensation of New York Musician's Center Franchising's employees working on marketing and for accounting, bookkeeping, reporting, legal and other expenses related to the National Marketing Fund).

(c) Discretion. Franchisee agrees that expenditures from the National Marketing Fund need not be proportionate to contributions made by Franchisee or provide any direct or indirect benefit to Franchisee. The National Marketing Fund will be spent at New York Musician's Center Franchising's sole

discretion, and New York Musician's Center Franchising has no fiduciary duty with regard to the National Marketing Fund.

(d) Contribution by Other Outlets. New York Musician's Center Franchising is not obligated to (i) have all other New York Musician's Center businesses (whether owned by other franchisees or by New York Musician's Center Franchising or its affiliates) contribute to the National Marketing Fund, or (ii) have other New York Musician's Center businesses that do contribute to the National Marketing Fund contribute the same amount or at the same rate as Franchisee.

(e) Surplus or Deficit. New York Musician's Center Franchising may accumulate funds in the National Marketing Fund and carry the balance over to subsequent years. If the National Marketing Fund operates at a deficit or requires additional funds at any time, New York Musician's Center Franchising may loan such funds to the National

Marketing Fund on reasonable terms.

(f) Financial Statement. New York Musician's Center Franchising will prepare an unaudited annual financial statement of the National Marketing Fund within 120 days of the close of New York Musician's Center Franchising's fiscal year and will provide the financial statement to Franchisee upon request.

**9.4 Market Cooperatives.** New York Musician's Center Franchising may establish market advertising and promotional cooperative funds ("Market Cooperative") in any geographical areas. If a Market Cooperative for the geographic area encompassing the Location has been established at the time Franchisee commences operations hereunder, Franchisee shall immediately become a member of such Market Cooperative. If a Market Cooperative for the geographic area encompassing the Location is established during the term of this Agreement, Franchisee shall become a member of such Market Cooperative within 30 days. New York Musician's Center Franchising shall not require Franchisee to be a member of more than one Market Cooperative. If New York Musician's Center Franchising establishes a Market Cooperative:

(a) Governance. Each Market Cooperative will be organized and governed in a form and manner, and shall commence operations on a date, determined by New York Musician's Center Franchising. New York Musician's Center Franchising may require the Market Cooperative to adopt bylaws or regulations prepared by New York Musician's Center Franchising. Unless otherwise specified by New York Musician's Center Franchising, the activities carried on by each Market Cooperative shall be decided by a majority vote of its members. New York Musician's Center Franchising will be entitled to attend and participate in any meeting of a Market Cooperative. Any New York Musician's Center business owned by New York Musician's Center Franchising in the Market Cooperative shall have the same voting rights as those owned by its franchisees. Each Business owner will be entitled to cast one vote for each Business owned, provided, however, that a franchisee shall not be entitled to vote if it is in default under its franchise agreement. If the members of a Market Cooperative are unable or fail to determine the manner in which Market Cooperative monies will be spent, New York Musician's Center Franchising may assume this decision-making authority after 10 days' notice to the members of the Market Cooperative.

(b) Purpose. Each Market Cooperative shall be devoted exclusively to administering regional advertising and marketing programs and developing (subject to New York Musician's

Center Franchising's approval) standardized promotional materials for use by the members in local advertising and promotion.

(c) Approval. No advertising or promotional plans or materials may be used by a Market Cooperative or furnished to its members without the prior approval of New York Musician's Center Franchising pursuant to Section 9.1. New York Musician's Center Franchising may designate the national or regional advertising agencies used by the Market Cooperative.

(d) Funding. The majority vote of the Market Cooperative will determine the dues to be paid by members of the Market Cooperative, including Franchisee, but not more than 5% of Gross Sales.

(e) Enforcement. Only New York Musician's Center Franchising will have the right to enforce the obligations of franchisees who are members of a Market Cooperative to contribute to the Market Cooperative.

(f) Termination. New York Musician's Center Franchising may terminate any

Market Cooperative. Any funds left in a Market Cooperative upon termination will be transferred to the National Marketing Fund.

**9.5 Required Spending.** Franchisee shall spend at least 4% of Gross Sales each month on marketing the Business. Upon request of New York Musician's Center Franchising, Franchisee shall furnish proof of its compliance with this Section. New York Musician's Center Franchising has the sole discretion to determine what activities constitute "marketing" under this Section. New York Musician's Center Franchising may, in its discretion, determine that if Franchisee contributes to a Market Cooperative, the amount of the contribution will be counted towards Franchisee's required spending under this Section.

**9.6 Market Introduction Plan.** Franchisee must develop a market introduction plan and obtain New York Musician's Center Franchising's approval of the market introduction plan at least 30 days before the projected opening date of the Business. Franchisee must spend a minimum of $5,000 on the market introduction plan. Franchisee's market introduction plan must be conducted in the 90-day period that typically takes place 30 days before and 60 days after the opening of your franchised business or such other time as New York Musician's Center Franchising may designate.

**9.7 Internet Advertising**. Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised business without New York Musician's Center Franchising's prior written consent. New York Musician's Center Franchising has established and maintains an Internet website at the uniform resource locator **https://nymcmusic.com/** that provides information about the System and the products and services that New York Musician's Center Franchising and its franchisees provide. New York Musician's Center Franchising may include at the website an interior page containing information about the Franchised Business. All information provided by Franchisee or which New York Musician's Center Franchising does not create shall be subject to New York Musician's Center Franchising's written approval prior to posting. New York Musician's Center Franchising retains the sole right to advertise or use the Marks on the Internet, including the use of websites, domain names, uniform resource locators, keywords, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for New York Musician's Center Franchising's Internet marketing and shall be required to follow New York Musician's Center Franchising's intranet and Internet usage rules, policies and requirements. New York Musician's Center Franchising retains the sole right to approve any linking to, or other use of, the New York Musician's Center website.

Unless Franchisee has New York Musician's Center Franchising's prior written consent, Franchisee agrees not to use any Mark as a part of any domain name, home page, electronic address, or otherwise in connection with an internet site (unless in connection with our approved franchise system website) or in any username, screen name or profile in connection with any social networking sites, such as, but not limited to, Facebook, Vimeo, YouTube, Instagram, Tik Tok, X, and LinkedIn. Franchisee may apply to New York Musician's Center Franchising for approval of use in an online platform or other electronic media by using the form attached hereto as Attachment 7. New York Musician's Center Franchising has no obligation to consent to Franchisee's use of any Mark or trade name in any form of electronic media and reserves all rights to control the use of all Marks and trade names in all forms of electronic media. Should New York Musician's Center Franchising grant Franchisee written authorization to use the Marks in a form of electronic media, Franchisee agrees that New York Musician's Center Franchising will own all rights to such form of electronic media, have the right to control the content associated with the Marks, administrative access to all such electronic media accounts, and login information and passwords to all such accounts. New York Musician's Center Franchising reserves the right to revoke any consent previously granted by providing written notice to Franchisee.

## ARTICLE 10. RECORDS AND REPORTS

**10.1 Systems.** During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by

New York Musician's Center Franchising in the Manual or otherwise in writing. Franchisee shall use such customer data management, sales data management, administrative, bookkeeping, accounting, and quality control procedures and systems as New York Musician's Center Franchising may specify in the Manual or otherwise in writing. Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement.

**10.2 Reports.**

(a) Financial Reports. Franchisee shall provide such periodic financial reports as New York Musician's Center Franchising may require in the Manual or otherwise in writing, including:

(i) a monthly profit and loss statement and balance sheet for the Business within 30 days after the end of each calendar month;

(ii) an annual financial statement (including profit and loss statement, cash flow statement, and balance sheet) for the Business within 90 days after the end of New York Musician's Center Franchising's fiscal year; and

(iii) any information New York Musician's Center Franchising requests in order to prepare a financial performance representation for New York Musician's Center Franchising's franchise disclosure document.

(b) Legal Actions and Investigations. Franchisee shall promptly notify New York Musician's Center Franchising of any Action or threatened Action by any customer, governmental authority, or other third party against Franchisee or the Business, or otherwise involving the Franchisee or the Business. Franchisee shall provide such documents and information related to any such Action as New York Musician's Center Franchising may request.

(c) Government Inspections. Franchisee shall give New York Musician's Center Franchising copies of all inspection reports, warnings, certificates, and ratings issued by any governmental entity with respect to the Business, within three days of Franchisee's receipt thereof.

(d) Other Information. Franchisee shall submit to New York Musician's Center Franchising such other reporting related to the Business as specified in the Manual or that New York Musician's Center Franchising may reasonably request from time to time including without limitation, reporting regarding any operational issue, financial statements, budgets, forecasts, reports, records, copies of contracts, documents related to litigation, tax returns, copies of governmental permits, and other documents and information related to the Business .

**10.3 Initial Investment Report.** Within 120 days after opening for business, Franchisee shall submit to New York Musician's Center Franchising a report detailing Franchisee's investment costs to develop and open the Business, with costs allocated to the categories described in Item 7 of New York Musician's Center Franchising's Franchise Disclosure Document and with such other information as New York Musician's Center Franchising may request.

**10.4 Business Records.** Franchisee shall keep complete and accurate books and records reflecting all expenditures and receipts of the Business, with supporting documents (including, but not limited to, payroll records, payroll tax returns, register receipts, production reports, sales invoices, bank statements, deposit receipts, cancelled checks and paid invoices) for at least three years. At no time shall Franchisee's books and records, be more than thirty (30) days out of date. At no time shall Franchisee's books, records, and accounting be more than thirty (30) days incomplete. Failure to keep books, records, and accounting current is a material breach of this Agreement. Franchisee shall keep such other business records as New York Musician's Center Franchising may specify in the Manual or otherwise in writing.

**10.5 Certification**. Franchisee shall certify as true and correct all reports and information submitted pursuant to this Agreement.

**10.6 Franchisor Use of Information**. New York Musician's Center Franchising shall have the right to release financial and operational information relating to the Franchised Business to New York Musician's Center Franchising's lenders and prospective lenders, investors and purchasers of New York Musician's Center Franchising, (irrespective of whether the purchase is structured as an asset purchase, stock purchase or merger). New York Musician's Center Franchising may release any financial and operational information relating to the Franchised Business to any potential buyer of Franchisee or its franchised business. New York Musician's Center Franchising may release certain financial and operational information relating to the Franchised Business in its future franchise disclosure documents.

**10.7 Records Audit.** New York Musician's Center Franchising may examine, copy, and audit all books and records related to the Business, and supporting documentation, at any reasonable time. New York Musician's Center Franchising may conduct the audit at the Location and/or require Franchisee to deliver copies of books, records and supporting documentation to a location designated by New York Musician's Center Franchising. Franchisee shall also reimburse New York Musician's Center Franchising for all costs and expenses of the examination or audit if (i) New York Musician's Center Franchising conducted the audit because Franchisee failed to submit required reports or was otherwise not in compliance with the System, or (ii) the audit reveals that Franchisee understated Gross Sales by 3% or more for any 4-week period.

**10.8 Third Party Authorization.** At New York Musician's Center Franchising's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to New York Musician's Center Franchising all accounting and financial records arising from or relating to the operation of the Franchised Business, including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to New York Musician's Center Franchising on a monthly basis for the length of the unexpired term of this Agreement or until such time as New York Musician's Center Franchising withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to New York Musician's Center Franchising.

## ARTICLE 11. FRANCHISOR RIGHTS

**11.1 Manual; Modification.** The Manual, and any part of the Manual, may be in any form or media determined by New York Musician's Center Franchising. New York Musician's Center Franchising may supplement, revise, or modify the Manual, and New York Musician's Center Franchising may change, add or delete System Standards at any time in its discretion. New York Musician's Center Franchising may inform Franchisee thereof by any method that New York Musician's Center Franchising deems appropriate (which need not qualify as "notice" under Section 18.9). In the event of any dispute as to the contents of the Manual, New York Musician's Center Franchising's master copy will control.

**11.2 Inspections.** New York Musician's Center Franchising may enter the premises of the Business from time to time during normal business hours and conduct an inspection. Franchisee shall cooperate with New York Musician's Center Franchising's inspectors. The inspection may include, but is not limited to, observing operations, conducting a physical inventory, evaluating physical conditions, monitoring sales activity, speaking with employees and customers, and removing samples of products, supplies and materials. New York Musician's Center Franchising may videotape and/or take photographs of the inspection and the Business. New York Musician's Center Franchising may set a minimum score requirement for inspections, and Franchisee's failure to meet or exceed the minimum score will be a default under this Agreement. Without limiting New York Musician's Center Franchising's other rights under this Agreement, Franchisee will, as soon as reasonably practical, correct any deficiencies noted during an inspection. If New York Musician's Center Franchising conducts an inspection because of a governmental report, customer complaint or other customer feedback, or a default or non-compliance with any System Standard by Franchisee (including following up a previous failed inspection), then New York Musician's Center Franchising may charge all out-of-pocket expenses plus its then-current inspection fee to Franchisee.

**11.3 New York Musician's Center Franchising's Right to Cure.** If Franchisee breaches or defaults under any provision of this Agreement, New York Musician's Center Franchising may (but has no obligation to) take any action to cure the default on behalf of Franchisee, without any liability to Franchisee. Franchisee shall reimburse New York Musician's Center Franchising for its costs and expenses (including the allocation of any internal costs) for such action, plus 10% as an administrative fee.

**11.4 Right to Discontinue Supplies Upon Default.** While Franchisee is in default or breach of this Agreement, New York Musician's Center Franchising may (i) require that Franchisee pay cash on delivery for products or services supplied by New York Musician's Center Franchising, (ii) stop selling or providing any products and services to Franchisee, and/or (iii) request any third- party vendors to not sell or provide products or services to Franchisee. No such action by New York Musician's Center Franchising shall be a breach or constructive termination of this Agreement, change in competitive circumstances or similarly characterized, and Franchisee shall not be relieved of any obligations under this Agreement because of any such action. Such rights of New York Musician's Center Franchising are in addition to any other right or remedy available to New York Musician's Center Franchising.

**11.5 Business Data.** All customer data and other non-public data generated by the Business is Confidential Information and is exclusively owned by New York Musician's Center Franchising. New York Musician's Center Franchising hereby licenses such data back to Franchisee without charge solely for Franchisee's use in connection with the Business for the term of this Agreement.

**11.6 Innovations.** Franchisee shall disclose to New York Musician's Center Franchising all ideas, plans, improvements, concepts, methods and techniques relating to the Business (collectively, "Innovations") conceived or developed by Franchisee, its employees, agents or contractors. New York Musician's Center Franchising will automatically own all Innovations, and it will have the right to use and incorporate any Innovations into the System, without any compensation to Franchisee. Franchisee shall execute any documents reasonably requested by New York Musician's Center Franchising to document New York Musician's Center Franchising's ownership of Innovations.

**11.7 Communication Systems.** If New York Musician's Center Franchising provides email accounts and/or other communication systems to Franchisee, then Franchisee acknowledges that it has no expectation of privacy in the assigned email accounts and other communications systems, and Franchisee authorizes New York Musician's Center Franchising to access such communications.

**11.8 Delegation.** New York Musician's Center Franchising may delegate any duty or obligation of New York Musician's Center Franchising under this Agreement to an affiliate or to a third party.

**11.9 System Variations.** New York Musician's Center Franchising may vary or waive any System Standard for any one or more New York Musician's Center franchises due to the peculiarities of the particular site or circumstances, density of population, business potential, population of trade area, existing business practices, applicable laws or regulations, or any other condition relevant to the performance of a franchise or group of franchises. Franchisee is not entitled to the same variation or waiver.



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**11.10 Temporary Public Safety Closure.** If New York Musician's Center Franchising discovers or becomes aware of any aspect of the Business which, in New York Musician's Center Franchising's opinion, constitutes an imminent danger to the health or safety of any person, then immediately upon New York Musician's Center Franchising's order, Franchisee must temporarily cease operations of the Business and remedy the dangerous condition. New York Musician's Center Franchising shall have no liability to Franchisee or any other person for action or failure to act with respect to a dangerous condition.

## ARTICLE 12. MARKS

**12.1 Authorized Marks.** Franchisee shall use no trademarks, service marks or logos in connection with the Business other than the Marks. Franchisee shall use all Marks specified by New York Musician's Center Franchising, and only in the manner as New York Musician's Center Franchising may require. Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement. All use of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill arising due to Franchisee's operation of the Business, will inure to the exclusive benefit of New York Musician's Center Franchising.

**12.2 Change of Marks.** New York Musician's Center Franchising may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time after New York Musician's Center Franchising makes any such change, Franchisee must comply with the change, at Franchisee's expense.

**12.3 Infringement.**

(a) Defense of Franchisee. If Franchisee has used the Marks in accordance with this Agreement, then (i) New York Musician's Center Franchising shall defend Franchisee (at New York Musician's Center Franchising's expense) against any Action by a third-party alleging infringement by Franchisee's use of a Mark, and (ii) New York Musician's Center Franchising will indemnify Franchisee for expenses and damages if the Action is resolved unfavorably to Franchisee.

(b) Infringement by Third Party. Franchisee shall promptly notify New York Musician's Center Franchising if Franchisee becomes aware of any possible infringement of a Mark by a third party. New York Musician's Center Franchising may, in its sole discretion, commence or join any claim against the infringing party.

(c) Control. New York Musician's Center Franchising shall have the exclusive right to control any prosecution or defense of any Action related to possible infringement of or by the Marks.

**12.4 Name.** If Franchisee is an entity, it shall not use the word[s] "New York Musician's Center" or any confusingly similar words in its legal name.

**12.5 Limitations**. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person or entity in contesting the validity or ownership of any of the Marks. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor.

## ARTICLE 13. COVENANTS

**13.1 Confidential Information.** With respect to all Confidential Information, Franchisee shall (a) adhere to all procedures prescribed by New York Musician's Center Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized in writing by New York Musician's Center Franchising, (d) exercise the highest



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degree of diligence and effort to maintain the confidentiality of all such information during and after the term of this Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Franchisee acknowledges that all Confidential Information is owned by New York Musician's Center Franchising (except for Confidential Information which New York Musician's Center Franchising licenses from another person or entity). This Section will survive the termination or expiration of this Agreement indefinitely.

**13.2 Covenants Not to Compete.**

(a) Restriction – In Term. During the term of this Agreement, neither Franchisee, any Owner, nor any spouse of an Owner (the "Restricted Parties") shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor.

(b) Restriction – Post Term. For two years after this Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer), no Restricted Party shall directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor within five miles of Franchisee's Location or the Location of any other New York Musician's Center business operating on the date of termination or transfer, as applicable. If this Agreement is terminated before the Location is determined, then the area of non-competition will be the Development Area and the location of any other New York Musician's Center business operating on the date of termination.

(c) Interpretation. The parties agree that each of the foregoing covenants is independent of any other covenant or provision of this Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any arbitrator or court, then the parties intend that the arbitrator or court modify such restriction to the extent reasonably necessary to protect the legitimate business interests of New York Musician's Center Franchising. Franchisee agrees that the existence of any claim it may have against New York Musician's Center Franchising shall not constitute a defense to the enforcement by New York Musician's Center Franchising of the covenants of this Section. If a Restricted Party fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**13.3 General Manager and Key Employees.** If requested by New York Musician's Center Franchising, Franchisee will cause its general manager and other key employees to sign New York Musician's Center Franchising's then-current form of confidentiality and non-compete agreement, the current form of which is attached hereto as Attachment 8 (unless prohibited by applicable law). In the event applicable law at any time makes all or part of the Confidentiality and Noncompetition Agreement unenforceable with respect to any Individual who will have access to Confidential Information, Franchisee shall have modified or updated Agreements in an enforceable form approved by New York Musician's Center Franchising signed by each such Individual.

**13.4 Electronic Access and Passwords**. Each and every individual who will access the Confidential Information and/or any site, program or system hosted, provided or maintained by or for New York Musician's Center Franchising must have an individual log-in and password issued for such person to access such Confidential Information, site, program or system. No log-in or password may be issued or provided unless and until the Nondisclosure and Non-Competition Agreement, in the form prescribed by New York Musician's Center Franchising the current form of which is attached hereto, has been executed by such individual and provided to New York Musician's Center Franchising. It shall be a material default of this Agreement for Franchisee or any individual to whom Franchisee has provided access to the Confidential Information and/or any site, program or system hosted, provided or maintained by or for New York Musician's Center Franchising to provide access in violation of this provision or to share any log-in or password access to such Confidential Information, site, program or system. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them.

## ARTICLE 14. DEFAULT AND TERMINATION

**14.1 Termination by Franchisee.** Franchisee may terminate this Agreement only if New York Musician's Center Franchising violates a material provision of this Agreement and fails to cure or to make substantial progress toward curing the violation within 30 days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective 10 days after New York Musician's Center Franchising receives written notice of termination.

**14.2 Termination by New York Musician's Center Franchising.**

(a) Subject to 10-Day Cure Period. New York Musician's Center Franchising may terminate this Agreement if Franchisee does not make any payment to New York Musician's Center Franchising when due, or if Franchisee does not have sufficient funds in its account when New York Musician's Center Franchising attempts an electronic funds withdrawal, and Franchisee fails to cure such non-payment within 10 days after New York Musician's Center Franchising gives notice to Franchisee of such breach.

(b) Subject to 30-Day Cure Period. If Franchisee breaches this Agreement in any manner not described in subsection (a) or (c), and Franchisee fails to cure such breach to New York Musician's Center Franchising's satisfaction within 30 days after New York Musician's Center Franchising gives notice to Franchisee of such breach, then New York Musician's Center Franchising may terminate this Agreement.

(c) Without Cure Period. New York Musician's Center Franchising may terminate this Agreement by giving notice to Franchisee, without opportunity to cure, if any of the following occur:

(i) Franchisee misrepresented or omitted material facts when applying to be a franchisee, or breaches any representation in this Agreement;

(ii) Franchisee knowingly submits any false report or knowingly provides any other false information to New York Musician's Center Franchising;

(iii) a receiver or trustee for the Business or all or substantially all of Franchisee's property is appointed by any court, or Franchisee makes a general assignment for the benefit of Franchisee's creditors, or Franchisee is unable to pay its debts as they become due, or a levy or execution is made against the Business, or an attachment or lien remains on the Business for 30 days unless the attachment or lien is being duly contested in good faith by Franchisee, or a petition in bankruptcy is filed by Franchisee, or such a petition is filed against or consented to by Franchisee and the petition is not dismissed within 45 days, or Franchisee is adjudicated as bankrupt;

(iv) Franchisee fails to open for business by the date specified on the Summary Page;

(v) Franchisee loses possession of the Location;

(vi) Franchisee or any Owner commits a material violation of Section 7.2 (compliance with laws) or Section 13.1 (confidentiality), violates Section 13.2 (non-compete) or Article 15 (transfer), or commits any other violation of this Agreement which by its nature cannot be cured;

(vii) Franchisee abandons or ceases operation of the Business for more than five consecutive days;

(viii) Franchisee or any Owner slanders or libels New York Musician's Center Franchising or any of its employees, directors, or officers;

(ix) Franchisee refuses to cooperate with or permit any audit or inspection by New York Musician's Center Franchising or its agents or contractors, or otherwise fails to comply with Section 10.5 or Section 11.2;

(x) the Business is operated in a manner which, in New York Musician's Center Franchising's reasonable judgment, constitutes a significant danger to the health or safety of any person, and Franchisee fails to cure such danger within 48 hours after becoming aware of the danger (due to notice from New York Musician's Center Franchising or otherwise);

(xi) Franchisee has received two or more notices of default and Franchisee commits another breach of this Agreement, all in the same 12-month period;

(xii) New York Musician's Center Franchising (or any affiliate) terminates any other agreement with Franchisee (or any affiliate) due to the breach of such other agreement by Franchisee (or its affiliate);

(xiii) Franchisee fails to maintain all required licenses, permits, and certifications for a period exceeding five (5) business days;

(xiv) Franchisee is prohibited by any governmental body or agency from conducting business;

(xv) Franchisee or any Owner discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual or any other Confidential Information;

(xvi) Franchisee surrenders or transfers control of the operation of the Franchised business without New York Musician's Center Franchising's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated Owner thereof as herein required;

(xvii) Franchisee or any Owner is charged with, pleads guilty or no-contest to, or is convicted of a felony; or

(xviii) Franchisee or any Owner is accused by any governmental authority or third party of any act, or if Franchisee or any Owner commits any act or series of acts, that in New York Musician's Center Franchising's opinion is reasonably likely to materially and unfavorably affect the New York Musician's Center brand.

**14.3 Effect of Termination.** Upon termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, indemnity, and dispute resolution, will remain in effect, and Franchisee must immediately:

(i) pay all amounts owed to New York Musician's Center Franchising based on the operation of the Business through the effective date of termination or expiration;

(ii) return to New York Musician's Center Franchising all copies of the Manual, Confidential Information and any and all other materials provided by New York Musician's Center Franchising to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items; and delete all Confidential Information and proprietary materials from electronic devices;

(iii) notify the telephone, internet, email, electronic network, directory, and listing entities of the termination or expiration of Franchisee's right to use any numbers, addresses, domain names, platforms, locators, directories and listings associated with any of the Marks, and authorize their transfer to New York Musician's Center Franchising or any new franchisee as may be directed by New York Musician's Center Franchising, and Franchisee hereby irrevocably appoints New York Musician's Center Franchising, with full power of substitution, as its true and lawful attorney- in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or appropriate to accomplish the foregoing; and

(iv) cease doing business under any of the Marks.

**14.4 Remove Identification.** Within 30 days after termination or expiration, unless New York Musician's Center Franchising has exercised its rights in Section 14.6 below to assume the lease for the Location, Franchisee shall at its own expense "de-identify" the Location so that it no longer contains the Marks, signage, or any trade dress of a New York Musician's Center business, to the reasonable satisfaction of New York Musician's Center Franchising. Franchisee shall comply with any reasonable instructions and procedures of New York Musician's Center Franchising for de-identification. If Franchisee fails to do so within 30 days after this Agreement expires or is terminated, New York Musician's Center Franchising may enter the Location to remove the Marks and de-identify the Location. In this event, New York Musician's Center Franchising will not be charged with trespass nor be accountable or required to pay for any assets removed or altered, or for any damage caused by New York Musician's Center Franchising.

**14.5 Termination Fee.** If New York Musician's Center Franchising terminates this Agreement based upon Franchisee's default (or if Franchisee purports to terminate this Agreement except as permitted under Section 14.1), then within 10 days thereafter Franchisee shall pay to New York Musician's Center Franchising a lump sum (as liquidated damages and not as a penalty) calculated as follows: (x) the average Monthly Royalty Fees and National Marketing Fund Contributions that Franchisee owed to New York Musician's Center Franchising under this Agreement for the 12- month period preceding the date on which Franchisee ceased operating the Business; multiplied by (y) the lesser of (1) 24 or (2) the number of months remaining in the then-current term of this Agreement. If Franchisee had not operated the Business for at least 12 months, then (x) will equal the average Royalty Fees and National Marketing Fund Contributions that Franchisee owed to New York Musician's Center Franchising during the period that Franchisee operated the Business. The "average Royalty Fees and National Marketing Fund Contributions that Franchisee owed to New York Musician's Center Franchising" shall not be discounted or adjusted due to any deferred or reduced Royalty Fees and National Marketing Fund Contributions set forth in an addendum to this Agreement, unless this Section 14.5 is specifically amended in such addendum. Franchisee acknowledges that a precise calculation of the full extent of New York Musician's Center Franchising's damages under these circumstances is difficult to determine and the method of calculation of such damages as set forth in this Section is reasonable. Franchisee's payment to New York Musician's Center Franchising under this Section will be in lieu of any direct monetary damages that New York Musician's Center Franchising may incur as a result of New York Musician's Center Franchising's loss of Royalty Fees and National Marketing Fund Contributions that would have been owed to New York Musician's Center Franchising after the date of termination; however, such payment shall be in addition to all damages and other amounts arising under Section 14.3 and Section 14.4, New York Musician's Center Franchising's right to injunctive relief for enforcement of Article 13, and any attorneys' fees and other costs and expenses to which New York Musician's Center Franchising is entitled under this Agreement. Except as provided in this Section, Franchisee's payment of this lump sum shall be in addition to any other right or remedy that New York Musician's Center Franchising may have under this Agreement or otherwise.

**14.6 Purchase Option.** When this Agreement expires or is terminated, New York Musician's Center Franchising will have the right (but not the obligation) to purchase any or all of the assets related to the Business, and/or to require Franchisee to assign its lease or sublease to New York Musician's Center Franchising. To exercise this option, New York Musician's Center Franchising must notify Franchisee no later than 30 days after this Agreement expires or is terminated. The purchase price for all assets that New York Musician's Center Franchising elects to purchase will be the lower of (i) the book value of such assets as declared on Franchisee's last filed tax returns or (ii) the fair market value of the assets. If the parties cannot agree on fair market value within 30 days after the exercise notice, the fair market value will be determined by an independent appraiser reasonably acceptable to both parties. The parties will equally share the cost of the appraisal. New York Musician's Center Franchising's purchase will be of assets only (free and clear of all liens), and the purchase will not include any liabilities of Franchisee. The purchase price for assets will not include any factor or increment for any trademark or other commercial symbol used in the business, the value of any intangible assets, or any goodwill or "going concern" value for the Business. New York Musician's Center Franchising may withdraw its exercise of the purchase option at any time before it pays for the assets. Franchisee will sign a bill of sale for the purchased assets and any other transfer documents reasonably requested by New York Musician's Center Franchising. If New York Musician's Center Franchising exercises the purchase option, New York Musician's Center Franchising may deduct from the purchase price: (a) all amounts due from Franchisee; (b) Franchisee's portion of the cost of any appraisal conducted hereunder; and (c) amounts paid or to be paid by New York Musician's Center Franchising to cure defaults under Franchisee's lease and/or amounts owed by Franchisee to third parties. If any of the assets are subject to a lien, New York Musician's Center Franchising may pay a portion of the purchase price directly to the lienholder to pay off such lien. New York Musician's Center Franchising may withhold 25% of the purchase price for 90 days to ensure that all of Franchisee's taxes and other liabilities are paid. New York Musician's Center Franchising may assign this purchase option to another party.

**14.7 Right of Franchisor to Operate the Business**. Following the delivery of a notice of default or a notice of termination pursuant to this Agreement, if necessary in New York Musician's Center Franchising's discretion, New York Musician's Center Franchising or its Affiliate shall have the right, but not the obligation, to assume the operation of the Franchised Business (a) until such time as Franchisee corrects the breach; (b) while New York Musician's Center Franchising is evaluating its Rights to Purchase; of (c) following New York Musician's Center Franchising's notice of exercise of its rights to purchase. Franchisor may charge a management fee as stated in the Manual from time to time, currently equal to the greater of Five Hundred Dollars ($500.00) per day or 10% of the daily Gross Revenues of the franchised Business, and New York Musician's Center Franchising shall be entitled to reimbursement of any expenses it incurs that are not paid out of the operating cash flow of the Franchised Business.



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## ARTICLE 15. TRANSFERS

**15.1 By New York Musician's Center Franchising.** New York Musician's Center Franchising may transfer or assign this Agreement, or any of its rights or obligations under this Agreement, to any person or entity, and New York Musician's Center Franchising may undergo a change in ownership and/or control, without the consent of Franchisee.

**15.2 By Franchisee.** Franchisee acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee and that New York Musician's Center Franchising entered into this Agreement in reliance on Franchisee's business skill, financial capacity, personal character, experience, and business ability. Accordingly, Franchisee shall not conduct or undergo a Transfer without providing New York Musician's Center Franchising at least 60 days prior notice of the proposed Transfer, and without obtaining New York Musician's Center Franchising's consent. In granting any such consent, New York Musician's Center Franchising may impose conditions, including, without limitation, the following:

(i) New York Musician's Center Franchising receives a transfer fee equal to $10,000 plus any broker fees and other out-of-pocket costs incurred by New York Musician's Center Franchising;

(ii) the proposed assignee and its owners have completed New York Musician's Center Franchising's franchise application processes, meet New York Musician's Center Franchising's then-applicable standards for new franchisees, and have been approved by New York Musician's Center Franchising as franchisees;

(iii) the proposed assignee is not a Competitor;

(iv) the proposed assignee executes New York Musician's Center Franchising's then- current form of franchise agreement and any related documents, which form may

contain materially different provisions than this Agreement (provided, however, that the proposed assignee will not be required to pay an initial franchise fee);

(v) all owners of the proposed assignee provide a guaranty in accordance with Section 2.5;

(vi) Franchisee has paid all monetary obligations to New York Musician's Center Franchising and its affiliates, and to any lessor, vendor, supplier, or lender to the Business, and Franchisee is not otherwise in default or breach of this Agreement or of any other obligation owed to New York Musician's Center Franchising or its affiliates;

(vii) the proposed assignee and its owners and employees undergo such training as New York Musician's Center Franchising may require;

(viii) Franchisee, its Owners, and the transferee and its owners execute a general release of New York Musician's Center Franchising in a form satisfactory to New York Musician's Center Franchising; and

(ix) the Business fully complies with all of New York Musician's Center Franchising's most recent System Standards.

**15.3 Transfer for Convenience of Ownership.** If Franchisee is an individual, Franchisee may



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Transfer this Agreement to a corporation or limited liability company formed for the convenience of ownership after at least 15 days' notice to New York Musician's Center Franchising, if, prior to the Transfer: (1) the transferee provides the information required by Section 2.3; (2) Franchisee provides copies of the entity's charter documents, by-laws (or operating agreement) and similar documents, if requested by New York Musician's Center Franchising, (3) Franchisee owns all voting securities of the corporation or limited liability company, and (4) Franchisee provides a guaranty in accordance with Section 2.5.

**15.4 Transfer upon Death or Incapacity.** Upon the death or incapacity of Franchisee (or, if Franchisee is an entity, the Owner with the largest ownership interest in Franchisee), the executor, administrator, or personal representative of that person must Transfer the Business to a third party approved by New York Musician's Center Franchising (or to another person who was an Owner at the time of death or incapacity of the largest Owner) within nine months after death or incapacity. Such transfer must comply with Section 15.2.

**15.5 New York Musician's Center Franchising's Right of First Refusal.** Before Franchisee (or any Owner) engages in a Transfer (except under Section 15.3, to a co-Owner, or to a spouse, sibling, or child of an Owner), New York Musician's Center Franchising will have a right of first refusal, as set forth in this Section. Franchisee (or its Owners) shall provide to New York Musician's Center Franchising a copy of the terms and conditions of any Transfer. For a period of 30 days from the date of New York Musician's Center Franchising's receipt of such copy, New York Musician's Center Franchising will have the right, exercisable by notice to Franchisee, to purchase the assets subject of the proposed Transfer for the same price and on the same terms and conditions (except that New York Musician's Center Franchising may substitute cash for any other form of payment). If New York Musician's Center Franchising does not exercise its right of first refusal, Franchisee may proceed with the Transfer, subject to the other terms and conditions of this Article.

**15.6 No Sublicense.** Franchisee has no right to sublicense the Marks or any of Franchisee's rights under this Agreement.

**15.7 No Lien on Agreement.** Franchisee shall not grant a security interest in this Agreement to any person or entity. If Franchisee grants an "all assets" security interest to any lender or other secured party, Franchisee shall cause the secured party to expressly exempt this Agreement from the security interest.

**15.8 Franchisor's Disclosure to Transferee**. New York Musician's Center Franchising has the right, without liability to Franchisee of any kind or nature whatsoever to make available for inspection by any intended transferee of Franchisee, or of an interest in Franchisee or in the Franchised business or this Agreement, all or any part of New York Musician's Center Franchising's records relating to this Agreement, the Franchised business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by New York Musician's Center Franchising and releases and holds New York Musician's Center Franchising harmless from and against any claim, loss or injury resulting from an inspection of New York Musician's Center Franchising's records relating to Franchisee or the Franchised Business by an intended transferee identified by Franchisee.

**15.9 For-Sale Advertising**. Franchisee shall not, without prior written consent of New York Musician's Center Franchising, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.



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## ARTICLE 16. INDEMNITY

**16.1 Indemnity.**

NEW YORK MUSICIAN'S CENTER FRANCHISING WILL NOT ASSUME ANY LIABILITY OR BE DEEMED LIABLE FOR ANY AGREEMENTS, REPRESENTATIONS, OR WARRANTIES FRANCHISEE MAKES THAT ARE NOT EXPRESSLY AUTHORIZED UNDER THIS AGREEMENT, NOR WILL NEW YORK MUSICIAN'S CENTER FRANCHISING BE OBLIGATED FOR ANY DAMAGES TO ANY PERSON OR PROPERTY DIRECTLY OR INDIRECTLY ARISING OUT OF THE OPERATION OF THE BUSINESS, WHETHER OR NOT CAUSED BY EITHER PARTY'S NEGLIGENT OR WILLFUL ACTION OR FAILURE TO ACT. NEW YORK MUSICIAN'S CENTER FRANCHISING WILL HAVE NO LIABILITY FOR ANY SALES, USE, EXCISE, INCOME, GROSS RECEIPTS, PROPERTY, OR OTHER TAXES LEVIED AGAINST FRANCHISEE OR FRANCHISEE'S ASSETS OR ON OR IN CONNECTION WITH THE BUSINESS, OR ANY PAYMENTS FRANCHISEE MAKES TO THE NEW YORK MUSICIAN'S CENTER FRANCHISING PURSUANT TO THIS AGREEMENT OR ANY FRANCHISE AGREEMENT (EXCEPT FOR NEW YORK MUSICIAN'S CENTER FRANCHISING'S OWN INCOME TAXES). NEW YORK MUSICIAN'S CENTER FRANCHISING IS NOT A JOINT EMPLOYER OF FRANCHISEE'S EMPLOYEES AND WILL HAVE NO LIABILITY FOR ANY OBLIGATIONS FRANCHISEE OWES TO ITS EMPLOYEES OR FOR ANY OF FRANCHISEE'S EMPLOYMENT PRACTICES, INCLUDING BUT NOT LIMITED TO ANY VIOLATIONS OF STATE OR FEDERAL LABOR AND EMPLOYMENT LAWS OR LICENSING LAWS. FRANCHISEE IS SOLELY RESPONSIBLE FOR MAINTAINING THE CONFIDENTIALITY OF PERSONALLY IDENTIFIABLE INFORMATION OF CUSTOMERS AND EMPLOYEES OF ITS FRANCHISED BUSINESS AND NEW YORK MUSICIAN'S CENTER FRANCHISING WILL HAVE NO LIABILITY FOR ANY BREACHES OF SECURITY. FRANCHISEE WILL PROVIDE NEW YORK MUSICIAN'S CENTER FRANCHISING TIMELY NOTICE OF CUSTOMER AND EMPLOYEE CLAIMS AND SUBMISSIONS TO FRANCHISEE'S INSURANCE CARRIERS. **FRANCHISEE AGREES TO INDEMNIFY, DEFEND, AND HOLD HARMLESS NEW YORK MUSICIAN'S CENTER FRANCHISING, ITS AFFILIATES AND PARENT, AND NEW YORK MUSICIAN'S CENTER FRANCHISING AND ITS AFFILIATES' AND PARENT'S RESPECTIVE SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SUCCESSORS, AND ASSIGNEES (THE "INDEMNIFIED PARTIES") AGAINST, AND TO REIMBURSE ANY ONE OR MORE OF THE INDEMNIFIED PARTIES FOR, ALL CLAIMS, OBLIGATIONS, AND DAMAGES DIRECTLY OR INDIRECTLY ARISING OUT OF**

**FRANCHISEE'S BUSINESS' OPERATION, THE BUSINESS FRANCHISEE CONDUCTS UNDER THIS AGREEMENT, OR FRANCHISEE'S BREACH OF THIS AGREEMENT, INCLUDING, WITHOUT LIMITATION, THOSE ALLEGED TO BE CAUSED BY THE INDEMNIFIED PARTY'S NEGLIGENCE, UNLESS (AND THEN ONLY TO THE EXTENT THAT) THE CLAIMS, OBLIGATIONS, OR DAMAGES ARE DETERMINED TO BE CAUSED SOLELY BY THE INDEMNIFIED PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT IN A FINAL, UNAPPEALABLE RULING ISSUED BY A COURT WITH COMPETENT JURISDICTION.** FOR PURPOSES OF THIS INDEMNIFICATION, "CLAIMS" INCLUDE ALL OBLIGATIONS, DAMAGES (ACTUAL, CONSEQUENTIAL, OR OTHERWISE), AND COSTS THAT ANY INDEMNIFIED PARTY REASONABLY INCURS IN DEFENDING ANY CLAIM AGAINST IT, INCLUDING, WITHOUT LIMITATION, REASONABLE ACCOUNTANTS', ARBITRATORS', ATTORNEYS', AND EXPERT WITNESSES' FEES, COSTS OF INVESTIGATION AND PROOF OF FACTS, COURT COSTS, TRAVEL AND LIVING EXPENSES, AND OTHER EXPENSES OF LITIGATION, ARBITRATION, OR ALTERNATIVE DISPUTE RESOLUTION, REGARDLESS OF WHETHER LITIGATION, ARBITRATION, OR ALTERNATIVE DISPUTE RESOLUTION IS COMMENCED. EACH INDEMNIFIED PARTY MAY DEFEND ANY CLAIM AGAINST IT AT FRANCHISEE'S EXPENSE AND AGREE TO SETTLEMENTS OR TAKE ANY OTHER REMEDIAL, CORRECTIVE, OR OTHER ACTIONS. THIS INDEMNITY WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION. AN INDEMNIFIED PARTY NEED NOT SEEK RECOVERY FROM ANY INSURER OR OTHER THIRD PARTY, OR OTHERWISE MITIGATE ITS LOSSES AND EXPENSES, IN ORDER TO MAINTAIN AND RECOVER FULLY A CLAIM AGAINST FRANCHISEE UNDER THIS SECTION. FRANCHISEE AGREES THAT A FAILURE TO PURSUE A RECOVERY OR MITIGATE A LOSS WILL NOT REDUCE OR ALTER THE AMOUNTS THAT AN INDEMNIFIED PARTY MAY RECOVER FROM FRANCHISEE UNDER THIS SECTION. NOTHING HEREIN SHALL BE DEEMED TO IMPOSE ON FRANCHISEE A DUTY TO INDEMNIFY THE NEW YORK MUSICIAN'S CENTER FRANCHISING FOR ACTIONS OF NEW YORK MUSICIAN'S CENTER FRANCHISING WHICH VIOLATE ITS OBLIGATIONS TO THE FRANCHISEE HEREUNDER.

**16.2 Administration of Indemnification**. Franchisee shall give New York Musician's Center Franchising immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by an Indemnified Party. New York Musician's Center Franchising has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, New York Musician's Center Franchising's reputation or the goodwill of others, New York Musician's Center Franchising has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in New York Musician's Center Franchising's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If New York Musician's Center Franchising's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all causes of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to New York Musician's Center Franchising without the need for any further action on either party's part. Under no circumstances shall New York Musician's Center Franchising be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by New York Musician's Center Franchising from Franchisee.

**16.3 Assumption.** An Indemnitee may elect to assume the defense of any Action subject to this indemnification, and control all aspects of defending the Action, including negotiations and settlement, at Franchisee's expense. Such an undertaking shall not diminish Franchisee's obligation to indemnify the Indemnitees.

## ARTICLE 17. DISPUTE RESOLUTION

**17.1 Arbitration.**

(a) Disputes Subject to Arbitration. Except as expressly provided in subsection (c), (d), and (e), any controversy or claim between the parties (including any controversy or claim arising out of or relating to this Agreement or its formation and including any question of arbitrability) shall be resolved exclusively by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules, including the Optional Rules for Emergency Measures of Protection, forsaking all other forums. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction.

(b) Location. The place of arbitration shall be the city and state where New York Musician's Center Franchising's headquarters are located.

(c) Mediation Condition Precedent. As a condition precedent to filing any action for arbitration, the Parties agree that all disputes, claims and disagreements which are subject to arbitration and which they are not able to resolve after negotiating in good faith shall be mediated by non-binding, mandatory mediation. The complaining Party must provide written notice to the other Party describing the nature of the dispute. The Parties shall then agree on a mediator within ten (10) days. If the parties are unable to agree on a mediator, the mediator shall be appointed in accordance with the Commercial Mediation Rules and Regulations of the American Arbitration Association. Mediation may be held via web meeting or telephone or in West Hempstead, New York and shall be held within thirty (30) days after a mediator has been selected or appointed.

(d) Injunctive Relief. Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either party also may, without waiving any remedy or right to arbitrate under this Agreement, seek from any court having jurisdiction any interim or provisional injunctive relief and need not comply with the mediation condition precedent for an award of interim or provisional injunctive relief.

(e) Intellectual Property Claims. Either party may bring a claim involving an alleged infringement of any of New York Musician's Center Franchising's intellectual property rights in a court authorized to hear such claims under Section 17.5 of this

Agreement.

(f) Confidentiality. All documents, information, and results pertaining to any arbitration or lawsuit will be confidential, except as required by law or as required for New York Musician's Center Franchising to comply with laws and regulations applicable to the sale of franchises.

(g) Performance During Mediation, Arbitration or Litigation. Unless this Agreement has been terminated, New York Musician's Center Franchising and Franchisee will comply with this Agreement and perform their respective obligations under this Agreement during the mediation, arbitration or litigation process.

**17.2 Damages.** In any controversy or claim arising out of or relating to this Agreement, each party waives any right to punitive or other monetary damages not measured by the prevailing party's actual damages, except damages expressly authorized by federal statute and damages expressly authorized by this Agreement.

**17.3 Waiver of Class Actions.** The parties agree that any claims will be arbitrated, litigated, or otherwise resolved on an individual basis, and waive any right to act on a class-wide basis.

**17.4 Time Limitation.** Any arbitration or other legal action arising from or related to this Agreement must be instituted within two (2) years from the date such party discovers the conduct or event that forms the basis of the arbitration or other legal action. The foregoing time limit does not apply to claims (i) by one party related to non-payment under this Agreement by the other party, (ii) for indemnity under Article 16, or (iii) related to unauthorized use of Confidential Information or the Marks.

**17.5 Venue Other Than Arbitration.** For any legal proceeding not required to be submitted to arbitration, the parties agree that any such legal proceeding will be brought in the United States District Court where New York Musician's Center Franchising's headquarters is then located. If there is no federal jurisdiction over the dispute, the parties agree that any such legal proceeding will be brought in the court of record of the state and county where New York Musician's Center Franchising's headquarters is then located. Each party consents to the jurisdiction of such courts and waives any objection that it, he or she may have to the laying of venue of any proceeding in any of these courts.

**17.6 Legal Costs.** In any legal proceeding (including arbitration) related to this Agreement or any guaranty, the non-prevailing party shall pay the prevailing party's attorney fees, costs, expert witness fees, and other expenses of the legal proceeding. "Prevailing party" means the party, if any, which prevailed upon the central litigated issues and obtained substantial relief.

## ARTICLE 18. MISCELLANEOUS

**18.1 Relationship of the Parties.** The parties are independent contractors, and neither is the agent, partner, joint venturer, or employee of the other. New York Musician's Center Franchising is not a fiduciary of Franchisee. New York Musician's Center Franchising does not control or have the right to control Franchisee or its Business. Any required specifications and standards in this Agreement and in the System Standards exist to protect New York Musician's Center Franchising's interest in the System and the Marks, and the goodwill established in them, and not for the purpose of establishing any control, or duty to take control, over the Business. New York Musician's Center Franchising has no liability for Franchisee's obligations to any third party whatsoever.

**18.2 No Third-Party Beneficiaries.** This Agreement does not confer any rights or remedies upon any person or entity other than Franchisee, New York Musician's Center Franchising, and New York Musician's Center Franchising's affiliates.



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**18.3 Entire Agreement.** This Agreement constitutes the entire agreement of the parties and supersedes all prior negotiations and representations. Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by New York Musician's Center Franchising in its franchise disclosure document.

**18.4 Modification.** No modification or amendment of this Agreement will be effective unless it is in writing and signed by both parties. This provision does not limit New York Musician's Center Franchising's rights to modify the Manual or System Standards.

**18.5 Consent; Waiver.** No consent under this Agreement, and no waiver of satisfaction of a condition or nonperformance of an obligation under this Agreement will be effective unless it is in writing and signed by the party granting the consent or waiver. No waiver by a party of any right will affect the party's rights as to any subsequent exercise of that right or any other right. No delay, forbearance or omission by a party to exercise any right will constitute a waiver of such right.

**18.6 Cumulative Remedies.** Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

**18.7 Severability.** The parties intend that (i) if any provision of this Agreement is held by an arbitrator or court to be unenforceable, then that provision be modified to the minimum extent necessary to make it enforceable, unless that modification is not permitted by law, in which case that provision will be disregarded, and (ii) if an unenforceable provision is modified or disregarded, then the rest of this Agreement will remain in effect as written.

**18.8 Governing Law.** Except for matters regulated by the United States Trademark Act, the American Arbitration Act, or any other federal laws, the laws of the state of New York (without giving effect to its principles of conflicts of law) govern all adversarial proceedings between the parties. The parties agree that any New York law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 18.8.

**18.9 Notices.** Any notice will be effective under this Agreement only if made in writing and delivered as set forth in this Section to: (A) if to Franchisee, addressed to Franchisee at the notice address set forth in the Summary Page; and (B) if to New York Musician's Center Franchising, addressed to 484 White Star Avenue, West Hempstead, NY 11552. Any party may designate a new address for notices by giving notice of the new address pursuant to this Section. Notices will be effective upon receipt (or first rejection) and must be: (1) delivered personally; (2) sent by registered or certified U.S. mail with return receipt requested; or (3) sent via overnight courier. Notwithstanding the foregoing, New York Musician's Center Franchising may amend the Manual, give binding notice of changes to System Standards, and deliver notices of default by electronic mail or other electronic communication.

**18.10 Joint and Several Liability.** If two or more people sign this Agreement as "Franchisee", each will have joint and several liability.

**18.11 No Offer and Acceptance.** Delivery of a draft of this Agreement to Franchisee by New York Musician's Center Franchising does not constitute an offer. This Agreement shall not be effective unless and until it is executed by both Franchisee and New York Musician's Center Franchising.

**18.12 Entire Agreement**. This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations New York Musician's Center Franchising made in the Franchise Disclosure Document that New York Musician's Center Franchising provided to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of its own independent investigation of the Franchised business and not as a result of any representations about New York Musician's Center Franchising made by its shareholders, officers, directors, employees, agents,



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representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus or other similar document given to Franchisee pursuant to applicable law.

Agreed to by:

FRANCHISOR:

NEW YORK MUSICIAN'S
CENTER FRANCHISING, LLC

By: ______________________________
Name: ____________________________
Title: _____________________________
Date: _____________________________

FRANCHISEE:

[*if an individual:*]

__________________________________
Name: ____________________________
Date: _____________________________

[*if an entity:*]

__________________________________

By: ______________________________
Name: ____________________________
Title: _____________________________
Date: _____________________________

## Attachment 1 to Franchise Agreement

### OWNERSHIP INFORMATION

1. **Form of Ownership.** Franchisee is a (check one):

| | | | |
|---|---|---|---|
| *Sole Proprietorship* | *Partnership* | *Limited Liability Company* | *Corporation* |

**ENTITY NAME:________________________________________________**

**STATE OF FORMATION:_______________________________________**

**FICTITIOUS NAME: New York Musician's Center - _________________________**

**EIN:________________________________ STATE TAX ID ______________________**

2. **Holders of Legal or Beneficial Interest.** If Franchisee is a partnership, limited liability company or corporation:

| **Name (If an entity, list beneficial owners)** | **Position/ Title** | **Percent of Ownership Interest Held** | **Contact Information (Home Address, Email, phone)** |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

**<u>FRANCHISEE HEREBY DESIGNATES THE FOLLOWING INDIVIDUAL(S) AS THE MANAGING OWNER, UPON WHOM FRANCHISOR IS ENTITLED TO RELY WITH RESPECT TO DECISIONS REGARDING THE FRANCHISE, AND THE ONSITE MANAGER, WHO WILL MANAGE THE ONSITE OPERATIONS:</u>**

| **Name (If an entity, list individual with authority on behalf of entity)** | **Contact Information (Home Address, Email, phone)** |
|---|---|
| **<u>MANAGING OWNER:</u>** | |
| **<u>ONSITE MANAGER:</u>** | |

**<u>Attachment 2 to Franchise Agreement</u>**

**LOCATION ACCEPTANCE LETTER**

To: ________________________________

This Location Acceptance Letter is issued by New York Musician's Center Franchising, LLC for your New York Musician's Center franchise in accordance with Section 6.1 of the Franchise Agreement.

1. The Location of the Business is:

___________________________________________________________

NEW YORK MUSICIAN'S
CENTER FRANCHISING, LLC

By: _____________________________

Name: ___________________________

Title: ____________________________

Date: ____________________________



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**Attachment 3 to Franchise Agreement**

**GUARANTY AND NON-COMPETE AGREEMENT**

This Guaranty and Non-Compete Agreement (this "Guaranty") is executed by the undersigned person(s) (each, a "Guarantor") in favor of New York Musician's Center Franchising, LLC, a Wyoming Limited Liability Company ("New York Musician's Center Franchising").

**Background Statement: ___________________________** ("Franchisee") desires to enter into a Franchise Agreement with New York Musician's Center Franchising for the franchise of a New York Musician's Center business (the "Franchise Agreement"; capitalized terms used but not defined in this Guaranty have the meanings given in the Franchise Agreement). Guarantor owns an equity interest in Franchisee. Guarantor is executing this Guaranty in order to induce New York Musician's Center Franchising to enter into the Franchise Agreement. Capitalized terms not defined in the Guaranty but defined in the Franchise Agreement shall have the meaning set forth in the Franchise Agreement.

Guarantor agrees as follows:

**1. Guaranty.** Guarantor hereby unconditionally guarantees to New York Musician's Center Franchising and its successors and assigns that Franchisee shall pay and perform every undertaking, agreement and covenant set forth in the Franchise Agreement and further guarantees every other liability and obligation of Franchisee to New York Musician's Center Franchising, whether or not contained in the Franchise Agreement. Guarantor shall render any payment or performance required under the Franchise Agreement or any other agreement between Franchisee and New York Musician's Center Franchising upon demand from New York Musician's Center Franchising. Guarantor waives (a) acceptance and notice of acceptance by New York Musician's Center Franchising of this Guaranty; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations of Franchisee; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right Guarantor may have to require that an action be brought against Franchisee or any other person or entity as a condition of liability hereunder; (e) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the execution of and performance under this Guaranty by the undersigned; (f) any law which requires that New York Musician's Center Franchising make demand upon, assert claims against or collect from Franchisee or any other person or entity (including any other guarantor), foreclose any security interest, sell collateral, exhaust any remedies or take any other action against Franchisee or any other person or entity (including any other guarantor) prior to making any demand upon, collecting from or taking any action against the undersigned with respect to this Guaranty; and (g) any and all other notices and legal or equitable defenses to which Guarantor may be entitled.

**2. Financial Statements.** Each of you consents and agrees to provide New York Musician's Center Franchising with signed personal financial statements within ten (10) business days of your receipt of a written request for such statement.

**3. Confidential Information.** With respect to all Confidential Information Guarantor shall (a) adhere to all security procedures prescribed by New York Musician's Center Franchising for maintaining confidentiality, (b) disclose such information to its employees only to the extent necessary for the operation of the Business; (c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by New York Musician's Center Franchising, (d) exercise the highest degree of diligence and



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make every effort to maintain the confidentiality of all such information during and after the term of the Franchise Agreement, (e) not copy or otherwise reproduce any Confidential Information, and (f) promptly report any unauthorized disclosure or use of Confidential Information. Guarantor acknowledges that all Confidential Information is owned by New York Musician's Center Franchising or its affiliates (except for Confidential Information which New York Musician's Center Franchising licenses from another person or entity). Guarantor acknowledges that all customer data generated or obtained by Guarantor is Confidential Information belonging to New York Musician's Center Franchising. This Section will survive the termination or expiration of the Franchise Agreement indefinitely.

**4. Covenants Not to Compete.**

(a) Restriction - In Term. During the term of the Franchise Agreement, Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor. "Competitor" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) music lessons, music therapy, and/or products or services the same as or similar to those provided by the brand, its affiliates, and its franchisees, or in which Trade Secrets or other Confidential Information could be used to the disadvantage of New York Musician's Center Franchising, any Affiliate or its other franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated under a Franchise Agreement with New York Musician's Center Franchising, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

(b) Restriction – Post Term. For two years after the Franchise Agreement expires or is terminated for any reason (or, if applicable, for two years after a Transfer by Guarantor), Guarantor shall not directly or indirectly have any ownership interest in, lend money or provide financial assistance to, provide any services to, or be employed by, any Competitor located within five miles of Franchisee's Location or the locationof any other New York Musician's Center business operating on the date of termination or transfer, as applicable. If the Franchise Agreement is terminated before the Location is determined, then the area of non-competition will the Development Area and the location of any other New York Musician's Center business operating on the date of termination.

(c) Interpretation. Guarantor agrees that each of the foregoing covenants is independent of any other covenant or provision of this Guaranty or the Franchise Agreement. If all or any portion of the covenants in this Section is held to be unenforceable or unreasonable by any court or arbitrator, then the parties intend that the court or arbitrator modify such restriction to the extent reasonably necessary to protect the legitimate business interests of New York Musician's Center Franchising. Guarantor agrees that the existence of any claim it or Franchisee may have against New York Musician's Center Franchising shall not constitute a defense to the enforcement by New York Musician's Center Franchising of the covenants of this Section. If Guarantor fails to comply with the obligations under this Section during the restrictive period, then the restrictive period will be extended an additional day for each day of noncompliance.

**5. Modification.** Guarantor agrees that Guarantor's liability hereunder shall not be diminished, relieved or otherwise affected by (a) any amendment of the Franchise Agreement, (b) any extension of time, credit or other indulgence which New York Musician's Center Franchising may from time-to-time grant to Franchisee or to any other person or entity, or (c) the acceptance of any partial payment or performance or the compromise or release of any claims.

**6. Spousal Consent**. Each of the undersigned represents and warrants that, if no signature appears below for such undersigned's spouse or domestic partner, such undersigned is not married and the assets used to qualify for the franchise are individual and not combined with a domestic partner.

**7. Governing Law; Dispute Resolution.** This Guaranty shall be governed by and construed in accordance with the laws of the state of New York (without giving effect to its principles of conflicts of law). The parties agree that any New York law for the protection of franchisees or business opportunity purchasers will not apply unless its jurisdictional requirements are met independently without reference to this Section 6. The provisions of Article 17 (Dispute Resolution) of the Franchise Agreement apply to and are incorporated into this Guaranty as if fully set forth herein. Guarantor shall pay to New York Musician's Center Franchising all costs incurred by New York Musician's Center Franchising (including reasonable attorney fees) in enforcing this Guaranty. If multiple Guarantors sign this Guaranty, each will have joint and several liability.

Agreed to by Guarantors:

| Guarantor Name | Guarantor Signature | Guarantor % of Ownership |
|---|---|---|
| | | |
| | | |
| | | |

The undersigned, as the spouse or domestic partner of the Guarantor indicated below, acknowledges and consents to the guaranty given herein by the Guarantor's spouse or domestic partner and agrees to comply with the Confidentiality and Noncompetition provisions herein. Such consent also serves to bind the assets of the marital estate and jointly held assets to Guarantor's performance of this Guaranty.

| | |
|---|---|
| ______________________________ | ______________________________ |
| Name of Guarantor | Name of Guarantor |
| ______________________________ | ______________________________ |
| Name of Guarantor's Spouse or Domestic Partner | Name of Guarantor's Spouse or Domestic Partner |
| ______________________________ | ______________________________ |
| Signature of Guarantor's Spouse or Domestic Partner | Signature of Guarantor's Spouse or Domestic Partner |

**ATTACHMENT 4 TO THE FRANCHISE AGREEMENT**
**MULTI-STATE ADDENDA**

**ADDENDUM TO THE FRANCHISE AGREEMENT**

**FOR THE STATE OF CALIFORNIA**

This Addendum to the Franchise Agreement is agreed to this ____________________ ("Effective Date") is by and between New York Musician's Center Franchising, LLC and _______________ ____________________________.

1. The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise be delivered together with the offering circular.

2. No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

3. Article 4 of the Franchise Agreement and Item 5 of the FDD are amended to add the following:

- All Franchise Fees payable by California Franchisees will be deferred until the Franchisor has completed all of its pre-opening obligations and Franchisee is open for business and operational.

4. In recognition of the requirements of the California Franchise Investment Law, Cal. Corp. Code §§31000-31516 and the California Franchise Relations Act, Cal. Bus. And Prof. Code §§20000-20043, the Franchise Agreement is amended as follows:

- The California Franchise Relations Act provides rights to Franchisee concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement.

- Section 14.2(c)(iii), which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq*.).

- Section 13.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

- Section 14.5 contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

- Section 17.1 requires binding arbitration. The arbitration will occur at the forum indicated in Section 17.5 with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

5. Neither New York Musician's Center Franchising nor any person or franchise broker in Item 2

of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

6. The franchise agreement requires application of the laws of the state of New York. This provision may not be enforceable under California law.

7. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

8. You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

9. “The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.”

10. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

11. We have a website: https://nymcmusic.com/ OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENTOF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician’s Center Franchising, LLC: | Franchisee:________________________ |
| Sign: ___________________________________ | Sign: ____________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |

**FOR THE STATE OF CONNECTICUT**

This Addendum to the Franchise Agreement is agreed to this __________________ ("Effective Date") between New York Musician's Center Franchising, LLC and ___________________________ ("Franchisee") to amend and revise said Franchise Agreement as follows:

1. Article 4 "Franchise Fee," is amended to delete the following:

- The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable.

2. Section 5.4(d) "Pre-Opening Training," is amended by the addition of the following language to the original language that appears therein:

- "The required training shall commence no more than sixty (60) days after execution of this Agreement."

3. Section 1, "Manual," is amended by the addition of the following language to the original language that appears therein:

- "Franchisor shall provide the Manual to the Franchisee no later than thirty (30) days after execution of this Agreement."

5. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Connecticut Law applicable to the provisions are met independent of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:_______________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:________________________ | Print Name & Title: ________________________ |

**FOR THE STATE OF HAWAII**

This Addendum to the Franchise Agreement is agreed to this __________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ________________________ ____________________.

1. In recognition of the requirements of the Hawaii Franchise Investment Law, Hawaii Revised Statutes, Title 26, Chapter 482E *et seq.*, the Franchise Agreement is amended as follows:

- The Hawaii Franchise Investment Law provides rights to Franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If the Agreement, contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

- Sections 3.2 and 15.2 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise; such release shall exclude claims arising under the Hawaii Franchise Investment Law.

- Section 14.2(c)(iii), which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:________________________________ |
| Sign: ___________________________________ | Sign: ____________________________________ |
| Print Name & Title:________________________ | Print Name & Title: ________________________ |

**FOR THE STATE OF ILLINOIS**

This Addendum to the Franchise Agreement is agreed to this __________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________ __________________________________.

No statement, questionnaire or acknowledgement 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 behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

1. In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705, the Franchise Agreement is amended as follows:

- Section 4.1 is amended to provide that payment of the initial franchise fee will be deferred until all initial obligations owed to franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the franchise agreement. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

- Sections 3.2 and 15.2 are amended to add:

  No general release shall be required as a condition of renewal or transfer that is intended to require Franchisee to waive compliance with the Illinois Franchise Disclosure Act, 815 ILCS 705, or any other law of Illinois.

- Section 14 is amended to add:

  Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act (815 ILCS 705/19 and 705/20).

- Sections 17 and 18.8 are amended to add:

  The Franchise Agreement shall be governed by Illinois law. Jurisdiction and venue for court litigations shall be in Illinois. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

- Section 17.4 is amended to add:

  No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after Franchisee becomes aware of facts or circumstances reasonably indicating that the Franchisee may have a claim for relief in respect to conduct governed by the Act, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever shall first expire.

**2.** In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any Franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of Illinois is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

**3.** Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum to the Franchise Agreement for the State of Illinois, and understands and consents to be bound by all of its terms.

| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
|---|---|
| Sign: __________________________________ | Sign: __________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |



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**FOR THE STATE OF INDIANA**

This Addendum to the Franchise Agreement is agreed to this __________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________ ________________________________.

1. In recognition of the requirements of the Indiana Deceptive Franchise Practices Law, IC 23-2.2.7 and the Indiana Franchise Disclosure Law, IC 23-2-2-2.5, the Franchise Agreement is amended as follows:

- Sections 3.2 and 15.2 do not provide for a prospective general release of claims against Franchisor that may be subject to the Indiana Deceptive Franchise Practices Law or the Indiana Franchise Disclosure Law.

- Section 14 is amended to prohibit unlawful unilateral termination of a Franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

- Section 13.2(b) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that post-term non-competitor covenants shall have a geographical limitation of the location granted to Franchisee.

- Section 16 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products which were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

- Section 18.8 is amended to provide that, in the event of a conflict of law, the Indiana Franchise Disclosure Law, IC 23-2-2.5, and the Indiana Deceptive Franchise Practices Law will prevail.

- Section 17 is amended to provide that Franchisee may commence litigation in Indiana for any cause of action under Indiana law.

- Sections 17.1 and 17.5 are amended to provide that arbitration between Franchisor and Franchisee, shall be conducted at a mutually agreed upon location.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |



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## FOR THE STATE OF MARYLAND

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________.

1. In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Md. Code Ann., Bus. Reg. §§14-201-14-233, the Franchise Agreement is amended as follows:

- Sections 3.2 and 15.2 require Franchisee to sign a general release as a condition of renewal or transfer of the Franchise; such release shall exclude claims arising under the Maryland Franchise Registration and Disclosure Law.

- Section 14.2(c)(iii), which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, et seq.).

- Section 18.8 requires that the Franchise be governed by the laws of the State of New York; however, in the event of a conflict of laws to the extent required by the Maryland Franchise Registration and Disclosure Law, the laws of the State of Maryland shall prevail.

- Section 17 requires mediation or arbitration to be conducted in the State of New York; the requirement shall not limit any rights Franchisee may have under the Maryland Franchise Registration and Disclosure Law to bring suit in the State of Maryland.

- Any Section of the Franchise Agreement requiring Franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing the Franchise are not intended to, nor shall they act as a, release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

- Section 17.4 is amended to the extent that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.

2. Any portion of the Franchise Agreement which requires prospective franchisees to disclaim the occurrence and/or acknowledge the non-occurrence of acts would constitute a violation of the Maryland Franchise Registration and Disclosure Law. Any such representations are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

3. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |



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**FOR THE STATE OF MINNESOTA**

This Addendum to the Franchise Agreement is agreed to this ________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________ ___________________.

1. In recognition of the Minnesota Franchise Law, Minn. Stat., Chapter 80C, Sections 80C.01 through 80C.22, and the Rules and Regulations promulgated pursuant thereto by the Minnesota Commission of Securities, Minnesota Rule 2860.4400, et. seq., the parties to the attached Franchise Agreement agree as follows:

- Section 14 is amended to add that with respect to Franchises governed by Minnesota Law, Franchisor will comply with the Minnesota Franchise Law that requires, except in certain specified cases, that Franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Agreement.

- Sections 3.2 and 15.2 do not provide for a prospective general release of any claims against Franchisor that may be subject to the Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

- Section 4.7 is amended to provide that pursuant to Minnesota Statute 604.113, the nonsufficient funds charge shall be thirty dollars ($30).

- Section 12.3 is amended to add that as required by Minnesota Franchise Act, New York Musician's Center Franchising, LLC will reimburse you for any costs incurred by you in the defense of your right to use the Marks, so long as you were using the Marks in the manner authorized by New York Musician's Center Franchising, LLC, and so long as New York Musician's Center Franchising, LLC is timely notified of the claim and is given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

- Section 17.4 is amended to state that any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an arbitration or an action for a claim that cannot be the subject of arbitration is commenced within three (3) years from the date on which Franchisee or Franchisor knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to or the claim.

- Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit Franchisor from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction. However, Franchisor may seek such relief through the court system with or without a bond as determined by a court. Minn. Rule Part 2860.4400J prohibits Franchisee from waving its rights to a jury trial or waiving your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent that the Franchise Agreement requires Franchisee to waive these rights, the Franchise Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Minnesota Franchise Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum to the Agreement for the State of Minnesota and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:_______________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:________________________ | Print Name & Title: ________________________ |

**FOR THE STATE OF NEW YORK**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________ ____________________.

1. In recognition of the requirements of the General Business Laws of the State of New York, Article 33, §§ 680 through 695, the Franchise Agreement is amended as follows:

- Sections 3.2 and 15.2 require Franchisee to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under the General Business Laws.

- Under Section 15.1 Franchisor shall not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to the General Business Laws of the State of New York.

- Section 16 is amended to provide that Franchisee will not be required to indemnify Franchisor for any liability imposed upon Franchisor as a result of Franchisee's reliance upon or use of procedures or products that were required by Franchisor, if such procedures or products were utilized by Franchisee in the manner required by Franchisor.

- Section 18.8 requires that the Franchise be governed by the laws of the state Franchisor's principal business is then located, such a requirement will not be considered a waiver of any right conferred upon Franchisee by Article 33 of the General Business Laws.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the New York Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:________________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:________________________ | Print Name & Title: ________________________ |

-

**FOR THE STATE OF NORTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this __________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ________________________ ______________________.

1. The North Dakota Securities Commission requires that certain provisions contained in the Agreement be amended to be consistent with North Dakota Law, including the North Dakota Franchise Investment Law, North Dakota Century Code Addendum, Chapter 51-19, Sections 51-19-01 *et seq.* Such provisions in the Agreement are hereby amended as follows:

- Section 4.1 is amended to provide that payment of the initial franchise fee will be deferred until all initial obligations owed to franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the franchise agreement.
- Sections 3.2 and 15.2 are amended to delete the requirement for the execution of a general release upon renewal or transfer of Franchises purchased in North Dakota.
- Section 13 is amended to add that the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.
- Section 13.2 is amended to add that covenants not to compete upon termination or expiration of the Franchise Agreement are generally unenforceable in the State of North Dakota except in limited instances as provided by law.
- Section 17 is amended to state:

  If Franchisor or Franchisee is required to enforce this Agreement via judicial or arbitration proceedings, the prevailing party shall be entitled to reimbursement of its costs, including reasonable accounting and legal fees in connection with such proceeding.
- Section 18.8 is amended to state that in the event of a conflict of laws, North Dakota Law shall prevail.
- Section 17 is amended to add that any action may be brought in the appropriate state or federal court in North Dakota with respect to claims under North Dakota Law.
- Section 17.4 is amended to state that the statute of limitations under North Dakota Law shall apply.
- Section 17 is amended to state that mediation and/or arbitration involving a Franchise purchased in North Dakota must be held either in a location mutually agreed upon prior to the mediation and/or arbitration, which may not be remote from Franchisee's place of business.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the North Dakota Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions



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of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: __________________________________ | Sign: __________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |



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**FOR THE STATE OF RHODE ISLAND**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________ ____________________.

1. In recognition of the requirements of The Rhode Island Franchise Investment Act §19-28.1-14, the Franchise Agreement is amended as follows:

   - Sections 3.2 and 15.2 require Franchisee to sign a general release as a condition of renewal or transfer; such release shall exclude claims arising under The Rhode Island Franchise Investment Act.

   - Sections 17 and 18 are amended to state that restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under The Rhode Island Franchise Investment Act.

2. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Rhode Island Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: __________________________________ | Sign: __________________________________ |
| Print Name & Title:________________________ | Print Name & Title: ________________________ |



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**FOR THE STATE OF SOUTH DAKOTA**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________ ____________________.

Article 4 of the Franchise Agreement and Item 5 of the FDD are amended to add the following:

- All Franchise Fees payable by South Dakota Franchisees will be deferred until the Franchisor has completed all of its pre-opening obligations and Franchisee is open for business and operational.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: _________________________________ | Sign: _________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |

**FOR THE COMMONWEALTH OF VIRGINIA**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ______________________ __________________ to amend and revise said Franchise Agreement as follows:

- Section 14.2(c)(iii) which terminates the Franchise Agreement upon the bankruptcy of Franchisee, may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: __________________________________ | Sign: __________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |

__________________________

**FOR THE STATE OF WASHINGTON**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and _______________________ ____________________. Each provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Washington Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed one hundred thousand dollars ($100,000) per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed two hundred fifty thousand dollars ($250,000) per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

In lieu of an impound of franchise fees, the Franchisor will not require or accept the payment of any initial franchise fees until the franchisee has (a) received all pre-opening and initial training obligations that it is entitled to under the franchise agreement or offering circular, and (b) is open for business.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: __________________________________ | Sign: __________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |

**FOR THE STATE OF WISCONSIN**

This Addendum to the Franchise Agreement is agreed to this _________________ ("Effective Date"), is by and between New York Musician's Center Franchising, LLC and ________________________ ________________________ to amend and revise said Franchise Agreement as follows:

1. The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Sec. 135.01-135.07 shall supersede any conflicting terms of the Franchise Agreement.

2. This provision of this Addendum shall be effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law applicable to the provisions are met independently of this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of said Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

| | |
|---|---|
| New York Musician's Center Franchising, LLC: | Franchisee:______________________________ |
| Sign: ___________________________________ | Sign: ___________________________________ |
| Print Name & Title:_______________________ | Print Name & Title: _______________________ |



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**Attachment 5 to New York Musician's Center Franchise Agreement: Pre-Opening Certification**

***This certification is required before opening, changing ownership of, or relocation of a New York Musician's Center. (complete one column below)***

| INITIAL OPENING | TRANSFER/RESALE | RELOCATION |
|---|---|---|
| **Date of Opening:** ______________________ | **Date of Transfer/Resale:** ________________________ | **Date of Relocation Opening:** ________________________ |

I, ___________________, do hereby certify to New York Musician's Center Franchising:

1. I understand that it is my responsibility to ensure that my New York Musician's Center Business operates in accordance with all laws, rules, and regulations. I have ensured that any sample forms conform to the laws of my State.

2. I understand that I am solely responsible for my employees and that neither New York Musician's Center Franchising nor any of its affiliates or agents exercises any control over my employees or my relationship with them. I will ensure that the Business complies with all labor and employment laws.

3. I have submitted a video walk-through of the Business to New York Musician's Center Franchising, and all repairs/modifications/maintenance required by the system standards have been completed. If New York Musician's Center Franchising hereafter provides additional required modifications/repairs/maintenance, I agree that I will cause such modifications/repairs/maintenance to be completed within 30 days of the notice.

4. A copy of the certificates of insurance for the Business have been provided to New York Musician's Center Franchising.

5. I have completed New York Musician's Center Franchising's initial training program and have received adequate training. All staff members have completed all required initial training. I acknowledge that I and other staff members of the Business may be required to attend additional training as specified by New York Musician's Center Franchising from time to time.

6. I will use my best efforts to operate the Business in accordance with all System Standards and all laws, rules, & regulations, which may require me to seek legal and accounting advice from time to time from my advisor(s).

________________________________________ Date:_______________________________

Name &
Title:________________________________

**ATTACHMENT 6 TO FRANCHISE AGREEMENT**
**AUTHORIZATION AGREEMENT – PRE-ARRANGED PAYMENTS**

I (We) (Franchisee) authorize New York Musician's Center Franchising LLC (New York Musician's Center Franchising) to initiate debit entries and/or credit correction entries, electronic or otherwise, as authorized by the Franchise Agreement between Franchisee and New York Musician's Center Franchising. Debit entries for all amounts owed by Franchisee to New York Musician's Center Franchising pursuant to the Franchise Agreement are authorized by this Authorization Agreement and shall be made on such due dates as agreed in the Franchise Agreement or such other dates as Franchisee and New York Musician's Center Franchising may agree upon from time to time. This authorization shall remain in full force and effect until terminated in writing by Franchise pursuant to thirty (30) day notice. Franchisee shall provide New York Musician's Center Franchising, in conjunction with this Authorization Agreement, a voided check from the below-referenced account.

| | |
|---|---|
| Bank Name | |
| Branch Designation | |
| City, State, Zip | |
| ABA / Routing / Transit Number | |
| Account Number | |
| Franchisee Name on Account | |
| Franchisee Tax Identification Number | |
| Authorized Signatory on Account Printed Name | |
| Authorized Signatory on Account Signature | |
| Authorized Signatory on Account Contact Phone number and email | Phone:<br>Email: |



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**ATTACHMENT 7 TO THE FRANCHISE AGREEMENT**
**ONLINE/SOCIAL MEDIA MARKETING PERMISSION REQUEST**

I, ___________________, hereby request that New York Musician's Center Franchising LLC ("New York Musician's Center Franchising") establish pages/listings for my franchised business known as New York Musician's Center - _______________________ on the below listed online pages/sites/platforms and authorize me to make postings on such platforms:

| | |
|---|---|
| | |
| | |
| | |
| | |

1. I hereby acknowledge and agree that New York Musician's Center Franchising owns all rights to all online pages/sites/platforms regarding the franchised business, including without limitation all information, data, and/or reviews generated through the pages/sites/platforms. I agree to follow New York Musician's Center Franchising's instructions for establishing the pages/sites/platforms and/or transferring administrative rights to such pages/sites/platforms.
2. I agree to diligently monitor and update each platform.
3. I agree to promptly and courteously respond to any and all comments, concerns, questions, and/or postings made on each page/site/platform.
4. I agree that New York Musician's Center Franchising has no obligation to but has the right to monitor, modify, and/or update the pages/sites/platforms.
5. I agree to comply with New York Musician's Center Franchising's marketing and social media policies as modified from time to time.
6. New York Musician's Center Franchising may, but is not required to, specify from time to time in the Manual certain online social media postings that, when made in accordance with the System Standards on these authorized platforms do not require pre-approval prior to posting. In all cases, New York Musician's Center Franchising reserves the absolute right, at its sole discretion, to require removal or discontinuance of any posting or marketing.
7. I understand that New York Musician's Center Franchising reserves the right to revoke approval for posting on any page/site/platform by providing written notice to me.
8. I certify to New York Musician's Center Franchising that there are no websites, social media pages or other electronic media related to my franchised Business other than those for which I have obtained written permission from New York Musician's Center Franchising.

**Franchisee**

_________________________________
(signature)
Print Name & Title_______________________

**Approved by Franchisor**:
**NEW YORK MUSICIAN'S CENTER FRANCHISING LLC**

_________________________________
(signature)
Print Name & Title_______________________



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## EXHIBIT C

## RIDER TO LEASE AGREEMENT

| | LANDLORD | FRANCHISOR |
|---|---|---|
| **NOTICE ADDRESS** | | 484 White Star Avenue,<br>West Hempstead, NY 11552 |
| **TELEPHONE** | | (516) 233-4285 |

Tenant: ________________________________

Leased Premises: ______________________________________________________________

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a New York Musician's Center business (or any name authorized by Franchisor).

2. Notice of Default and Opportunity to Cure. Landlord shall provide Franchisor with copies of any written notice of default ("Default") given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within 10 days after the expiration of the period in which Tenant may cure the Default.

3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant's Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within 15 days after Franchisor receives notice of the termination of the Lease.

4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.

5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the New York Musician's Center brand. Any provision of the Lease which limits Tenant's right to own or operate other New York Musician's Center outlets in proximity to the Leased Premises shall not apply to Franchisor.

6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant's business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant's right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor's brand name, trademarks, and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Rider, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

LANDLORD:

________________________________

By: ______________________________
Name: ____________________________
Title: _____________________________
Date: _____________________________

TENANT:

________________________________

By: ______________________________
Name: ____________________________
Title: _____________________________
Date: _____________________________

FRANCHISOR:

NEW YORK MUSICIAN'S CENTER FRANCHISING, LLC

By: ______________________________
Name: ____________________________
Title: _____________________________
Date: _____________________________

## EXHIBIT D

## FORM OF GENERAL RELEASE

[*This is our current standard form of General Release. This document is not signed when you purchase a franchise. In circumstances such as a renewal of your franchise or as a condition of our approval of a sale of your franchise, we may require you to sign a general release.*]

This General Release ("Release") is executed by the undersigned ("Releasor") in favor of New York Musician's Center Franchising, LLC, a Wyoming Limited Liability Company ("New York Musician's Center Franchising").

**Background Statement:** [*describe circumstances of Release*]

Releasor agrees as follows:

**1. Release.** Releasor (on behalf of itself and its parents, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, managers, members, partners, agents, and employees (collectively, the "Releasing Parties")) hereby releases New York Musician's Center Franchising, its affiliates, and their respective directors, officers, shareholders, employees, and agents (collectively, the "Released Parties") from any and all claims, causes of action, suits, debts, agreements, promises, demands, liabilities, contractual rights and/or obligations, of whatever nature, known or unknown, which any Releasing Party now has or ever had against any Released Party based upon and/or arising out of events that occurred through the date hereof, including without limitation, anything arising out of the Franchise Agreement (collectively, "Claims").

**2. Covenant Not to Sue.** Releasor (on behalf of all Releasing Parties) covenants not to initiate, prosecute, encourage, assist, or (except as required by law) participate in any civil, criminal, or administrative proceeding or investigation in any court, agency, or other forum, either affirmatively or by way of cross-claim, defense, or counterclaim, against any Released Party with respect to any Claim.

**3. Representations and Acknowledgments.** Releasor represents and warrants that: (i) Releasor is the sole owner of all Claims, and that no Releasing Party has assigned or transferred, or purported to assign or transfer, to any person or entity, any Claim; (ii) Releasor has full power and authority to sign this Release; and (iii) this Release has been voluntarily and knowingly signed after Releasor has had the opportunity to consult with counsel of Releasor's choice. Releasor acknowledges that the release in Section 1 is a complete defense to any Claim.

**4. Miscellaneous.** If any of the provisions of this Release are held invalid for any reason, the remainder of this Release will not be affected and will remain in full force and effect. In the event of any dispute concerning this Release, the dispute resolution, governing law, and venue provisions of the Franchise Agreement shall apply. Releasor agrees to take any actions and sign any documents that New York Musician's Center Franchising reasonably requests to effectuate the purposes of this Release. This Release contains the entire agreement of the parties concerning the subject matter hereof.

Agreed to by:

________________________________
Name: ____________________________
Date: _____________________________



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**EXHIBIT E**

**FINANCIAL STATEMENTS**

NEW YORK MUSICIAN’S CENTER FRANCHISING, LLC

Balance Sheet as of December 31, 2024

TOGETHER WITH INDEPENDENT ACCOUNTANT AUDIT REPORT

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924 W. 75th Street
Suite 120 - 189
Naperville, IL 60565
+1 (815) 348-2421
omar@napercpa.com

**INDEPENDENT ACCOUNTANT AUDIT REPORT**

To the Management of NEW YORK MUSICIAN'S CENTER FRANCHISING, LLC

**Opinion**

We have audited the financial statements of NEW YORK MUSICIAN'S CENTER FRANCHISING, LLC (the "Company"), which comprise the Balance Sheet as of December 31, 2024, and the related notes for the period then ended. (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2024, and the results of its operations and its cash flows for the period ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Omar Alnuaimi, CPA

Naperville, IL
March 3, 2025

**NEW YORK MUSICIAN’S CENTER FRANCHISING, LLC**
**BALANCE SHEET**
**AS OF DECEMBER 31, 2024**

| | |
|---|---|
| **ASSETS** | |
| **CURRENT ASSETS** | |
| Cash and Cash Equivalents | $ 1,000 |
| TOTAL CURRENT ASSETS | 1,000 |
| **NON-CURRENT ASSETS** | |
| TOTAL NON-CURRENT ASSETS | - |
| TOTAL ASSETS | 1,000 |
| **LIABILITIES AND OWNER'S EQUITY** | |
| **CURRENT LIABILITIES** | |
| TOTAL CURRENT LIABILITIES | - |
| **NON-CURRENT LIABILITIES** | |
| TOTAL NON-CURRENT LIABILITIES | - |
| TOTAL LIABILITIES | - |
| **OWNER'S EQUITY** | |
| Retained Earnings (Deficit) | 1,000 |
| TOTAL SHAREHOLDERS' EQUITY | 1,000 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | $ 1,000 |

*See Independent Accountant’s Audit Report and accompanying notes, which are an integral part of these financial statements.*

**NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES**

NEW YORK MUSICIAN'S CENTER FRANCHISING, LLC (the "Company") was incorporated under the laws of the State of Wyoming for the purpose of offering franchise opportunities to entrepreneurs who want to own their own 'New York Musician's Center' location, as a franchise.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

<u>Basis of Presentation</u>

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). As a result, the Company records revenue when earned and expenses when incurred. The Company has adopted the calendar year as its basis of reporting.

<u>Use of Estimates</u>

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosures of contingent assets and liabilities and other items, as well as the reported revenues and expenses. Actual results could differ from those estimates.

<u>Cash and Cash Equivalents</u>

Cash and any cash equivalents include all cash balances, and highly liquid investments with maturities of three months or less when purchased.

<u>Revenue Recognition</u>

Revenues are primarily derived from franchise fees (one-time and recurring monthly fees). In accordance with Accounting Standards Codification (ASC) Topic 606, Revenue will be recognized when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectability is reasonable assured. The determination of whether fees and fixed or determinable and collection is reasonable assured involves the use of assumptions. Arrangement terms and customer information are evaluated to ensure that these criteria are met prior to recognition of revenue.

Specifically for franchisors, The Financial Accounting Standards Board (FASB) has issued an Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' in 2022 which provides a new practical expedient that permits private company franchisors to account for preopening services provided to a franchisee as distinct from the franchise license if the services are consistent with those included in a predefined list within the guidance. The Company has elected to adopt this new standard.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Unearned Revenue

The Company's primarily performance obligation under the franchise agreement mainly includes granting certain rights to access the Company's intellectual property and a variety of activities relating to opening a franchise unit, including initial training and other such activities commonly referred to collectively as "pre-opening activities", which are recognized as a single performance obligation. The Company expects that certain pre-opening activities provided to the franchisee will not be brand specific and will provide the franchisee with relevant general business information that is separate and distinct from the operation of a company-branded franchise unit. The portion of pre-opening activities that will be provided that is not brand specific is expected to be distinct as it will provide a benefit to the franchisee and is expected not to be highly interrelated or interdependent to the access of the Company's intellectual property, and therefore will be accounted for as a separate distinct performance obligation. All other pre-opening activities are expected to be highly interrelated and interdependent to the access of the Company's intellectual property and therefore will be accounted for as a single performance obligation, which is satisfied by granting certain rights to access the Company's intellectual property over the term of each franchise agreement.

The Company estimates the stand-alone selling price of pre-opening activities using an adjusted market assessment approach. The Company will first allocate the initial franchise fees and the fixed consideration, under the franchise agreement to the standalone selling price of the training services that are not brand specific and the residual, if any, to the right to access the Company's intellectual property. Consideration allocated to pre-opening activities, which are not brand specific are recognized ratably as those services are rendered. Consideration allocated to pre-opening activities included under Accounting Standards Update (ASU) to ASC 606, Franchisors—'Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient' is recognized when the related services have been rendered.

The remaining franchisee fee not allocated to pre-opening activities are recorded as Unearned Revenue and will be recognized over the term of the franchise agreement.

Income Taxes

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities.

Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Income Taxes (cont.)

the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

Commitments and Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. As of December 31, 2024, the Company has not reported any lawsuit or known plans of litigation by or against the Company.

**NOTE C – CONCENTRATIONS OF RISK**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company places its cash and any cash equivalents with a limited number of high-quality financial institutions and do not exceed the amount of insurance provided on such deposits.

**NOTE D – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 3, 2025, the date on which the financial statements were available to be issued. Management has determined that none of the events occurring after the date of the balance sheet through the date of Management's review substantially affect the amounts and disclosure of the accompanying financial statements.

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**CONSENT**

Omar Alnuaimi, CPA, consents to the use in the Franchise Disclosure Document issued by NEW YORK MUSICIAN'S CENTER FRANCHISING, LLC ("Franchisor") on March 4, 2025, as it may be amended, of my report dated March 3, 2025, relating to the Balance Sheet as of December 31, 2024, of Franchisor.

Omar Alnuaimi, CPA

Naperville, IL
March 4, 2025

**EXHIBIT F**

**OPERATIONS MANUAL TABLE OF CONTENTS**

NYMC
New York Musician's Center





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## EXHIBIT G

## CURRENT AND FORMER FRANCHISEES

Current Franchisees

Names of all current franchisees (as of the end of our last fiscal year) and the address and telephone number of each of their outlets:

None

Note: We did not have any multi-unit developers at the close of our last fiscal year.

Former Franchisees

Name, city and state, and current business telephone number, or if unknown, the last known home telephone number of every 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 recently completed fiscal year or who have not communicated with us within 10 weeks of the disclosure document issuance date:

None



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# EXHIBIT H

## STATE ADDENDA TO DISCLOSURE DOCUMENT

## CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

California Corporations Code, Section 31125 requires the franchisor to give the franchisee a disclosure document, approved by the CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION, prior to a solicitation of a proposed material modification of an existing franchise.

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 OFFERING CIRCULAR.

OUR WEBSITE 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 BUSINESS OVERSIGHT AT www.dbo.ca.gov.

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF CALIFORNIA. SUCH REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION NOR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

ALL THE OWNERS OF THE FRANCHISE WILL BE REQUIRED TO EXECUTE PERSONAL GUARANTEES. THIS REQUIREMENT PLACES THE MARITAL ASSETS OF THE SPOUSES AT RISK IF YOUR FRANCHISE FAILS.

1. The following paragraph is added to the end of Item 3 of the Disclosure Document:

   Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

2. The following paragraph is added to the end of Item 6 of the Disclosure Document:

   With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

3. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

   The Franchise Agreement requires franchisee to sign a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring a franchise to waive compliance with any provision of that law or any rule or order thereunder is void.

   California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer, or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

   The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

   The Franchise Agreement contains a covenant not to compete which extends beyond the



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termination of the franchise. This provision may not be enforceable under California law.

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

The Franchise Agreement requires binding arbitration. The arbitration will occur in New York, New York, with the costs being borne equally by Franchisor and Franchisee. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of New York. This provision may not be enforceable under California law.

4. The following paragraph is added at the end of Item 19 of the Disclosure Document:

The earnings claims figures do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your New York Musician's Center business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

**HAWAII ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Hawaii only, this Disclosure Document is amended as follows:

**THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities
335 Merchant Street
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. No states have refused, by order or otherwise to register these franchises.

2. No states have revoked or suspended the right to offer these franchises.

3. The proposed registration of these franchises has not been withdrawn in any state.

**ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT**

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, as amended (the "Act"), this Disclosure Document is amended as follows:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Act provides that any provision in a franchise agreement that designates jurisdiction of venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Act or any other law of Illinois is void.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Act.



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**MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows: The

following is added to Item 17:

> The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
>
> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.
>
> You have the right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.
>
> The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.



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**MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.

- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statues, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

**THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION**

**WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED**

**TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

## NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT

In the State of New York only, this Disclosure Document is amended as follows:

1. The following information is added to the cover page of the Franchise Disclosure Document:

   **INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

   Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

   A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

   B. No such party has pending actions, other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

   C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

   D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "**Choice of forum**", and Item 17(w), titled "**Choice of law**": The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements--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.

7. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the Rev. April 2, 2024 time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

**NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.

2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.

6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.

7. Waiver of Exemplary and Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.

8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.

9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney’s fees.

## OHIO ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Ohio only, this Disclosure Document is amended by adding the following two cover pages to this Disclosure Document:

**New York Musician's Center Franchising, LLC 5/16/2024**

**READ THIS DISCLOSURE DOCUMENT CAREFULLY**

**The state of Ohio has not reviewed and does not approve, recommend, endorse, or sponsor this or any franchise. If you have any questions about this franchise, the information contained in this disclosure document should be reviewed with an attorney or financial advisor before you sign any agreement.**

**The following disclosure document contains the disclosures required by Ohio law.**

In the State of Ohio only, this Disclosure Document is further amended as follows: The following is added to Item 19:

**CAUTION**

**Some business opportunity plans have earned this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.**

## RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Rhode Island only, this Disclosure Document is amended as follows: Item 17,

summary columns for (v) and (w) are amended to add the following:

> Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

**VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT**

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows: The following statements are added to Item 17(h):

> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.
>
> Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

> Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

## WASHINGTON ADDENDUM TO DISCLOSURE DOCUMENT

ITEM 17 of the Disclosure Document is amended to add the following:

- In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.
- A general release or waiver of rights signed by you will not include rights under the Washington Franchise Investment Protection Act.
- Provisions that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act, including the right to a jury trial may not be enforceable.
- Transfer fees are collectable if they reflect our reasonable estimated or actual costs in effecting a transfer.
- The Franchise Agreement requires any litigation to be conducted in a state other than Washington; the requirement shall not limit any rights Franchisee may have under the Washington Franchise Investment Protection Act to bring suit in the State of Washington.

## STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| State | Effective Date |
| --- | --- |
| New York | 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.



RETURN TO FDD TOC

**RECEIPT**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If New York Musician's Center Franchising, 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 that you be given this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of any franchise or other agreement, or payment of any consideration that relates to the franchise relationship.

If New York Musician's Center Franchising, 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (which are listed in Exhibit A).

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

| Name | Principal Business Address | Telephone & Email |
|---|---|---|
| Talonda Thomas | 484 White Star Avenue, West Hempstead, NY 11552 | tthomas@nymcmusic.com<br>(516) 233-4285 |
| Malachi Thomas | 484 White Star Avenue, West Hempstead, NY 11552 | malachi@nymcmusic.com<br>(516) 460-0925 |

Issuance Date: April 15, 2025, as amended June 30, 2025

I received a disclosure document dated April 15, 2025, as amended June 30, 2025, that included the following Exhibits:

A. State Administrators and Agents for Service of Process
B. Franchise Agreement
Attachment 1: Entity Information
Attachment 2: Location Acceptance Letter
Attachment 3: Guaranty & Noncompetition Agreement
Attachment 4: State Specific Addenda to Franchise Agreement
Attachment 5: Pre-Opening Certificate
Attachment 6: ACH Agreement
Attachment 7: Online Social Media Request
C. Rider to Lease Agreement
D. Form of General Release
E. Financial Statements
F. Operations Manual Table of Contents
G. Current and Former Franchisees
H. State Addenda to Disclosure Document

| Signature | Print Name | Date FDD Received |
|---|---|---|
| | | |



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**Keep This Copy For Your Records**

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| Signature | Print Name | Date FDD Received |
|---|---|---|
| | | |



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**Return This Copy To Us:** **New York Musician's Center Franchising, LLC**

RECEIPT

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