FRANCHISE DISCLOSURE DOCUMENT

ROCKSTARS OF TOMORROW FRANCHISE, INC.
A California Corporation
dba Rockstars of Tomorrow Musicians Academy
1900 Lampton Lane
Norco, California 92860
(909) 636-3446
Email: michael@rockstarsoftomorrow.com
URL: www. rockstarsoftomorrow.com

Rockstars of Tomorrow Franchise, Inc. offers franchises for the operation of music schools at converted residences and other specified locations, offering instruction in music (featuring the rock and roll genre) focusing on vocals, guitar, keyboard, and drums, and the retail sale of musical instruments, musical accessories, rock-related collectibles and related merchandise, products and accessories, using designated concepts, designs, recipes, authorized equipment and techniques.

The total investment necessary to begin operation of a Rockstars of Tomorrow single outlet franchise ranges from $195,500 to $472,000. This includes $45,000 to $65,000 that is paid to the franchisor or its affiliate. If you are converting an existing and similar business to the Rockstars of Tomorrow brand and you qualify for a conversion credit, you would pay an initial franchisee fee of $35,000 instead of the standard $45,000. If you sign an Area Development Agreement, you will be granted the right to open additional Outlets within a negotiated development area under a negotiated development schedule for a development fee paid to Rockstars of Tomorrow Franchise, Inc. of $18,000, multiplied by the number of additional Outlets you commit to open.

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 government 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 disclosure in different formats, contact Michael Anderson at 1900 Lampton Lane, Norco, California 92860, telephone (909) 636-3446.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this disclosure document is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's homepage 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: **November 1, 2024**

CA

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 Exhibit D.
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?	Exhibit B 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 Rockstars of Tomorrow Franchise 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 Rockstars of Tomorrow Franchise franchisee?	Exhibits D and E list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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 risks be highlighted:

1. **<u>Out-of-State Dispute Resolution</u>.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration or litigation only in California. 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 California than in your own state.

2. **<u>Spousal Liability</u>.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

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

ROCKSTARS OF TOMORROW FRANCHISE, INC.

FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

ITEM 1: <u>THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES</u>

To simplify the language, this disclosure document uses “we” or “us” to mean Rockstars of Tomorrow Franchise, Inc. “You” or “your” means the individual or entity buying the Rockstars of Tomorrow franchise. All persons who own 20% or more of the franchisee are “Principal Equity Owners”.

The Franchisor, Parents and Affiliates

We are the franchisor for the Rockstars of Tomorrow system. Our principal business address is 1900 Lampton Lane, Norco, California 92860.

Our parent entity is Rockstars of Tomorrow, Inc. (“ROT”), whose principal business address is 1900 Lampton Lane, Norco, California 92860.

ROT owns and licenses all intellectual property relating to the Rockstars of Tomorrow business, including a royalty-free intellectual property license to us which then licenses you the right to use specific intellectual property under the franchise agreement. ROT or its affiliated entities may provide you with proprietary music instructional materials and proprietary merchandise. ROT does not offer franchises in any line of business. Otherwise, we are not controlled by, controlling, or under common control with any other entity that provides goods or services to our franchisees or offers franchises in any line of business.

Predecessors

We have no predecessor. However, our parent entity owns and operates music schools in Norco, California and Chino Hills, California that are equivalent to the franchise being offered to you.

Name Used by the Franchisor

We conduct business under the name “Rockstars of Tomorrow” (the “Brand”). We do not intend to use any other name to conduct business.

Agent for Service of Process

Our agents for service of process are Michael Anderson, 1900 Lampton Lane, Norco, California 92860 and (if you are in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington or Wisconsin) the state office or official listed in Exhibit E of this disclosure document.

Business Organization Used by the Franchisor

We are a corporation organized in California on March 19, 2014.

The Franchisor’s Business

We act solely as a franchisor of Rockstars of Tomorrow franchises. We began offering franchises in April 2015. We do not operate businesses of the type being franchised and we do not engage in other business activities.

The Business the Franchisee Will Conduct

The Rockstars of Tomorrow franchise is a license to independently own and operate a single music academy ("Outlet") located in a child friendly, converted residence or other multi-room facility, and providing (i) instruction in music focusing on vocals, guitar, bass, keyboard and drums, (ii) live performance rehearsals, (iii) recording instruction, production and live sound engineering, (iv) special event management and (v) the retail sale of musical instruments, musical accessories and rock-related collectibles ("Rockstars of Tomorrow Services and Products"), and related merchandise, products and accessories, using designated musical instruments, concepts, designs, authorized equipment and techniques. Our current form of Franchise Agreement is attached as Exhibit A-1 of this disclosure document. You would also be able to offer Rockstars of Tomorrow Services and Products to customers (including residential customers, community centers, show venues, schools and restaurants that fit within our authorized guidelines) located outside your Outlet but within a defined "Marketing Area", as specifically authorized in our Confidential Operations Manual.

If you want to and are financially and operationally qualified in our judgment to do so, you and we may enter into an Area Development Agreement ("ADA"), under which you will be granted the opportunity to develop additional Outlets under a mutually agreed timetable and within a negotiated development area. The form of ADA is attached as Exhibit A-2 of this disclosure document. You must sign our then current form of Franchise Agreement for each additional Outlet you open under the ADA.

General Market for Franchised Products and Services

The general market you will operate the business in involves music schools, music tutoring and retailers of music-related merchandise and memorabilia. The market for Rockstars of Tomorrow Services and Products is all individuals within a reasonable proximity to the Outlet. This type of business is fully developed, does not involve sale primarily to a certain group and is not seasonal.

Industry Specific Laws or Regulations

You will need a business license and reseller's permit and you must comply with federal, state and local laws applicable to the operation and licensing of a music school, including compliance with zoning requirements, as well as obtaining all applicable health permits and inspections and approvals by any municipal, county or state health departments that regulate music schools. Your Outlet must also meet applicable municipal, county, state and federal building codes and handicap access codes.

Competition

All Rockstars of Tomorrow franchisees will compete with other music academies and schools, recording services providers, music tutors and retailers of music-related merchandise and memorabilia, including School of Rock, Guitar Center, community colleges and other businesses that offer products and services comparable to the Rockstars of Tomorrow Services and Products.

Prior Experience of Franchisor, Predecessors and Affiliates

The original Rockstars of Tomorrow music school was opened in 2007 by Michael Anderson in Corona, California. In 2011, this school was moved to 1665 3rd Street, Norco, California. In January 2012, ROT was formed, and it became the operator of the Rockstars of Tomorrow music academy in Norco, California. In February 2015, we and RST moved to 1900 Lampton Lane, Norco, California 92860. Currently, there are three Rockstars of Tomorrow music schools owned and operated by RST or its affiliated companies, and located at (i) 4200 Chino Hills Parkway, Suite 670, Chino Hills, California 91710, (ii) 18700 Beach Boulevard, Suite 201, Huntington Beach, California 92648, and (iii) 1900 Lampton Lane, Norco, California 92860.

We began offering franchises in April 2015. Before then, we had not previously offered franchises providing the type of business you will operate. Nor have we ever offered franchises in other lines of business. We do not operate businesses of the type being franchised. We do not engage in other business activities.

ITEM 2: BUSINESS EXPERIENCE

Michael Anderson: Chief Executive Officer, President and Director.
Mr. Anderson was named a Director at our inception in March 2014, and our Chief Executive Officer and President in June 2014 (we are based in Norco, California). He also serves as Chief Executive Officer and Director of ROT, Norco, California (since January 2012).

Eric Baxter: Vice President and Director.
Mr. Baxter was named a Director at our inception in March 2014, and our Vice President in June 2014 (we are based in Norco, California). He also serves as Senior UX Designer for Medidata Solutions, Inc., San Francisco, California (since January 2017).

M. Scott Dineen: Vice President and Director.
Mr. Dineen was named a Director at our inception in March 2014, and our Vice President in June 2014 (we are based in Norco, California). He also serves as Vice President of Purchasing & Inventory Control for Sysco Newport Meat Company, Irvine, California (since February 2015).

Chris Slotten: Chief Financial Officer and Director.
Mr. Slotten was named a Director at our inception in March 2014, and our Chief Financial Officer in June 2014 (we are based in Norco, California). He also currently works as an independent business consultant, coach, advisor and investor, based in Waxhaw, North Carolina (since June 2015).

Richard Delseni: Secretary and Director.
Mr. Delseni was named a Director at our inception in March 2014, and our Secretary in June 2014 (we are based in Norco, California).

ITEM 3: LITIGATION

On March 18, 2015, our parent entity ROT sent for filing with the California Department of Business Oversight a Notice of Violation to be sent by ROT to one California-based licensee of ROT, notifying him that (i) ROT violated Section 31110 of the California Franchise Investment Law, by offering and selling a Rockstars of Tomorrow franchise which had not been registered with the California Department of Business Oversight and which was not exempt from registration, and (ii) no action could be brought to enforce any right of action he might have concerning this violation unless brought not later than 90 days after delivery of this notice to him. The sending of this Notice of Violation was a condition to registration of the Rockstars of Tomorrow franchise in California. The license agreement between this licensee and ROT was subsequently terminated by mutual agreement. Otherwise, we are not involved in this matter.

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

ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5: INITIAL FEES

The Initial Franchise Fee for the initial Outlet is $45,000 and is due and payable in full to us when you sign the Franchise Agreement. The Initial Franchise Fee you pay for additional Outlets you open is reduced by 20% to $36,000.

If you have been operating a music school averaging at least 50 paying students each month for at least 12 months before you sign the Franchise Agreement and you are converting this music school to a Rockstars of Tomorrow franchise location by transferring all of your paying students to the franchises Outlet on its effective date, we will apply a conversion credit of $10,000 to the Initial Franchise Fee for your initial Outlet, and you would then pay us $35,000.

After you have reviewed this disclosure document for at least 14 full calendar days, before signing a Franchise Agreement, you may reserve a defined territory for six months by signing a Territory Hold Agreement (the form is attached as Exhibit A-3 of this disclosure document) and paying a nonrefundable "Territory Hold Fee" of $10,000. When you sign your Franchise Agreement (must be not later than six months after you sign the Territory Hold Agreement), the Territory Hold Fee will be applied as a credit against the Initial Franchise Fee with the balance of the fee due and payable in full upon the execution of a lease for the Outlet premises.

If you sign an ADA, you will pay us at that time a development fee equal to the product of (i) $18,000 multiplied by (ii) the number of additional Outlets you commit to open under the ADA. Each time you open an additional Outlet under the ADA, $18,000 would be applied as a credit toward the Initial Franchise Fee required by the Franchise Agreement for that additional Outlet.

The entire initial franchise fee and development fee paid under an ADA are fully earned by us when paid. After initial training has been successfully completed by you, no refunds are available. If you do not successfully complete initial training, or if we cannot agree on a suitable site for your Outlet within 180 days after you sign the Franchise Agreement, we may unilaterally cancel the Franchise Agreement, and if we do so, we will refund the initial franchise fee and development fee you paid, less any expenses we incurred in processing your Franchise and the Franchise Agreement.

There are no other initial fees or payments for services or goods received from us or our affiliates before your Outlet opens.

ITEM 6: OTHER FEES

Type of Fee[1]	Amount	Due Date[2]	Remarks
Royalty[3]	4% of monthly "Gross Revenues" for the first six months after the Opening Date, then 8% of monthly Gross Revenues	The 5th business day following the month in which applicable Gross Revenues were received	Royalty is paid monthly and is to be accompanied by a marketing report in the form we prescribe. "Gross Revenues" include all revenue from the sale of all products and services and all other income of every kind and nature related to your franchise operation, whether for cash, by redemption of gift certificates or for credit, regardless of collection. Gross Revenues do not include revenue from the sale of musical instruments or musical equipment (although you must continue to report revenue from the sale of these items on your monthly marketing reports), sales tax or any other taxes you collect from customers for payment to an appropriate tax authority. Commencing on the 1st anniversary of the day your Outlet opens for business (the "Opening Date"), the minimum monthly Royalty you must pay to us will be $500[4]. Commencing on the 2nd anniversary of the Opening Date, the minimum monthly Royalty you must pay to us will be $750[4].
Marketing and Promotion Fees[5]	1.5% of Gross Revenues	The 5th business day following the month in which applicable Gross Revenues were received	Marketing and Promotion Fees are paid monthly on the 5th business day following the monthly period in which applicable Gross Revenues.
Additional Advertising and Promotion Assessment	Amount of assessment (variable)	Immediately upon our demand	On a regional or system-wide basis, we may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected Rockstars of Tomorrow franchise Outlets agree to such additional assessment by affirmative vote.
Initial Training Fee for Additional Attendees	$1,500[4] (for each attendee)	At completion of training	Initial Training is provided to your General Manager, Music Director, Senior Faculty and up to two other owners of at least 20% equity in the franchisee entity ("Principal Equity Owner") at no additional charge. Additional attendees of Initial Training, including other Principal Equity Owners, replacement General Managers and Music Directors, may be required to pay us $1,500[4] for each subsequent attendee for Initial Training. You must pay the costs of travel, lodging and meals for all trainees.
Additional Training Fee	Up to $750[4] (per day)	At time of training	After the Outlet opens, and upon reasonable notice, we may require attendance of your Principal Equity Owners and other designated personnel at training courses, seminars, conferences or other programs. You must also pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings.

Type of Fee[1]	Amount	Due Date[2]	Remarks
Transfer Fee	$7,500[4]	Not later than 10 days before the transfer	The transfer fee covers our costs in reviewing the qualifications of the assignee and providing initial franchise training to the assignee. There is no transfer fee if franchise is transferred to an entity (corporation or limited liability company) owned solely by you. And no transfer fee is due if franchise is transferred to your personal representative, conservator or heir upon your death or legal disability (if you are an individual) or dissolution (if you are an entity).
Renewal Fee[5]	$1,000[4]	Not less than 120 days before the expiration date of your Franchise Agreement	Payable only if you exercise your renewal option. You are qualified for renewal if all fees due are paid, you are not in breach of any term of your Franchise Agreement, and you sign our new form of Franchise Agreement (which will replace your expiring Franchise Agreement).
Late Payment Penalty	5% of the amount past due	Immediately upon our demand	Payable only if you do not pay when due. The late payment penalty is in addition to interest on the unpaid amount.
Interest Charged	18% of the unpaid amount	Immediately upon our demand	Interest begins from the date payment was originally due. Interest charged by us cannot exceed the maximum allowed by the law of the state where the Outlet is located.
Costs of Collection	Cost of collection of delinquent amounts (variable)	Immediately upon our demand.	In addition to the late payment penalty and interest on the unpaid amount, you must reimburse us for our costs of collection of delinquent amounts.
Gift Cards	Variable based on purchases.	When ordered.	We do not currently use gift cards, but we have the right to begin using them at any time. If we do, you will have to purchase from a designated vendor, who may be us or our affiliate, as you need them the gift cards you are required to sell at your outlets.
Records and Rights of Inspection (Audit)	Cost of audit plus interest on underpayment	Immediately upon demand for payment	Due only if audit discloses an understatement of 5% or more in gross sales for any month or it takes our auditors an unreasonable amount of time (more than eight hours) to assemble your records for audit.
Interim Manager Payments	Daily charge which is currently $750[3] per day.	Weekly, on demand.	In addition to our daily charge for the manager, you or your successor must pay our manager's travel, lodging, and living expenses.
Reimbursement for Curing Franchisee Defaults	Cost incurred to cure your defaults (variable)	Immediately upon our demand.	If you default in the performance of any obligation under the Franchise Agreement, or related agreement involving third parties, we may cure the default for your account and on your behalf and you would then be obligated to reimburse us for all costs and expenses we incur to do so.
Attorneys' Fees and Costs	Actual cost, which is variable.	Immediately upon our demand.	Payable only if we use an attorney to collect money from you or otherwise enforce any provision of the Franchise Agreement or any other agreement with you.

Type of Fee[1]	Amount	Due Date[2]	Remarks
Indemnification of Franchisor against Losses	All "Losses", as defined in section 16.2 of the Franchise Agreement (variable).	Immediately upon our demand.	The Franchise Agreement requires you to indemnify us against Losses we may incur as a result of (i) your deviation from our approved menu, (ii) unauthorized use of our proprietary information or trademarks, (iii) the breach by you, any Principal Equity Owner or your Manager of non-compete covenants, or (iv) your intentional tort or negligence relating to operation of the Outlet.
De-identification Enforcement Expense	Cost and expenses relating to de-identification (variable)	Immediately upon our demand.	If you fail to de-identify your Store and your business upon termination or non-renewal of the Franchise Agreement, we have the right 15 days after written notice to enter the Store and complete de-identification changes at your expense.

1. All fees are imposed and collected by and are payable only to us. Except as indicated in Item 5 or otherwise in the table above, all fees are non-refundable. All fees are uniformly imposed. We currently require you to pay fees and other amounts due to us or our affiliates by electronic funds transfer ("EFT") or other similar means. You must complete an EFT authorization and a credit card authorization which allows us to charge your credit card for any past due amounts if an EFT payment is unsuccessful. We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. If you enter into an ADA to operate multiple Rockstars of Tomorrow Outlets, the fees indicated in the chart above are the fees charged or incurred for each Rockstars of Tomorrow Outlet. All fees are current as of the issuance date of this Franchise Disclosure Document.

2. Any payment that is not paid when due will be delinquent and will be subject to a late payment penalty of 5% of the amount past due. In addition, you must pay interest on the unpaid amount at an annual percentage rate ("APR") of 18% (unless interest rates in the state in which your Outlet is located are limited by law to a lower APR, in which case that lower APR will apply), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to amounts, including court costs, investigator fees, expert witness fees and attorneys' fees. Interest begins to accrue from the date payment was due.

3. If you execute an ADA, after you have been operating your initial Outlet for at least six months, when you sign a lease for an additional Outlet under the ADA, to assist you in meeting the cost of construction for the new additional Outlet, if you qualify, we will grant you Royalty forgiveness under the Franchise Agreement for the additional Outlet for up to 12 months. To qualify for Royalty forgiveness, you must be in full compliance with the Franchise Agreement for your initial Outlet, including fully current in payment of royalties and other amounts due us under that Franchise Agreement. The number of months for Royalty forgiveness depends on the costs of construction for the new additional Outlet as follows: (i) three months if costs are $250,000 or less, (ii) six months if costs are between $250,000.01 and $300,000, (iii) nine months if costs are between $300,000.01 and $400,000, or (iv) 12 months if costs are greater than $400,000.

4. This fee is subject to adjustment based on changes since the effective date of the Franchise Agreement in the annual average of the Consumer Price Index for All Urban Consumers ("CPI"), published by the Bureau of Labor Statistics of the United States Department of Labor, or the highest similar future index if these figures become unavailable.

5. Within the first 30 days after the Opening Date, in addition to the amount to be spent on local marketing of your Outlet as a part of the Marketing and Promotion Fee, you must spend in your Territory at least $5,000 on the grand opening advertising and promotion of your Outlet, using a grand opening

promotional program that we approve. Beginning 30 days after the Opening Date, you must spend at least 2% of your Gross Revenues on the local marketing, advertising, and promotion of your Outlet.

6. We will not accept the renewal fee until all other conditions for renewal have been met.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee [1, 2]	$35,000 to $45,000	Lump sum; non-refundable	When you sign the Franchise Agreement.	Us
Travel/living expenses for initial training [3]	$1,000 to $5,000	As incurred	During training	Travel and lodging vendors
Professional fees – architectural design [4]	$2,500 to $10,000	As incurred	Before opening	Architect
Lease for Outlet premises [5]	$5,000 to $15,000	Lump sum	When you open	Landlord
Construction and leasehold improvements – net of landlord contribution [6]	$45,000 to $155,000	Lump sum or financed by outside vendor	Before opening	Contractor, landlord, suppliers and finance company
Equipment and furnishings [7]	$50,000 to $85,000	As arranged	Before opening	Approved suppliers
Interior/exterior signs and graphics [8]	$5,000 to $13,000	As arranged	Before opening	Suppliers
Payment collection system, computers and telecommunications [9]	$2,700 to $5,000	As arranged	Before opening	Designated or approved suppliers
Inventory and supplies to begin operating [10]	$10,000 to $20,000	Lump sum; usually non-refundable	Before opening	RST and approved suppliers
Insurance deposits and premiums [11]	$1,000 to $2,500	As incurred	As arranged	Insurance company
Business licenses and permits [12]	$300 to $6,500	Lump sum	Before opening	Government agencies
Professional fees – legal and accounting [13]	$2,000 to $5,000	As incurred	Before opening	Attorneys and accountants
Initial advertising and promotion (including Grand Opening advertising) [14]	$6,000 to $15,000	Lump sum; non-refundable	During the first 30 days after you open.	Advertisers and other approved suppliers
Additional funds – 3 months [15]	$30,000 to $90,000	As incurred	After opening	Employees, landlord, other vendors
TOTAL[16]	**$195,500 to $472,000**			

(1) This fee must be paid in full at the time indicated. To be eligible to sign the Franchise Agreement, you must provide us with reasonable proof of your financial ability to make the initial investment described above and you must authorize us to conduct a credit check to confirm your financial ability to purchase and develop the Outlet.

(2) If you have been operating a music school averaging at least 50 paying students each month for the 12 full calendar months immediately before you sign the Franchise Agreement, and you are converting this music school to a Rockstars of Tomorrow franchise location by transferring all of your paying students to the franchised Outlet on its effective date, we will apply a conversion credit of $10,000 against the Initial Franchise Fee, and instead of paying the standard initial franchise fee of $45,000, you would pay us $35,000.

(3) Training typically is accomplished in seven to 10 days (includes classroom and on-site instruction) at your Outlet or another Rockstars of Tomorrow location, or via web conference as we deem appropriate. These expenses represent the travel and living expenses for you and your staff during training. These costs may vary depending on the location, proximity to existing schools and cost of airfare.

(4) Drawings required to obtain permits, business licenses and certificate of occupancy must be created by a licensed architect. Drawings and layout must comply with our specifications and standards. Proposed layouts and drawings require our approval before you obtain permits or begin any construction.

(5) Rockstars of Tomorrow retail Outlets will either be leased (typical) or purchased (not typical). The rent or lease deposit amount will vary depending on the location. A security deposit and first month's rent are standard requirements to execute a commercial lease, and the estimate above includes the 1st month rent and the security deposit.

(6) You must build out your leased space for the Outlet according to our requirements. Outlets are typically free-standing locations (preferably child-friendly) requiring approximately 2,900 to 4,000 square feet of floor space. The cost for leasehold improvements rate will generally be between $12 and $38 per square foot. The amounts listed in this type of expenditure are estimates that are based on basic build out of our Outlet design but do not include many variables related to the pre-existing condition of any one location. The cost of your build-out may be reduced by a Tenant Improvement ("TI") allowance or rebate from the landlord, which varies depending on the terms of each lease agreement. However, you will be required in most cases to complete the build-out, satisfy all related invoices to contractors and service providers in order to qualify for the TI rebate from the landlord.

(7) The low-end estimates include costs of equipment and furniture for the entire studio, including lesson rooms, customer lounge, reception area, rehearsal space and equipment to support live performances. The higher end estimate includes all the above as well as equipment required to set up recording studio and theater space. While it is required that some level of recording studio/production room capability be included in the initial startup phase, franchisees may elect to offer a more grand recording studio capability as a later phase of their business plan. A detailed list of required equipment is included in our confidential Manual, a copy of which is provided to you after you sign the Franchise Agreement.

(8) The estimate is based on one or two exterior signs, one internal sign and window graphics. All signs containing the Rockstars of Tomorrow proprietary marks must be created to our specifications and must be designed and fabricated by vendors designated or approved by us. The quantity, size, type and cost of signs will vary substantially per lease space and in accordance to stipulations of each landlord and local governmental regulations. These estimates also include the average filing fees for obtaining the necessary sign permits.

(9) These estimates include the purchase of a suitable PC or Mac to support operational software and one year license and maintenance fees for this operational software. Additional details on this operational software are contained in the Manual.

(10) This refers to the initial inventory of Rockstars of Tomorrow Services and Products and other authorized products to be sold in the Outlet, operational materials and other items of merchandise and supplies you must stock to open for business. A complete list of the required opening inventory of materials and merchandise is included in the Manual.

(11) As an independently owned and operated franchisee, you are responsible for all costs or liabilities arising from the operation of your Outlet, and it is imperative that you carry adequate insurance to protect yourself. You must obtain the insurance coverage required by the Franchise Agreement from a carrier with a rating of "A VII" or better by A. M. Best Company. The currently required minimum coverage and limits of insurance are (i) general liability insurance with limits of at least $1,000,000 per occurrence and $3,000,000 aggregate and (ii) workers' compensation insurance to meet the statutory coverage of the state where your Outlet is located. To the extent permissible under law, these insurance requirements may be satisfied with a combination of primary, umbrella or excess policies. All insurance policies will name you as named insured and (excepting Workers' Compensation policies) will name us, our parent entity ROT and any of our subsidiaries and affiliates of these companies now existing or which may hereafter exist as additional insureds, including their employees, officers and directors on additional insured endorsement forms. The costs of premiums will vary based on location of the Outlet and any prior claim history. The required coverage and limits are subject to change.

(12) You must obtain a business license from your city or county, and you must file a certificate with the appropriate government agency in your county or state indicating you will be doing business under our trademarks. You may also be required to obtain other state, county and city permits, pay utility deposits and other deposits with vendors, and cover other prepaid expenses before you can begin operating your Outlet. This includes the cost for local business licenses and certificate of occupancy. Other local fees and charges assessed by local government agencies may apply.

(13) This includes professional legal and accounting fees to review the franchise agreement and lease and help in setting up the business entity you use to own and operate the Outlet.

(14) You must spend at least $5,000 within first 30 days to build local customer awareness of your Outlet. Recommendations on how to promote the grand opening of your Outlet will be provided by us, including promotional ideas, sample advertising copy and social media ad design. The initial Grand Opening program is detailed in the Manual.

(15) Although we do not require minimum funds for you to start your business, there are some expenses you will incur when you begin your franchise operations, such as inventory, supplies and employees. This estimates the additional funds you will need for your first three months of operation. These expenses include payroll costs. We relied on the 16 years of experience of our CEO in determining these figures.

(16) If you do not open for business, you may receive a refund from suppliers for unused inventory, unspent advertising and canceled insurance. Otherwise, the payments listed in the table above are nonrefundable. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

AREA DEVELOPMENT AGREEMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Development Fee[1,2]	$18,000 to $72,000	Lump sum	When you sign the ADA, you pay us a "Development Fee" for the exclusive right to open additional Outlets pursuant to the Development Schedule. The Development Fee is computed by multiplying the number of additional Outlets by $18,000 (for example, if you agree to open four additional Outlets, the Development Fee would be $72,000).	Us
TOTAL	**$18,000 to $72,000**			

1. All fees must be paid in full at the time indicated.

2. Each additional Outlet to be opened under the ADA will require execution by you and us of a separate Franchise Agreement (using our then current form thereof) for that additional Outlet, with a credit of $18,000 to be applied against the initial franchise fee due under the Franchise Agreement for that additional Outlet, and you would pay us the remaining balance due. If you fail to comply with the Development Schedule, your ADA may be terminated but you would still be able to operate your Outlets under their individual Franchise Agreements as a multi-outlet franchisee.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases of Goods or Services, including Computer and Point of Sale System

You must purchase or lease a personal computer or Mac for use as your payment collection system that is compatible with the music outlet operational software designated in the Manual. You are not required to obtain or maintain a point-of-sale ("POS") system. We have no obligation to provide or assist you in obtaining the payment collection system, but we will provide you details on how to acquire the operational software. You are responsible for all ongoing maintenance and repairs and upgrades to the payment collection system. In addition to the payment collection system, you may be required to purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Manual or otherwise by us in writing for use in connection with the Outlet (the "Computer System"). We require you to always maintain an e-mail account and a Computer System capable of accessing the Internet via a third-party network that we designate in the Manual or otherwise in writing. In the future, we will identify and designate computer software that must be used in the operation of the payment collection system and Computer System. When we do so, you must license or sublicense such software from our designated vendor and execute a software license agreement with the designated vendor. We also require that you provide at your Outlet wireless Internet access for your customers.

You must purchase items bearing our trademarks only from designated vendors or approved suppliers. Also, you must use in the development and operation of your Outlet those fixtures, items of equipment, including music equipment, telephones, décor and music supplies that we have approved as meeting our specifications and standards for appearance, function, design, quality and performance, and refrain from installing or permitting to be installed at the Outlet, without our written consent, any fixtures, furnishings, equipment, décor or music supplies not previously approved as meeting our standards and specifications. You must place or display at the premises of your Outlet (interior and exterior) only such signs, emblems, lettering, logos, and display materials that we approve in writing. All equipment leases will be between you and the lessor. Under no circumstances can you sign any lease as if you were us, or on behalf of us.

You must obtain the insurance coverage required by the Franchise Agreement from a carrier with a rating of “A VII” or better by A. M. Best Company. The currently required minimum coverage and limits of insurance are (i) general liability insurance with limits of at least $1,000,000 per occurrence and $3,000,000 aggregate and (ii) workers’ compensation insurance to meet the statutory coverage of the state where your Outlet is located.

Franchisor or its Affiliates Acting as Approved Suppliers

We do not sell or lease any goods, services, supplies or equipment related to establishing operating the franchised business. However, you may be required to purchase lead sheets and other musical supplies and other specified products that are proprietary to Rockstars of Tomorrow or that are specifically selected by us for consistency in quality and other considerations only from ROT, or manufacturers or producers designated or approved by us in writing. We will provide a written list of these proprietary or selected items and approved manufacturers or producers. We will also notify you of any additions to or deletions from this list.

Our officers own an interest in ROT. Otherwise, there are no suppliers in which our officers own an interest.

Approved Suppliers and Approval of Alternative Suppliers

We only designate or approve suppliers who demonstrate to our satisfaction the ability to meet our standards and specifications, who possess adequate quality control and capacity to supply your needs promptly and reliably, and who have been approved by us in the Manual or otherwise in writing. Designation of a supplier may be conditioned on factors established by us, including performance relating to frequency of delivery, standards of service, and payment or other consideration to us or parties designated by us. We may designate a single supplier or multiple suppliers for any given item or service and may concentrate purchases with one or more suppliers.

The current list of approved products and suppliers is found in the Manual. We may make changes to these lists or other parts of the Manual, which we will provide to you. If you desire to purchase products other than those provided by approved suppliers, you must submit to us a written request for approval of the proposed supplier together with such evidence of conformity with our specifications and program specifications as we may reasonably require. We will have the right to require that our representative be permitted to inspect the supplier’s facility and that samples from the supplier be delivered for evaluation and testing, either to us or to an independent testing facility designated by us. A charge not to exceed the reasonable costs of evaluation and testing must be paid by you. Our criteria for supplier approvals are contained in the Manual. Within 60 days after our receipt of the completed request or completion of the evaluation and testing (if required by us), we will notify you in writing of our approval or disapproval of the proposed supplier. Approval will not be unreasonably withheld. You must not sell or offer for sale any products or services from a proposed supplier until you receive our written approval of the proposed supplier.

We may revoke our approval of specific products or suppliers if we determine in our sole discretion that the products or suppliers no longer meet our standards. Upon receipt of written notice of such revocation, you must cease purchasing or selling any disapproved product.

We may also consider the impact of an additional supplier (and consequent reductions in supplier volume and increase in distribution expense) on the overall supply chain being utilized by the system.

Issuance of Specifications and Standards

You must adhere to our music program as prescribed in the Manual and designate at least one Music Director and one or more Senior Faculty, who must be approved by us and attend and complete, to our satisfaction, the initial training program. We approve Music Directors and Senior Faculty based on the relevant experience and an individual interview we may conduct with each candidate.

We issue specifications and standards regarding authorized Rockstars of Tomorrow Services and Products and services to our franchisees through the Manual and other communications in writing or by email. We also issue specifications and standards regarding authorized Rockstars of Tomorrow Services and Products and services to our designated and approved suppliers in writing or by email. We may modify these specifications and standards at any time but only after delivering written notification of the modifications and providing its franchisees or suppliers a reasonable amount of time to implement the modifications.

Revenue from Franchisee Purchases

In our fiscal year ended February 29, 2024, neither we nor any of our affiliates derived revenue, rebates or other material consideration because of required purchases or leases by Rockstars of Tomorrow franchisees.

Payments to us, our designees and our approved suppliers, or under our specifications (i) in establishing your Outlet will range from 12% to 21% of your total initial investment and (ii) in operating your Outlet will range from 10% to 12% of your total monthly expenses.

Cooperatives

We are not presently involved in any purchasing or distribution cooperatives.

Negotiated Purchase Arrangements

We do not negotiate purchase arrangements or price terms with suppliers for the benefit of franchisees, although we may do so in the future.

Material Benefits Based on Franchisee Purchases

We do not provide any material benefits to you based on your purchase of particular products or services or 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 franchise agreement	Section in area development agreement	Disclosure document item
a.	Site selection and acquisition/lease	7.1, 7.2	Exhibit 1	6, 11
b.	Pre-opening purchases/leases	7.2, 7.3	2.2	8
c.	Site development and other pre-opening requirements	7.1, 7.2	2.1	6, 7, 11
d.	Initial and ongoing training	6.1-6.4	Not applicable	11
e.	Opening	3.3, 7.2, 7.3	2.1, Exhibit 1	11
f.	Fees	4.1-4.7, 5.2, 12.2	3.1,3.2	5, 6, 7
g.	Compliance with standards and policies/ operating manual	8.1-8.3	Not applicable	11
h.	Trademarks and proprietary information	8.8, 9.1-9.5	5.2	13, 14
i.	Restrictions on products/services offered	3.2, 3.4, 8.1, 8.13	1.1, 1.5	8, 16
j.	Warranty and customer service requirements	3.3, 8.1	Not applicable	11
k.	Territorial development and sales quotas	Not applicable	1.2, 2.4, Exhibit 1	12
l.	Ongoing product/service purchases	7.3	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5.2, 7.2, 8.5	Not applicable	11
n.	Insurance	8.10	Not applicable	6, 8
o.	Advertising	4.3, 7.4, 8.8, 8.13, 10.1, 10.2	5.2	6, 11
p.	Indemnification	16.2	Not applicable	6
q.	Owner's participation/management/ staffing	3.6, 6.1, 6.2, 8.1, 12.6	Not applicable	11, 15
r.	Records and reports	8.7	Not applicable	6
s.	Inspections and audits	8.7, 8.11	Not applicable	6, 11
t.	Transfer	12.1-12.7	4.1, 4.2	17
u.	Renewal	5.2, 5.3	1.3, 1.4	17
v.	Post-termination obligations	11.2, 15.1, 15.2	6.2	17
w.	Non-competition covenants	11.1-11.3	5.1	17
x.	Dispute resolution	14.1-14.5	7.1	17
y.	Other	16.12	Not applicable	Not applicable

ITEM 10: FINANCING

If you sign a Territory Hold Agreement, we will defer for up to six months, the payment of the balance of the Initial Franchise Fee (either $35,000 or $25,000, after applying $10,000 as a credit). The remaining balance of the Initial Franchise Fee is payable in one payment not later than six months after you sign the Territory Hold Agreement. No interest or other finance charges are payable on this deferred payment. If you do not pay the remaining balance of the Initial Franchise Fee when due, we can terminate your Franchise Agreement for material breach.

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

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

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

Pre-Opening Assistance

Before you open your business, we will:

(1) Designate your franchise territory (see section 3.1 and Exhibit 1 of the Franchise Agreement).

(2) Provide you with initial training and orientation in the Rockstars of Tomorrow system and how to operate the Outlet (see section 6.1 of the Franchise Agreement and the Training Program described below in this Item 11). Your General Manager, Music Director, Senior Faculty and Principal Equity Owners must successfully complete initial training to our satisfaction before you can open your Outlet.

(3) Provide you with a general plan for the layout, furnishing and equipping of your Outlet, together with a written schedule of all Rockstars of Tomorrow Services and Products, and other merchandise and products that must be sold at your Outlet and a list of approved and designated suppliers (see section 7.2 of the Franchise Agreement).

(4) Assist you in selecting a site for your Outlet. Although we do not typically pre-select the site for your Outlet, we must give our final consent to the location before your Outlet can be placed there (see section 7.2 of the Franchise Agreement). You and your landlord may be required by us to complete and sign a rider or addendum to the lease (i) granting us an option to assume your position as lessee under the lease for the Outlet premises if you are in material default of either the lease for the Outlet premises (including an obligation of the landlord to notify us if you are in default) or the Franchise Agreement, and (ii) requiring the landlord to fully cooperate with us in completing de-identification of the Outlet if the Franchise Agreement is terminated or expires without being renewed. You have 180 days after signing the Franchise Agreement to locate an acceptable site for your Outlet. We will review and either consent to or decline the proposed site for your Outlet within 10 business days after you provide us with its address. If you are unable to locate an acceptable site within 180 days, we can cancel the Franchise Agreement (see section 7.2 of the Franchise Agreement). The factors we consider in consenting to a site for the Outlet include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease or rental terms. We do not typically own and lease to you the premises on which the Outlet will be located.

(5) Provide you with a copy of the confidential Manual (see section 8.2 of the Franchise Agreement).

Length of Time to Open the Outlet

We estimate the typical length of time between the signing of the Franchise Agreement (when you make your first payment to us for the franchise) and the opening of your Outlet will be 270 days. Factors that may affect this length of time include the satisfactory completion of initial training by your designated attendees, location of an acceptable site, ability to obtain an appropriate lease, financing arrangements, compliance with zoning and local ordinances, weather conditions, shortages, the contractor's ability to complete construction of the Outlet, and delivery and installation of equipment, fixtures and signs. If we consent to the site for your Outlet but you do not begin operating your Franchised Business within 365 days after you sign the Franchise Agreement, we can cancel the Franchise Agreement (see section 7.2 of the Franchise Agreement) and if we do so under those circumstances, we are not obligated to refund your initial franchise fee and development fee under an ADA.

Post-Opening Assistance

During the operation of the franchised business, we:

(1) Will provide you with access to, and integrate information about your Outlet into, the Rockstars of Tomorrow website (see section 6.2 of the Franchise Agreement).

(2) Will be reasonably available by phone and e-mail for guidance in the operation and management of your Outlet. Other than providing you general guidelines for tax and federal employment compliance in our Manual, we do not provide you with assistance in hiring, supervising or discharging employees, nor do we provide any advice on employment law or regulations, except to strongly recommend you engage the services of an attorney competent to advise you on employment law matters in your state (see sections 6.2 and 6.3 of the Franchise Agreement).

(3) May visit you periodically at no cost to you to provide additional sales and administrative review and assistance, including assistance with establishing and using administrative, bookkeeping, accounting and inventory control procedures. If you request this assistance and we agree to provide it, you must reimburse us for the cost of our representative's transportation and lodging. We may also, at our discretion, charge an additional training fee of up to $750 per day for optional Rockstars of Tomorrow training courses, seminars, conferences or other programs that you or your representatives attend. The nature, frequency and duration of this assistance by our representatives will be in our sole discretion. (See section 6.2 of the Franchise Agreement.)

(4) In connection with your ongoing obligation to maintain the Outlet in accordance with our standards, will notify you if the general state of repair, appearance or cleanliness of your Outlet or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct the deficiency (see section 8.11 of the Franchise Agreement).

(5) May conduct a system-wide mandatory meeting (or annual convention) not more than once a year in Southern California or other place in the United States. Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager, Music Director, Senior Faculty and other Principal Equity Owners). You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. (See section 6.3 of the Franchise Agreement.)

(6) May recommend retail prices for specific "Rockstars of Tomorrow Services and Products" (as defined in the Franchise Agreement) and other products and services we authorize for sale at your Outlet (to enhance uniformity in the delivery of goods and services to retail customers by our franchises and the strength of our Marks in inter-brand competition), and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media), and if we do so, you may not advertise or promote (whether by telephone, printed materials or any other media, including, without limitation, social media) retail prices that are inconsistent with these recommended prices (see section 8.1(b) of

the Franchise Agreement). Also, to the extent permitted by federal and state law applicable to the Outlet, we may designate maximum and minimum retail prices to be charged for Rockstars of Tomorrow Services and Products.

Advertising Program for the Franchise System

Beginning on the first anniversary of the opening date of your Outlet, you must pay us a Marketing and Promotion Fee of 1.5% of your monthly Gross Revenues (section 4.3(a) of the Franchise Agreement). Marketing and Promotion Fees are due and payable on a monthly basis on the 5th business day following the monthly period in which applicable Gross Revenues were received. We are not required to spend any Marketing and Promotion Fees in or near your Outlet, although we may do so. Marketing and Promotion Fees collected from Rockstars of Tomorrow franchisees will be spent for national and regional advertising and promotional campaigns designed to promote and enhance the value of the Rockstars of Tomorrow trademarks and their general recognition and acceptance. Rockstars of Tomorrow retail outlets owned by entities affiliated with us will contribute Marketing and Promotion Fees at the same rate as Rockstars of Tomorrow franchisees. Any Marketing and Promotion Fees collected but not expended in a calendar year will roll over for use in the next calendar year.

Marketing and Promotion Fees would be deposited into a separate bank account of ours specifically designated for Rockstars of Tomorrow advertising and promotion activities. This separate marketing and advertising bank account is not audited. However, if you request in writing an accounting of advertising expenditures within 90 days after the end of a calendar year, we will provide you within 30 days thereafter an unaudited financial statement of the advertising account's annual receipts and expenditures relating to the calendar year. No interest on the amounts on deposit will be imputed for your benefit or paid to you. We administer this separate marketing and advertising bank account and the national advertising program, and we will receive a fee of 15% of the annual aggregate Marketing and Promotion Fees for doing so. In our fiscal year ended February 29, 2024, we collected $28,823 in Marketing and Promotion Fees and we spent $84,141 on the advertising and promotion of the Brand, as follows: 85% for media placement and 15% on our administration of the Marketing and Promotion Fees.

We will provide general advertising programs and sales promotion, campaign and sample advertising materials. You may not develop advertising materials for your own use unless we specifically agree to allow you to do so, and then it would be at your own cost. But we must approve all advertising materials in advance and in writing. You grant us a the right to use the name, image and likeness of you, all Principal Equity Owners and any of your affected employees, for commercial purposes in connection with the marketing and promotion of the Marks, Rockstars of Tomorrow Services and Products, any Rockstars of Tomorrow Outlet and the Rockstars of Tomorrow system. (See section 9.1(d) of the Franchise Agreement.)

We intend to use the Internet, social media, radio, television, regional and national marketing campaigns in our advertising efforts, and you must participate in Rockstars of Tomorrow system-wide social media programs. We reserve the right to use other media to market and promote the Rockstars of Tomorrow trademarks. We may be using in-house advertising personnel to do this, and we may hire advertising and public relations firms to assist us in these efforts.

You are restricted from advertising Rockstars of Tomorrow Services and Products outside your Territory without our prior written consent. You may not engage in any mail order solicitations, catalog sales, telemarketing or television solicitation programs, or use any other advertising media outside of your Territory without our prior written approval. Also, you may not offer or sell Rockstars of Tomorrow Services and Products directly or indirectly through the Internet, except as authorized by us in the Manual or otherwise in writing. We will publish all website content and we will list your Outlet location on our master web site. We will maintain the "Uniform Resource Locator" (or "URL") for the Rockstars of Tomorrow website, and you may never own any Internet domain name that contains any of the Marks. Under no circumstances are you authorized to establish your own personal websites (including social media sites) for the purpose of advertising your Outlet or our principal trademarks without our express consent.

We do not yet have a franchisee council that advises us on advertising policies.

We are not involved in any local or regional advertising cooperatives.

We require you to spend at least $5,000 on a Grand Opening Advertising and promotion event (guidelines and other recommendations are contained in the Manual) in connection with the opening of your Outlet sometime during the first 30 days after your Outlet opens (see section 4.3(c) of the Franchise Agreement). Also, beginning 30 days after your Outlet opens for business, we require that you spend at least 2% of your Gross Revenues on the local advertising and promotion of your Outlet (see section 4.3(d) of the Franchise Agreement).

On a national or regional basis, we may impose an assessment on all affected Rockstars of Tomorrow franchisees for special advertising or promotional activities if franchisees owning two-thirds of all affected franchised territories agree to this assessment, confirmed in writing by each franchisee (see section 4.3(e) of the Franchise Agreement).

You are obligated to spend a designated portion of your gross revenues on the local marketing, advertising and promotion of your franchised territory. Any advertising of your franchised territory must be done in compliance with the guidelines contained in the Manual.

Electronic Cash Registers and Computer Requirements

You must license or sublicense the specified payment collection system we require in every Outlet (see section 8.4 of the Franchise Agreement). We currently require that you use a personal computer or Mac configured with operational software designated by us. We estimate the cost of purchasing this payment collection and configuring it with our software will range from $1,000 to $2,500. You will use this payment collection system to complete retail sale transactions and track your monthly sales. We must have independent access through the Internet to your payment collection system and there are no contractual limits on our independent access to the information and data stored on your payment collection computer and related devices. You are responsible for all ongoing maintenance and repairs and upgrades. If we replace the payment collection system (will not happen during the first 12 months your Outlet is open), you will receive 90 days prior notice and the cost will not exceed $10,000. We anticipate the annual cost of required maintenance, updating, operating or support contracts regarding the payment collection system is $1,200 annually.

In addition to the payment collection system, you may also be required to purchase, use and maintain a Computer System (including all related hardware and software) as specified in the Manual or otherwise by us in writing for use in connection with the Outlet. We don't specify or recommend the brand or type of business computer you use. But if this changes, you will be notified. We require you to maintain an e-mail account and connect the Computer System to a dedicated Internet line (or other communications medium specified by us) at all times and be capable of accessing the Internet via a third-party network designated by us in the Manual or otherwise in writing. You would also be required to allow us to access your Computer System on a daily or other basis at the times and manner determined by us or our designated affiliate, with or without notice, and to retrieve transaction information (including sales, sales mix, usage and other operations data) that we deem appropriate. You must always have and maintain adequate anti-virus software in any computer you use to communicate with us directly or through our master website or intranet. (See section 8.4(b) of the Franchise Agreement.) We estimate the annual cost of optional or required maintenance, updating, operating or support contracts regarding the Computer System is $1,200.

Operations Manual

We will loan you one copy of our Manual (containing a total of 146 pages) and other applicable manuals during the relevant phases of initial training (see section 8.2 of the Franchise Agreement). The Manual contains mandatory and suggested specifications, standards and procedures for operation of your Outlet.

We may modify the Manual, and you must comply with these changes when you receive them. This Manual is confidential and remains our property. If you lose or allow the unauthorized duplication of the Manual or any other confidential manuals or proprietary materials loaned to you by us, you will be deemed to be in violation of this Agreement and all other agreements you have with us (see section 8.2 of the Franchise Agreement) and we would be entitled to recover damages from you).

The following is the Table of Contents of the Manual as of the date of this disclosure document:

Topic	Number of Pages
Cover/Receipt pages	3
Table of Contents	4
Introductions	1
Vision statement/Core values	1
Pre-opening procedures	14
Licenses/permits/insurance	4
Required Equipment	8
Human Resources	19
Just Prior to opening	10
Closing the connection	7
The Greatest lesson	13
Policies and Operations	24
Accounting Report and Records	3
Trademarks and Logos	6
Graphic Standards	3
Approved Suppliers/Sponsorship	2
Appendix	24
Total Pages	**146**

We currently have no policy under which we will render services to you not required by your Franchise Agreement (or other agreements with us) or the Manual.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE-JOB TRAINING	LOCATION
ROCKSTAR Vision and Philosophy	2	0	Norco, California or other operating Rockstars of Tomorrow music academy
Dealing with People	1	2	Norco, California or other operating Rockstars of Tomorrow music academy
Studio Staffing and Auditions	2	1	Norco, California or other operating Rockstars of Tomorrow music academy
Marketing	4	1	Norco, California or other operating Rockstars of Tomorrow music academy
Music Programs	2	6.25	Norco, California or other operating Rockstars of Tomorrow music academy (could be your Outlet)
Running the Studio - Managing Your Business	4	6.5	Norco, California or other operating Rockstars of Tomorrow music academy (could be your Outlet)
Live Performance Management	3	6	Norco, California or other operating Rockstars of Tomorrow music academy (could be your Outlet)
Staff Handbook	2	0	Norco, California or other operating Rockstars of Tomorrow music academy (could be your Outlet)
TOTALS	20	22.75	

The training program above is effective as of the date of this disclosure document. Initial training typically begins 90 days before your Outlet opens and is typically scheduled monthly. All classroom training takes place in Norco, California, or another training center designated by us. All on-the-job training takes place in a Rockstars of Tomorrow music academy either in Norco, California or in one that is reasonably near your Outlet, or in your Outlet.

The instructional material consists of appropriate handouts and information directly from the Manual. Currently, our initial training instructor is Michael Anderson who has been with us since our inception, and who has 17 years of experience in the subject matters he teaches. The principal instructor is sometimes assisted by our operations staff and other employees.

The Initial Training Program is mandatory for your General Manager, Music Director, Senior Faculty and at least one of your Principal Equity Owners. The successful completion of initial training by your General Manager and Music Director to our satisfaction is a condition to your opening of an Outlet to the public. Initial training must be completed within 45 days before your Outlets opens. There is no separate fee payable to us for the Initial Training program provided to up to five trainees (must include your initial General Manager, Music Director, Senior Faculty and at least one Principal Equity Owner). You may be required to pay us a fee of $1,500 for each other attendee of Initial Training (section 6.1(d) of the Franchise Agreement).

Additional on-site training at your Outlet may be provided when you open your Outlet. We may provide you with proprietary information and related materials for use in training your staff. These materials are our sole property and must be returned to us when you are finished with them. We will conduct both oral and practical evaluations and issue a Certificate of Completion upon successful completion at the conclusion of the training.

No additional training programs or refresher courses are required. However, you can request additional on-site training or assistance at any time. We may provide it at our option, but the Franchise Agreement does not require us to do so. We may, at our discretion charge you a separate fee of up to $750 per day for this optional training (section 6.2(d) of the Franchise Agreement).

We may periodically conduct an annual conference, convention or training session, and if we do, we will determine its duration, curriculum and location (section 6.3 of the Franchise Agreement). Attendance of at least one Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all other Principal Equity Owners).

You must pay all the expenses incurred by your trainees are attendees in connection with the Initial Training Program and any other training, conferences, conventions or other meetings your trainees attend, including, for example, their salaries, transportation costs, meals, lodging and other living expenses (section 6.1(e) of the Franchise Agreement).

ITEM 12: <u>TERRITORY</u>

You will not receive an exclusive territory. You may face competition from other franchisees, from other businesses that we or our affiliated entities own, from other channels of distribution or from other competitive brands that we control. You will receive a protected territory ("Territory") within a defined area surrounding your Outlet based on population density (typically varying from a one-quarter-mile radius in densely populated urban areas to a 10-mile radius in rural areas, or other agreed geographical area) as we determine and as specified in your Franchise Agreement. By "protected territory" we mean that so long as you continue to fulfill your material obligations under your Franchise Agreement (as reasonably determined by us), we will not grant a Rockstars of Tomorrow franchise to any other person nor will we or any of our affiliated entities operate an Outlet within your Territory.

You may provide Rockstars of Tomorrow Services and Products to customers located outside your Outlet (including residential customers, community centers, show venues, schools and restaurants that fit within our authorized guidelines) but within a "Marketing Area" (a designated and agreed non-exclusive geographical area defined in and granted to you by the Franchise Agreement) that is within the vicinity of your Outlet. The boundaries of the Marketing Area are determined by us and may be changed by us or overlap with the boundaries of the Territories and Marketing Areas of other Rockstars of Tomorrow franchised Outlets.

You may relocate your Outlet with our written consent, which will not be unreasonably withheld. Not less than 90 days before the desired date of relocation (unless prior notice is impractical because of a required relocation in which event your notice must be given as soon as possible), you must make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location. Within 20 business days after we receive your request, we will either approve or disapprove in writing such closure or relocation in our sole discretion. If we disapprove of a proposed relocation, you may request an alternative proposed new location.

If you enter into an ADA and for so long as that agreement is in effect, you will be granted an exclusive right to open an agreed number of additional Outlets within an exclusive territory ("development area") under a mutually agreed development schedule. If you fail to achieve the development schedule, you may still open Outlets within the development area but will lose the exclusive right to do so, and we may allow others to open additional Outlets there. You must enter into a separate Franchise Agreement for each additional Outlet you open under the ADA, and these agreements will grant a separate franchise Territory within a defined area surrounding each Outlet. Otherwise, we do not grant you options, rights of first refusal or similar rights to open additional Outlets under the Franchise Agreement or the ADA, and you may not open additional Rockstars of Tomorrow businesses or engage in activities that are equivalent to the franchised business outside the Territory.

We do not currently, nor do we have any plans in the future to, operate or franchise businesses under a different trademark that will sell goods or services similar to those you will offer. However, we reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell Rockstars of Tomorrow Services and Products under our principal trademarks or different trademarks at venues other than Outlets and through other channels of distribution (including the Internet), within your Territory and anywhere else. We are not required to pay you compensation for soliciting or accepting orders in your Territory at venues other than Outlets or through other channels of distribution.

You may only offer and sell Rockstars of Tomorrow Services and Products to customers at your Outlet, and you are restricted from advertising Rockstars of Tomorrow Services and Products outside your Territory without our prior written consent.

We have not established and do not intend to establish company-owned retail outlets selling Rockstars of Tomorrow services and products in your Territory. Although we have no current plans to do so, we and our affiliated companies reserve the right to offer and sell other types of franchises that are not directly competitive with the Rockstars of Tomorrow franchise.

The continuation of your exclusive rights to the Territory does not depend on you attaining a minimum level of sales, revenues or market penetration, or another contingency. The continuation of your exclusive rights to develop Outlets under an ADA does depend on your meeting the development schedule described in the ADA. Neither the Territory granted by the Franchise Agreement, nor the development area described in the ADA, may be altered except if you and we mutually agree. If you comply with your Franchise Agreement (and the ADA if applicable), you will maintain rights to your Territory and the development area described in the ADA even if the population in those geographic areas increases.

ITEM 13: TRADEMARKS

You are licensed to operate and identify the Outlet under the principal trademark "Rockstars of Tomorrow" and logotype displayed on the cover of this disclosure document, and other current or future trademarks. On June 30, 2015, our parent entity ROT registered the principal trademark "Rockstars of Tomorrow" on the Principal Register of the United States Patent and Trademark Office ("USPTO"), in class 41 (music instruction), registration number 4762835. On April 28, 2015, our CEO Michael Anderson registered the principal trademark "Rockstars of Tomorrow" on the Principal Register of the USPTO, in class 35 (retail store services involving musical equipment) and 41 (music instruction), registration number 4726644. On April 21, 2015, our CEO Michael Anderson also registered the distinctive “Rockstars of Tomorrow Musicians Academy” logo on the Principal Register of the USPTO, in class 35 (retail store services involving musical equipment) and 41 (music instruction), registration number 4722672.

There are presently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, nor any pending interference, opposition or cancellation proceedings involving our trademarks. There are no agreements currently in effect that significantly limit our rights to use or license the use of trademarks listed in this Item in a manner material to the franchise. There is no pending material federal or state court litigation regarding our use or ownership rights in the trademarks. All required affidavits have been filed.

All trademarks are owned by our parent entity ROT and our CEO Michael Anderson both of which granted us a trademark license (the “Trademark License”) and right to use the principal trademark and related trademarks, service marks, trade names, logos and symbols (collectively the “Marks”) related to Rockstars of Tomorrow and to grant licenses to use the Marks to Rockstars of Tomorrow franchisees. The Trademark License will continue until it is terminated. If the Trademark License were to be terminated, Rockstars of Tomorrow franchisees would have the right to continue to use the Marks while operating their franchised Outlets under their Franchise Agreements for not less than the existing term of the Franchise Agreement. Except as described above, no agreements limit our rights to use or license the use of the trademarks.

You must follow our rules when you use the Marks. You cannot use our principal trademark as part of a corporate name or with modifying words, designs or symbols except for those which we license to you. You may not use the trademarks in connection with the sale of any unauthorized product or service, or in any manner we have not authorized in writing.

We have the right to control any administrative proceedings or litigation involving a trademark licensed to you by us. You must notify us promptly when you learn about an alleged infringement, unfair competition, unauthorized third-party use of or challenge to your use of the trademarks. We then will promptly take the action we think appropriate. We will indemnify you for any action against you by a third party based solely on alleged infringement, unfair competition or similar claims about the trademarks (see section 9.5(b) of the Franchise Agreement). We have no obligation to defend or indemnify you if the claim against you relates to your use of the trademarks in violation of the Franchise Agreement.

If you learn that any third-party whom you believe is not authorized to use our trademarks is using them or any variant of them, you must promptly notify us. We will determine whether to take any action against the third party.

At your cost and expense, you must modify or discontinue the use of a trademark if we or the trademark owners modify or discontinue it. You have no rights to compensation or otherwise under the Franchise Agreement if we require you to modify or discontinue using a trademark. You may not directly or indirectly contest our or the trademark owners’ rights to the trademarks, trade secrets or business techniques that are part of our business.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the Marks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text, or similar materials, these will become the sole property of the trademark owners, including trademark rights.

Except for the proprietary rights of Rockstars of Tomorrow Founders in the Marks, there are no infringing uses or superior previous rights known to us which would materially affect your use of the Marks in this state or any other state in which the franchised business is to be located.

ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents and Copyrights

We do not own rights in, or licenses to, patents or copyrights that are material to the franchise and you do not receive the right to use any item covered by a patent or copyright. However, we assert a common law copyright on the contents of the Manual and only you or your authorized employees can have access to and use the proprietary information in the Manual.

You must immediately notify us if you become aware of any infringement or inappropriate use of the Manual. We will then take whatever action we deem appropriate, and will control any litigation, to protect our copyright in the Manual. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any claim, suit or demand relating to our copyrights and take steps to stop misuse at our cost and expense, using attorneys selected by us, and you agree to cooperate fully in such matters. If the infringement or inappropriate use results from your negligence or willful action, you must reimburse us all our expenses in protecting our copyright. Otherwise, we will indemnify you and hold you harmless from and against all judgments resulting from any claim, suit or demand arising from your authorized and use of the copyrights in accordance with the terms of the Franchise Agreement.

The Franchise Agreement provides that if you or your employees, agents and subcontractors or any other party who you may contract with create any materials containing or associated with the Marks, including artwork, graphics, layouts, slogans, domain names, other names, titles, text, or similar materials, these will become the sole property of the trademark owners, including copyrights.

We do not currently have any pending patent applications that are material to the franchise.

Our intellectual property, whether the subject of a patent, copyright or not, also is protected by common law principles which limit the use of our confidential proprietary information, except as we have licensed it. We will enforce those rights as we determine.

Our Proprietary Rights in Other Confidential Information

You may never reveal any of our confidential proprietary information or trade secrets to another person or use it for another person or business. You may not copy any of our confidential proprietary information or disclose it to a third party except as we authorize. You must also promptly tell us when you learn about unauthorized use of any of our confidential proprietary information. We are not obligated to take any action but will respond to your notification of unauthorized use as we think appropriate.

The Franchise Agreement grants us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, any Rockstars of Tomorrow location and the Rockstars of Tomorrow System, without any form of compensation or remuneration.

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

We are seeking franchisees whose Principal Equity Owners will be personally participating in the direct "on premises" management and operation of your Outlet. Each Principal Equity Owner (and their spouse if applicable) signs a Guarantee of Franchise Agreement (attached as Exhibit 3 of the Franchise Agreement requiring them to ensure that all obligations of the franchisee under the Franchise Agreement (including provisions related to payments to franchisor, confidentiality and non-competition) are fulfilled.

You must employ at least one designated General Manager and Music Director (if you are a sole proprietor, this could be you) who has successfully completed our initial training program For any additional Outlets you open under an ADA, you must employ at least one designated General Manager (may but is not required to be a Principal Equity Owner) who has successfully completed our initial training program.

You must disclose the identity of the General Manager (or Music Director at your first Outlet) to us and if he or she is for any reason no longer acting as General Manager (or Music Director at your first Outlet), you must notify us immediately and in writing. The General Manager and Music Director cannot have an interest or business relationship with any of our business competitors. The General Manager (or Music Director at your first Outlet) must devote full time during normal business hours to the management and operation of the Outlet and development of the Franchised Business. The Music Director must devote full time during normal business hours to the supervision of music construction conducted at the Outlet. Except for the first Outlet you open, we do not require your General Manager or Music Director of additional Outlets opened under an ADA to have any ownership interest in your business, although they may. If a General Manager and Music Director are not Principal Equity Owners in your franchisee entity, he or she may be required to sign a non-competition agreement like the non-competition agreement contained in your Franchise Agreement.

ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell at the Outlet only those goods and services that we have approved.

You must offer and sell at your Outlet only Rockstars of Tomorrow Services and Products and other goods and services that we designate as required for all franchisees or have approved.

We have the right to change and add other authorized goods and services that you will be required to offer. And we may require you to comply with other requirements, such as training, marketing or insurance, before we will allow you to offer additional goods or services. There are no limits on our right to do so except that the additional investment required of you for equipment, supplies and initial inventory will not exceed $50,000 per year.

Except for applicable laws restricting discrimination against customers based on public policy, there are no restrictions on the customers to whom you may sell Rockstars of Tomorrow Services and Products and related products at your Outlet.

ITEM 17: RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in franchise agreement	Section in area development agreement	Summary
a.	Length of the franchise term	5.1	1.3	The initial term of the Franchise Agreement is 10 years. The term of the ADA is until all Outlets have been opened under the Development Schedule.
b.	Renewal or extension of the term	5.2	Not applicable	You can add additional 10-year terms upon written notice delivered to us not less than 120 days before the end of the existing term. However, we are not obligated to renew your Franchise if one or more of the conditions in section 5.2(c) of the Franchise Agreement apply to you. The ADA is not renewable unless the Development Schedule is satisfied, and a new Development Schedule is agreed to.
c.	Requirements for franchisee to renew or extend	5.2	Not applicable	Sign our then current Franchise Agreement modified for renewal (“Renewal Franchise Agreement”) or an addendum to your existing Franchise Agreement extending its term, remodel your Outlet (if necessary), pay renewal fee and sign release. The Renewal Franchise Agreement may have materially different terms and conditions than your original Franchise Agreement. The ADA is not renewable unless the Development Schedule is satisfied, and a new Development Schedule is agreed to.
d.	Termination by franchisee	13.1	1.3	If we are in material breach beyond any applicable cure periods, you can terminate your Franchise Agreement or ADA.
e.	Termination by franchisor without cause	Not applicable	Not applicable	Not applicable.
f.	Termination by franchisor with cause	13.1 -13.11	6.1	We can terminate only if you are in material default of that agreement. We cannot terminate the Franchise Agreement solely because we terminate an ADA that we executed with you (or your affiliated entity). However, we can terminate an ADA if you (or your affiliated entity) fail to meet the development schedule under the ADA or you are in material breach of any Franchise Agreement that you (or your affiliated entity) signed with us. (This provision is subject to state law.)

	Provision	Section in franchise agreement	Section in area development agreement	Summary
g.	"Cause" defined – curable defaults	13.3	2.4, 6.1, 6.2	You have 30 days after notice to cure monetary defaults and other defaults (including defaults under a lease for your Outlet) under the Franchise Agreement and the ADA that can be cured. (This provision is subject to state law.)
h.	"Cause" defined – non-curable defaults	13.2	Not applicable	Non-curable defaults under the Franchise Agreement: your bankruptcy or insolvency; your abandonment of the franchised business; you make material misrepresentations relating to your acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the Rockstars of Tomorrow system; you fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation applicable to the operation of the Franchise; after curing any default, you engage in the same noncompliance whether or not such noncompliance is corrected after notice; you repeatedly fail to comply with one or more material requirements of the Franchise Agreement, whether or not corrected after notice; the Franchised Business or your Outlet is seized, taken over, or foreclosed by a government official, creditor, lien holder or lessor, or that a final judgment against you remains unsatisfied for 30 days; you are convicted of a felony or any other criminal misconduct that is relevant to the operation of the Franchise; we make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety. (This provision is subject to state law.) There are no non-curable defaults under the ADA.
i.	Franchisee's obligations on termination or non-renewal	15.1	6.1, 6.2	Obligations include removal of our Brand and other trademarks, return of all proprietary information and erasure of all copies of proprietary information, forwarding of telephone number and payment of amounts due (also see r. in this Table, below).
j.	Assignment of contract by franchisor	12.1	4.1	No restriction on our right to assign. (However, no assignment will be made except to an assignee that in good faith and judgment of the franchisor is willing and financially able to assume our obligations as franchisor under the Franchise Agreement.)
k.	"Transfer" by franchisee – defined	12.2	4.1, 4.2	The Franchise Agreement defines a transfer as a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise. Under the ADA, no transfer is

	Provision	Section in franchise agreement	Section in area development agreement	Summary
k.	"Transfer" by franchisee – defined [continued]			permitted except to an entity formed by an individual area developer to operate Outlets under the ADA provided the entity is owned 100% by the individual area developer.
l.	Franchisor's approval of transfer by franchisee	12.2	4.1	We have the right to approve all transfers (including transfers of (i) more than 50% of the equity or (ii) controlling interest in a franchisee entity), but we will not unreasonably withhold approval. The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer.
m.	Conditions for franchisor approval of transfer	12.2	4.1	New franchisee qualifies, transfer fee paid, purchase agreement approved, training arranged, release signed by you, and current agreement signed by new franchisee (see r. below). Within 60 days after our receipt of all necessary information and documentation required under the Franchise Agreement, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed transfer of the Franchise by you. This notice will be in writing and delivered to you by business courier. The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer.
n.	Franchisor's right of first refusal to acquire franchisee's business	12.3	Not applicable	We can match any legitimate offer for your business, but we have no right of first refusal if the transfer is (i) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan or (ii) a transfer of less than 100% of the equity interest of a franchisee entity). The ADA may not be assigned by the Area Developer except to an entity entirely owned by the former area developer and no right of first refusal exists.
o.	Franchisor's option to purchase franchisee's business	15.2(d)	Not applicable	Within 30 days after the termination, expiration or non-renewal of the Franchise Agreement, we have the option, but not an obligation, to purchase all or any portion of your reusable inventory, apparel containing the Marks, proprietary equipment, parts, fixtures and furnishings owned and used by you in your franchised operation. (This provision is subject to state law.) We have no right or obligation to purchase your assets upon termination or expiration of the ADA.
p.	Death or disability of franchisee	12.6	Not applicable	Franchise must be assigned by estate to approved buyer within 270 days. During any period of your incapacity or until the business is sold, we can place an interim manager in your Outlet, and you must pay us up to $750 per day as compensation for the interim manager, plus the manager's transportation, lodging and related living expenses.

	Provision	Section in franchise agreement	Section in area development agreement	Summary
q.	Non-competition covenants during the term of the franchise	11.1, 11.3	5.1	No involvement in competing business anywhere.
r.	Non-competition covenants after the franchise is terminated or expires	11.2, 11.3	5.1	No competing business for one year within 25 miles of your Outlet or any other Rockstars of Tomorrow Outlet (this obligation also applies to you if you assign your franchise). The ADA refers to the non-competition covenant in the last Franchise Agreement you sign. (This provision is subject to state law.)
s.	Modification of the agreement	8.2, 16.14(c)	9.2	No modifications generally, but Manual subject to change. (This provision is subject to state law.)
t.	Integration/merger clause	16.14	9.10	Only the terms of the franchise agreement are binding (subject to state and federal law). Any representations or promises outside of the disclosure document, Franchise Agreement and ADA may not be enforceable. Nothing in the Franchise Agreement, the ADA or any related agreement disclaims or is intended to disclaim representations made in this Franchise Disclosure Document.
u.	Dispute resolution by arbitration or mediation	14.1-14.5	7.1	The parties agree in the Franchise Agreement to submit disputes (not including your failure to pay us sums due or an act of yours allowing us to immediately terminate the Franchise Agreement) initially to a meeting in person of our executive officers and your Principal Equity Owners at our principal executive office (without our respective legal counsel) within five business days after a party requests this meeting to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If this meeting does not resolve the dispute (or the meeting does not occur), within 10 business days after the meeting takes place (or should have taken place), the parties may submit the dispute to a mutually acceptable mediator who is a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If a mediation takes place but does not resolve the dispute or if no mediation occurs, the dispute will be resolved by arbitration by and before one arbitrator from JAMS, Inc., in accordance with its mediation procedures. If the mediation does not resolve the dispute, it will be resolved by arbitration before JAMS in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000), or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more). Or, if the parties mutually agree, the dispute may be

	Provision	Section in franchise agreement	Section in area development agreement	Summary
u.	Dispute resolution by arbitration or mediation [continued]			submitted to arbitration conducted by another arbitrator. We will maintain a position of strict neutrality regarding any disputes between owners of a franchisee entity, and we will not assist any specific owner of your entity, nor will we take a position or issue an opinion on the validity of a specific claim by an owner of your entity or the respective liabilities of owners of your entity involved in a dispute. (This provision is subject to state law.)
v.	Choice of forum	14.1-14.3	7.1	Arbitration proceedings will take place before JAMS in Riverside, California. Mediation proceedings may take place at any mutually agreed location in California. Any litigation proceedings will take place in an appropriate court in California. (This provision is subject to state law.)
w.	Choice of law	16.13	9.1	The Federal Arbitration Act governs the arbitration of disputes under the Franchise Agreement and the ADA. Otherwise, the laws of the state where the Outlet is located govern the Franchise Agreement and the laws of the state where the Development Area is located govern the ADA.

ITEM 18: PUBLIC FIGURES

We do not currently pay or provide any other benefit to a public figure for the right to use his or her name to promote the sale of Rockstars of Tomorrow franchises.

ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representation 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 our CEO, Michael Anderson, Rockstars of Tomorrow Franchise, Inc., 1900 Lampton Lane, Norco, California 92860-1945, (909) 636-3446; the Federal Trade Commission; and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary For years 2022 to 2024*

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2022	4	4	0
	2023	4	4	0
	2024	4	7	+3
Company-Owned	2022	2	3	+1
	2023	3	3	0
	2024	3	3	0
Total Outlets	**2022**	**6**	**7**	**+1**
	2023	**7**	**7**	**0**
	2024	**7**	**10**	**+3**

* Our fiscal year ends the last day of February.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) For years 2022 to 2024

State	Year	Number of Transfers
All states	2022	0
	2023	0
	2024	0
Total	**2022**	**0**
	2023	**0**
	2024	**0**

Table No. 3
Status of Franchised Outlets For years 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
California	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Nevada	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Texas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Totals	**2022**	**4**	**0**	**0**	**0**	**0**	**0**	**4**
	2023	**4**	**0**	**0**	**0**	**0**	**0**	**4**
	2024	**4**	**3**	**0**	**0**	**0**	**0**	**7**

Table No. 4

Status of Company-Owned Outlets For years 2022 to 2024

State or Country	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
California	2022	2	1	0	0	0	3
	2023	3	0	0	0	0	3
	2024	3	0	0	0	0	3
Totals	**2022**	**2**	**1**	**0**	**0**	**0**	**3**
	2023	**3**	**0**	**0**	**0**	**0**	**3**
	2024	**3**	**0**	**0**	**0**	**0**	**3**

Table No. 5

Projected Openings as of February 29, 2024

State or Country	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
California	0	2	0
Texas	0	2	0
Totals	**0**	**4**	**0**

Exhibit C lists, as of February 29, 2024, the names, addresses and telephone numbers of Rockstars of Tomorrow franchise outlets that are currently open and operating, all Rockstars of Tomorrow outlets owned and operated by affiliated entities, and all franchisees that have signed franchise agreements but not yet opened their outlets.

Exhibit D lists, as of February 29, 2024, the contact information of every franchisee that had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement during our most recently completed fiscal year, or that has not communicated with us within the 10 weeks ending on the date of this disclosure document. Your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, Rockstars of Tomorrow franchisees have not signed any document restricting their ability to speak openly about their experience with Rockstars of Tomorrow.

We have not created, sponsored or endorsed any trademark-specific franchisee organizations associated with the Rockstars of Tomorrow franchise being offered. There are no independent franchisee organizations that have asked to be included in this disclosure document.

ITEM 21: FINANCIAL STATEMENTS

Exhibit B to the disclosure document contains our (i) audited financial statements for our fiscal years ended February 29, 2024, February 28, 2023, and February 28, 2022, (ii) unaudited balance sheet as of October 31, 2024, and (iii) unaudited profit and loss statement for the eight months ended October 31, 2024. Our fiscal year end date is the last day of February.

ITEM 22: CONTRACTS

Exhibit A-1 - Franchise Agreement
Exhibit A-2 - Area Development Agreement
Exhibit A-3 – Territory Hold Agreement

ITEM 23: RECEIPTS

You will find copies of a detachable receipt in Exhibit H at the very end of this disclosure document.

ROCKSTARS OF TOMORROW

FRANCHISE AGREEMENT

EXHIBIT A-1

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FRANCHISE AGREEMENT

This Franchise Agreement (“Agreement”) is made and executed as of __________________, 20 __ (the “Effective Date”), by and among Rockstars of Tomorrow Franchise, Inc., a California corporation, doing business as Rockstars of Tomorrow (“we” or “us”), and ____ (“Franchisee” or “you”), with reference to the following facts:

RECITALS

An entity affiliated with us (the “Owner of the Marks”) owns the Rockstars of Tomorrow trademarks, service marks and other intellectual property and all rights in respect thereof. The Owner of the Marks has authorized us to license them to Rockstars of Tomorrow franchisees.

You desire to be franchised and licensed by us to use our “System” (as defined in Article I below), “Marks” (as defined in Article I below) and goodwill to conduct the “Franchised Business” (as defined in Article I below) at a specific “Outlet” (as defined in Article I below and identified in Exhibit 1 attached).

We are willing to grant you a “Franchise” (as defined in section 3.1 hereof), in accordance with the provisions of this Agreement and the Confidential Operations Manual.

I. DEFINITIONS

Abandoned. The term “Abandoned” means cessation of operation of the Franchised Business for a period of five consecutive business days, without our prior written consent. A repeated pattern of inactivity at your Outlet for periods of less than five consecutive business days may result in your Franchised Business being deemed Abandoned if in our judgment such inactivity adversely impacts the Franchised Business. However, your Franchised Business will not be deemed Abandoned if the inactivity is due to natural disasters or other matters reasonably beyond your control, provided that you give us notice of any such closure within five business days after the initial occurrence of the event resulting in such inactivity, and we acknowledge in writing that such inactivity is due to one of the foregoing causes, and provided further that you re-establish the Franchised Business and be fully operational within 180 days after the initial occurrence of the event resulting in such inactivity or such longer period as we may permit.

Anniversary Year. The term “Anniversary Year” means the 12-month period between the “Opening Date” (as defined below in this Article I) and the first anniversary thereof and between each succeeding anniversary.

Confidential Operations Manual. The term “Confidential Operations Manual” means the manual or manuals (regardless of title) containing our “Trade Secrets” (as defined in this Article I) and the policies and procedures to be adhered to by you in performing under this Agreement, including all amendments and supplements thereto provided to you from time to time.

Control. The term “Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise.

CPI. The term “CPI” means the annual average of the Consumer Price Index for All Urban Consumers, published by the Bureau of Labor Statistics of the United States Department of Labor (or similar reputable index if CPI figures are no longer published by this government agency).

Franchised Business. The term “Franchised Business” means the sale of “Rockstars of Tomorrow Services and Products” (as defined in this Article I) and other goods and services at the Outlet that we authorize in the Confidential Operations Manual pursuant to the System and other business methods and procedures set forth by us for the operation and marketing of an Outlet within the “Territory” (as defined in this Article I).

General Manager. The term “General Manager” means the individual (may, but is not required to, be a Principal Equity Owner) designated by you as the person responsible for the day-to-day operation of the Outlet, and who has successfully completed “Initial Training” (as defined in this Article I).

Gross Revenues. The term “Gross Revenues” means all revenues, however generated or received, that are derived by you from operating the Franchised Business at or through your Outlet, excluding revenue from the sale of musical instruments or musical equipment (although you must continue to report revenue from the sale of these items on your monthly marketing reports), sales tax or any other taxes you collect from customers for payment to an appropriate tax authority.

Initial Training. The term “Initial Training” means training in the System provided by us, as described in and required by section 6.1 hereof.

Marketing Area. The term “Marketing Area” means the designated and agreed non-exclusive geographical area as set forth in Exhibit 1 attached hereto that is within the vicinity of your Outlet and within which you may provide “Rockstars of Tomorrow Services and Products” (as defined in this Article I) to customers located outside your Outlet that are specifically authorized within the Confidential Operations Manual (including residential customers, community centers, show venues, schools and restaurants that fit within our authorized guidelines).

Marks. The term “Marks” means the proprietary marks that are associated with the System and associated designs in respect of which registrations have been obtained from or applied for with the United States Patent and Trademark Office, as well as all common law trademarks and service marks, trade names, logos, insignias, designs and other commercial symbols which we now or hereafter are authorized to use and use or authorize others to use to identify the Franchised Business.

Music Director. The term “Music Director” means the individual (may be the General Manager or a Principal Equity Owner) that has been designated by you as the person responsible for the day-to-day supervision of musical instruction provided at the Outlet by “Senior Faculty” (as defined in this Article I), and who has successfully completed Initial Training.

Opening Date. The term “Opening Date” means the day you open your Outlet, furnished, inventoried and equipped in accordance with our requirements, and you begin operating the Franchised Business at your Outlet.

Outlet. The term “Outlet” means a child friendly, converted residence or other multi-room facility (may not be inside a commercial office building) we consent to, fully configured and equipped as required by us, which is exclusively dedicated to the operation of the Franchised Business under the Marks and in accordance with the System.

Principal Equity Owner. The term “Principal Equity Owner” means each person who owns 20% or more of Franchisee.

Proprietary Information. The term “Proprietary Information” means all Trade Secrets, non-public information, knowledge, know-how and technologies that we designate as confidential or proprietary, including the Confidential Operations Manual, formulas, processes, procedures, business formats, business systems, financial information, marketing strategies and programs, operational techniques, service concepts, artwork, e-mail, electronic media, graphics, layouts, slogans, names, titles, text, bulletins, instruction sheets, or supplements thereto, and any proprietary equipment, videotapes, videodiscs, forms, advertising matter, the Marks, devices, insignias and designs.

Rockstars of Tomorrow Services and Products. The term “Rockstars of Tomorrow Services and Products” means (i) instruction in music (featuring the rock and roll genre) focusing on vocals, guitar, bass, keyboard and drums, (ii) live performance and event management, (iii) recording instruction and (iv) retail sale of musical instruments, musical accessories and rock-related collectibles.

Senior Faculty. The term “Senior Faculty” means the individuals (may be Principal Equity Owners) that have been designated by you as the persons responsible, under the supervision of the Music Director, for providing musical instruction and studio recording services at the Outlet, and who have successfully completed Initial Training.

System. The term “System” means comprehensive marketing and operational systems prescribed by us to be used in the conduct of the Franchised Business, as set forth in this Agreement and the Confidential Operations Manual. The System includes (i) the Marks, (ii) know-how relating to Rockstars of Tomorrow Services and Products, (iii) advertising, marketing and sales programs and techniques, (iv) training programs, and (vi) related materials, artwork, graphics, layouts, slogans, names, titles, text and other intellectual property that we make available to you. In our sole discretion, we may improve or change the System from time to time (including but not limited to adding to, deleting or modifying elements of the System and amending the Confidential Operations Manual) for the intended purpose of making the System more effective, efficient, economical or competitive; adapting to or taking advantage of competitive conditions, opportunities, technology, materials or local marketing needs and conditions; enhancing the reputation or public acceptance of the System; or better serving the public.

Territory. The term "Territory" means the designated and agreed geographical area surrounding your Outlet as set forth in Exhibit 1 attached hereto.

Trade Dress. The term "Trade Dress" means the unique and distinctive layout, design and color schemes relating to the Outlet, and the textures, sizes, designs, shapes, and placements of words, graphics, and decorations on products and packaging related to Rockstars of Tomorrow Services and Products.

Trade Secret. The term "Trade Secret" means information constituting a trade secret within the meaning of the Defend Trade Secrets Act of 2016 (18 U.S.C. § 1836, *et seq*.), as amended.

Transfer. The term "Transfer" means a sale, assignment, transfer, conveyance, pledge, mortgage, encumbrance, abandonment, elimination or giving away, voluntarily or involuntarily, by operation of law or otherwise.

II. THE FRANCHISED BUSINESS

2.1 Our Business.

We are engaged in the administration, development, operation and licensing of businesses that operate Outlets offering the Franchised Business, using the Marks, operational techniques, service concepts and proprietary information owned or authorized to be used by and identified with us and our affiliated companies. Our activities in general, and our system (including proprietary products and services; logos; equipment and operations; designs and layouts for the Outlets; marketing and advertising, specialty retail items and promotional activities) are undertaken to develop, maintain and enhance the Marks and our business reputation.

2.2 The Franchise System.

We have developed and supervise the franchise System under the Marks operated in accordance with the provisions of this Agreement and our Confidential Operations Manual, as amended from time to time.

III. GRANT OF FRANCHISE

3.1 Grant of Franchise.

(a) By our respective signatures below, we hereby grant to you, and you hereby accept, a license ("Franchise") to participate in and use the System by conducting the Franchised Business at your Outlet within your Territory and to authorized customers within your Marketing Area, in strict accordance with this Agreement and the Confidential Operations Manual, from the time of commencement of the Franchised Business until the end of the term hereof and any additional term unless sooner terminated. So long as you comply with this Agreement, we will not authorize another Rockstars of Tomorrow franchisee to operate, or operate ourselves, a Rockstars of Tomorrow Outlet in your Territory.

(b) Each Principal Equity Owner (and their respective spouses, if applicable), must execute the Guarantee of Franchise Agreement attached as Exhibit 3 of this Agreement.

(c) You acknowledge that we may have granted and may in the future operate or grant other licenses and franchises outside the Territory. YOU MAY NOT USE OUR MARKS, OPERATIONAL TECHNIQUES, SERVICE CONCEPTS OR PROPRIETARY INFORMATION IN CONNECTION WITH ANY BUSINESSES OR SERVICES OTHER THAN THE FRANCHISED BUSINESS AT THE OUTLET WITHOUT OUR EXPRESS PRIOR WRITTEN PERMISSION, WHICH PERMISSION, IF GRANTED, WILL BRING SUCH BUSINESSES OR SERVICES WITHIN THE SCOPE OF THE FRANCHISED BUSINESS AND SUBJECT REVENUES THEREFROM TO PAYMENT OF ROYALTY AND MARKETING AND PROMOTION FEES.

3.2 Reserved Rights.

(a) Nothing contained herein accords you any right, title or interest in or to the Marks, System, marketing and operational techniques, service concepts, proprietary information or goodwill of ours or associated with the System, except such rights as may be granted hereunder. **THIS AGREEMENT GRANTS YOU ONLY THE RIGHT TO OPERATE THE FRANCHISED BUSINESS AT YOUR OUTLET AND NOWHERE ELSE UNLESS WE SPECIFICALLY ALLOW YOU TO OFFER ROCKSTARS OF TOMORROW SERVICES AND PRODUCTS ELSEWHERE. ALL OTHER RIGHTS ARE RETAINED BY AND RESERVED TO US.**

(b) We reserve the right to develop other systems involving similar or dissimilar services or goods, under dissimilar service marks, trademarks and trade names belonging to us, without necessarily granting you any rights in those systems. We reserve all rights to market and sell Rockstars of Tomorrow Services and Products at venues other than Outlets and through other channels of distribution anywhere, including within your Territory.

3.3 Promotion and Development of Your Outlet.
You must (i) diligently and effectively promote, market and engage in the Franchised Business at your Outlet; (ii) develop, to the best of your ability, the potential for future Franchised Business within your Territory; and (iii) devote and focus a substantial portion of your attentions and efforts to such promotion and development.

3.4 Extent of Grant.

(a) You understand and agree that you are licensed hereby only for the operation of your Franchised Business at and from your Outlet and only within your Territory (unless we specifically agree otherwise on a case-by-case basis). You must offer and sell at your Outlet and in your Territory only Rockstars of Tomorrow Services and Products and other goods and services that we designate as required or approved for all franchisees. We have the right to change and add other authorized goods and services that you will then be required to offer. There are no limits on our right to make changes to the offerings, except that the additional investment required of you for equipment, supplies and inventory will not exceed $50,000 in any 12 consecutive months.

(b) You may not sublicense, sublease, subcontract or enter any management agreement, concession agreement, partnership agreement or joint venture agreement providing for, the right to operate the Franchised Business or to use the System granted pursuant to this Agreement.

3.5 Electronic Execution and Copies.

(a) An executed counterpart of this Agreement (or any portion of this Agreement) may be delivered by any of the parties by facsimile, electrical, digital, magnetic, optical, electromagnetic, or similar capability regardless of the medium of transmission (any such medium is referred to in this and the following section as “electronic”), and such delivery will be effective and binding upon such party, and will not in any way diminish or affect the legal effectiveness, validity or enforceability of this Agreement.

(b) You acknowledge and agree that we may create an electronic record of any or all agreements, correspondence, or other communication between us or involving third parties, and those we may thereafter dispose of or destroy the original of any such document or record. Any such electronic record will be inscribed on a tangible medium or stored in an electronic or other medium and be retrievable in perceivable form and will be maintained in and readable by hardware and software generally available. You agree that, notwithstanding any statute, regulation, or other rule of law to the contrary, any such electronic version of this or any other agreement or correspondence between the parties will have the same legal effect, validity, and enforceability as an original of any such document, even if the original of such document has been disposed of or intentionally destroyed.

3.6 Obligations of Entity Franchisee.

(a) If you are an entity, you must provide us at the Effective Date with a copy of your entity’s organizational document and any by-laws, shareholders’ agreement, operating agreement or other agreement among the equity owners.

(b) If you are an entity, you must place the following legend on all certificates evidencing an equity interest:

“THE TRANSFER OF THE EQUITY INTEREST IN THE ENTITY REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A FRANCHISE AGREEMENT DATED ________________, 20__ BETWEEN THIS ENTITY AND ROCKSTARS OF TOMORROW FRANCHISE, INC. REFERENCE IS MADE TO SUCH FRANCHISE AGREEMENT AND THE RESTRICTIVE PROVISIONS CONTAINED THEREIN AND AS MAY BE OTHERWISE SET FORTH IN THE ORGANIZATIONAL DOCUMENTS AND OPERATING AGREEMENTS OF THIS ENTITY.”

IV. INITIAL AND ON-GOING PAYMENTS BY YOU

4.1 Initial Fees.

(a) The "Initial Franchise Fee" for your initial franchised Outlet is $45,000. (However, if this Agreement is for a second or subsequent Outlet owned by you under the terms of an Area Development Agreement ("ADA") you executed, the Initial Franchise Fee you pay for these additional Outlets is reduced by 20% to $36,000, against which a credit will be applied in the amount specified in the ADA and you must pay us the balance.) The Initial Franchise Fee is due and payable in full, by check, money order or wire transfer to our bank account when you sign this Agreement. **The Initial Franchise Fee is fully earned by us when paid.**

(b) Notwithstanding section 4.1(a) above, if you have been operating a music school averaging at least 50 paying students each month for the 12 full calendar months immediately before you sign this Agreement, and you are converting this music school to a Rockstars of Tomorrow franchise location by transferring all your paying students to the franchised Outlet on its effective date, we will apply a conversion credit of $10,000 against the Initial Franchise Fee, and you would then pay us $35,000.

(c) After at least 14 full calendar days have passed since we provided you with the Rockstars of Tomorrow Franchise Disclosure document and if this Agreement is for your initial franchise Outlet, before you execute this Agreement, you may reserve a defined territory for six months by signing a separate Territory Hold Agreement and paying us a "Territory Hold Fee" of $10,000. **The Territory Hold Fee is fully earned by us when paid.** When you sign your Franchise Agreement (must be not later than six months after you sign the Territory Hold Agreement), the Territory Hold Fee will be applied as a credit against the Initial Franchise Fee with the balance of the fee due and payable in full upon the execution of a lease for the Outlet premises.

(d) If before your successful completion of initial training, we decide, in our sole discretion, that you should not operate a Rockstars of Tomorrow business, or if you do not obtain our consent to the location of your Outlet within 180 days after the Effective Date (see section 7.2 below), we may cancel this Agreement. If we cancel this Agreement for either of those reasons, upon execution of a cancellation of franchise agreement and release, we will refund the Initial Franchise Fee and Territory Hold Fee you paid, less any expenses we incurred in processing your Franchise and this Agreement. **Otherwise, the Initial Franchise Fee and Territory Hold Fee are not refundable.**

(e) Except for the Initial Franchise Fee and Territory Hold Fee specified in this section 4.1, any stated dollar amount in this Agreement may be adjusted in our discretion based on changes in the CPI since the Effective Date.

4.2 Royalty.

(a) Beginning on the Opening Date, you must pay us a "Royalty" equal to a percentage of the Gross Revenues received by you during the previous monthly period as follows:

(i) 4% of your Gross Revenues for the first six months after the Opening Date, then

(ii) 8% of your Gross Revenues for the remainder of the initial term of this Agreement and any renewal term.

(b) Royalties are due and payable monthly on the 5th business day following the monthly period in which applicable Gross Revenues were received and are to be accompanied by a marketing report in the form prescribed by us.

(c) Commencing on the first anniversary of the Opening Date, the minimum monthly Royalty you must pay to us will be $500. Commencing on the second anniversary of the Opening Date, the minimum monthly Royalty you must pay to us will be $750.

(d) If this Agreement is for an additional Outlet you are opening under an ADA, and you have been operating your initial Outlet for at least six months, when you sign a lease for an additional Outlet under the ADA, to assist you in meeting the cost of construction for the new additional Outlet, if you qualify, we will grant you Royalty forgiveness under the Franchise Agreement for the additional Outlet for up to 12 months. To qualify for Royalty forgiveness, you must be in full compliance with the Franchise Agreement you executed for your initial Outlet, including fully current in payment of Royalties and other amounts due us under that Franchise Agreement. The number of months for Royalty forgiveness depends on the costs of construction for the new additional Outlet as follows: (i) three months if costs are $250,000 or less, (ii) six months if costs are between $250,000.01 and $300,000, (iii) nine months if costs are between $300,000.01 and $400,000, or (iv) 12 months if costs are greater than $400,000.

4.3 Marketing, Advertising and Promotion.

(a) Beginning on the first anniversary of the Opening Date, you must pay us a "Marketing and Promotion Fee" of 1.5% of the Gross Revenues received by you during the previous monthly period.

(b) Marketing and Promotion Fees are due and payable monthly on the 5th business day following the monthly period in which applicable Gross Revenues were received.

(c) Within the first 30 days after the Opening Date, you must spend in your Territory at least $5,000 on the grand opening advertising and promotion of your Outlet, using the grand opening advertising and promotional program that we approve, including the "soft opening" to be held on or about the Opening Date and the Grand Opening event. Not later than 90 days after the Opening Date, you must provide us with a report itemizing your expenditures on the grand opening advertising and promotion of your Outlet.

(d) After you complete the grand opening advertising and promotion of your Outlet, you must spend at least 2% of your monthly Gross Revenues on the local marketing, advertising and promotion of your Outlet, using marketing and promotional materials pre-approved or otherwise authorized in writing by us ("Local Advertising"). You must report to us by the 3rd business day after the end of each month after the Opening Date all details of your Local Advertising in that month in the manner specified in the Confidential Operations Manual.

(e) On a regional or system-wide basis, we may impose an additional assessment upon affected franchisees for special designated advertising or promotional activities if two-thirds of all affected Rockstars of Tomorrow franchised outlets agree to such additional assessment by affirmative vote.

(f) With respect to regional or system-wide advertising, including without limitation advertising paid from Marketing and Promotion Fee contributions, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

4.4 Electronic Funds Transfer.
We may require payment of the Royalty and Marketing and Promotion Fees by electronic funds transfer ("EFT") through the Automated Clearing House ("ACH") electronic network for financial transactions, or such other automatic payment mechanism we may designate, directly from your account into our operating account. If we do so, you must execute or re-execute and deliver to us bank-required pre-authorized check forms and other instruments or drafts to enable us to draw directly from your bank account your Royalty and Marketing and Promotion Fees and other sums payable under the terms of this Agreement. You must also, in addition to those terms and conditions set forth in the Confidential Operations Manual, maintain a single bank account for such payments (with overdraft protection from your operating account) and must maintain such minimum balance in such account as we may reasonably specify from time to time. You must not alter or close such account except upon our prior written approval. Any failure of yours to implement such EFT system in strict accordance with our instructions will constitute a material default of this Agreement.

4.5 Fees Fully Earned: No Setoff on Payments.
All payments made by you to us pursuant to this Article IV are fully earned and non-refundable when paid to us. All payments to be made by you to us will made be without setoff, deduction, defense, counterclaim or claims in recoupment.

4.6 Late Fee; Interest on Delinquent Payments.

(a) Any payment required under this Agreement not received by us when due will be a material breach of this Agreement and will be subject to a late charge of 5% of the amount past due. In connection therewith, you and we agree that the late charge is a reasonable and good faith estimate by both you and us of such costs because (i) as a result of any such late payment, we will incur certain costs and expenses including, without limitation, administrative costs, collection costs, loss of interest, and other direct and indirect costs in an uncertain amount; and (ii) it would be impractical or extremely difficult to fix the exact amount of such costs in such event.

(b) In addition to late payment penalties, all delinquent amounts will bear interest from the date payment was due at an annual percentage rate ("APR") of 18% (unless the APR allowed by the law of the state where the Outlet is located is limited by law to a lower APR, in which case that lower APR will apply), and you must reimburse us immediately upon demand for all reasonable costs of collection relating to delinquent amounts.

4.7 No Accord or Satisfaction.
If you pay, or we otherwise receive, a lesser amount than the full amount provided for under this Agreement for any payment due hereunder, such payment or receipt will be applied against the earliest amount due us. We may accept any check or payment in any amount without prejudice to our right to recover the balance of the amount due or to pursue any other right or remedy. No endorsement or statement on any check or payment or in any letter accompanying any check or payment or elsewhere will constitute or be construed as an accord or satisfaction.

V. INITIAL TERM AND RENEWAL TERMS

5.1 Initial Term.
The initial term of this Agreement (applicable solely to the Franchised Business licensed hereunder) commences on the Effective Date and expires on the 10th anniversary of the Opening Date, unless sooner terminated pursuant to the provisions of this Agreement.

5.2 Renewal Terms.

(a) You may renew your Franchise for successor five-year terms commencing on the expiration date of the previous term, unless:

(i) You have given us written notice of your intention not to renew this Agreement at least 90 days before the expiration of the initial term or any successor term; or

(ii) We have given you, at least 180 days before the expiration of the initial term or any successor term, written notice of our intention not to renew this Agreement, which must be for one of the following reasons:

(A) You are not in good standing under this Agreement, including your failure to cure any outstanding default for which notice has been given; or

(B) You received from us six or more notices of material default of this Agreement during the entire term that is expiring, or two or more notices of material default during the last 12 months of the term that is expiring.

(b) At the time of renewal, you must (i) then be solvent (which means that you are able to pay your debts as and when promised by you and that you have assets that are greater than your debts), (ii) have not abandoned the Franchise, (iii) not be operating the Franchise in a manner that endangers public health or safety or materially harms the Rockstars of Tomorrow brand or reputation, and (iv) not have knowingly submitted false or incomplete reports to us during the initial term.

(c) Notwithstanding section 5.2(a) above, we are not obligated to renew your rights granted under this Agreement for an additional term if one or more of the following applies or occurs:

(i) You give us written notice of your intention not to renew this Agreement at least 180 days before the expiration of the initial term or any successor term.

(ii) During the 180 days prior to expiration of the Franchise, we permit you to sell your Franchised Business to a purchaser meeting our then current requirements for granting new Franchises or (if we are not granting a significant number of new Franchises) the then current requirements for granting renewal Franchises.

(iii) Termination of this Agreement would be permitted pursuant to sections 13.1 or 13.2 hereof.

(iv) You and we agree not to renew the Franchise.

(v) We withdraw from distributing our products or services through Franchises in the geographic market served by you, provided that:

(A) Upon expiration of the Franchise, we agree not to seek to enforce any covenant of the non-renewed franchisee not to compete with us or our franchisees; and

(B) The failure to renew is not for the purpose of converting the business conducted by you pursuant to this Agreement to operation by our employees or agents for our own account.

(vi) At the time of renewal, you or any Principal Equity Owner has been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our reasonable judgment, to have a materially adverse effect on the Marks, the System, or the goodwill associated with the Marks or System.

(vii) We and you fail to agree to changes or additions to the terms and conditions of this Agreement, if such changes or additions would result in renewal of this Agreement on substantially the same terms and conditions on which we are then customarily granting renewal franchises, or if we are not then granting a significant number of renewal Franchises, the terms and conditions on which we are then customarily granting original franchise agreements. We may give you written notice of a date which is at least 30 days from the date of such notice, on or before which a proposed written agreement of the terms and conditions of the renewal Franchise must be accepted in writing by you. Such notice, when given not less than 180 days before the end of the Franchise term, may state that in the event of failure of such acceptance by you, the notice will be deemed a notice of intention not to renew at the end of the Franchise term.

(d) As a condition to renewing your rights, duties and obligations hereunder, not later than 90 days before the end of the term that is expiring, you would sign a release and either (i) our then-current standard Renewal Franchise Agreement modified by addendum to remove provisions that only apply to a new franchisee, such as initial franchise fee and initial training requirements ("Renewal Franchise Agreement") or (ii) in our sole discretion, an addendum to this Agreement extending its term for an additional five year term. **IN ADDITION TO NOT GRANTING ANY ADDITIONAL RIGHTS BEYOND THOSE GRANTED IN THIS AGREEMENT, THE RENEWAL FRANCHISE AGREEMENT MAY CONTAIN OTHER TERMS THAT ARE SUBSTANTIALLY DIFFERENT FROM THOSE IN THIS AGREEMENT.** The Renewal Franchise Agreement, when executed, will supersede this Agreement.

(e) At the time of renewal, you must have satisfied all monetary obligations owed by you to us and to our affiliates and all other material obligations under this Agreement, and we may examine your books and records to verify compliance with this requirement anytime during normal business hours within 60 days of your renewal date.

(f) Not later than 90 days after your execution of a Renewal Franchise Agreement for an additional term, you must make such physical modifications to your Outlet as are reasonably necessary so that they are substantially consistent with the then current Rockstars of Tomorrow system requirements, and so that they can accommodate new Rockstars of Tomorrow Services and Products, if any. You must also bring your Outlet and equipment, materials and supplies into compliance with the standards then applicable to new Rockstars of Tomorrow franchises.

(g) When you sign the Renewal Franchise Agreement, we and you would sign a mutual release and you must pay us a "Renewal Fee" of $1,000.

5.3 Month to Month Extension; Longer Notice of Expiration Required by Law.

(a) At our option, if the renewal procedures described in section 5.2 above have not been completed, or in lieu of formal renewal of the Franchise, we may extend this Agreement on a month-to-month basis by notifying you we are doing so. Said month-to-month extension will continue until we give you at least a 30-day notice that the Franchise rights must be formally renewed in accordance with section 5.2, or this Agreement will expire and be terminated.

(b) If applicable law requires that we give a longer period of notice to you than herein provided prior to the expiration of the initial term or any successor term, we will give such additional required notice. If we do not give such required additional notice, this Agreement will remain in effect on a month-to-month basis only until you have received such required additional notice.

VI. TRAINING AND ASSISTANCE

6.1 Initial Training.

(a) It is of paramount importance that (i) your General Manager, Music Director (may also serve as General Manager), Senior Faculty and Principal Equity Owners understand the Franchised Business and the System and (ii) your General Manager, Music Director and Senior Faculty have been trained how to operate the Franchised Business. Accordingly, we will provide to your Manager and your Principal Equity Owners an initial training program (part of which will consist of on-the-job training), providing an orientation to the System and instruction on how to operate the Franchised Business at the Outlet. Unless there are extenuating circumstances that in our reasonable determination justify a delay, your required trainees must attend the next Initial Training that we offer. Your required trainees must complete Initial Training within 180 days after you sign this Agreement and you may not open and operate your Outlet until your General Manager and Music Director have satisfactorily completed Initial Training. You acknowledge and agree we will solely determine whether your General Manager, Music Director and Senior Faculty satisfactorily complete Initial Training.

(b) The failure of your General Manager and Music Director to complete Initial Training to our satisfaction will be grounds for termination of this Agreement; provided, however, that before this Agreement is so terminated, if your General Manager or Music Director fails to successfully complete Initial Training, he or she will be offered the opportunity to retake Initial Training or you may send one replacement General Manager or Music Director, approved by us, to the next available Initial Training program. You may be required to pay us a fee of $1,500 for each Initial Training attended by a retaking or replacement General Manager or Music Director.

(c) We will determine the contents and manner of conducting the Initial Training program in our discretion, however, the training course will be structured to provide practical training in the implementation and operation of the Franchised Business and may include such topics as Rockstars of Tomorrow music training and instruction techniques, procedures, standards, marketing and customer service techniques, reports and instrument and equipment maintenance.

(d) There is no separate fee payable to us for the Initial Training program provided to up to five trainees (must include your initial General Manager, Music Director, Senior Faculty and at least one Principal Equity Owner). You may be required to pay us a fee of $1,500 for each other attendee of Initial Training, and we have the sole right to approve any additional attendee of Initial Training.

(e) All costs and expenses (including travel, hotel and meal) of your attendees of Initial Training will be your sole responsibility. All persons attending Initial Training on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

6.2 Training and Assistance after Opening.

(a) After you open and begin operating your Outlet, we will provide you with access to, list your Outlet on, and integrate other information about the Outlet into, the Rockstars of Tomorrow website. Any future update or modifications to your presence on our website may be at your cost and expense. We will also provide you with telephone and e-mail assistance at your request or otherwise as we deem necessary to instruct in all phases of the operation of the Franchised Business. Our field representatives may visit your Outlet and Territory from time to time, but the frequency and duration of any such visits by our representatives is in our sole discretion. In addition, we will be available on an ongoing basis at our national headquarters for consultation and guidance with respect to the operation and management of the Franchised Business.

(b) After you open your Franchised Business, and upon reasonable notice, we may require participation of your designated personnel at training courses, seminars, conferences or other programs other than Initial Training or mandatory meetings (described in section 6.3 below) that are deemed by us to be relevant or appropriate to the operation of your Franchised Business. You specifically agree that only persons trained by us or under our supervision will have overall responsibility for the operation of the Outlet and Franchised Business, and that you will send your General Manager to us for additional training if we request this. Other than providing you with general guidelines for tax and federal employment compliance in the Confidential Operations Manual, we do not provide you with assistance in contracting with agents or hiring employees.

(d) We may but are not required to make available to you optional training courses, seminars, conferences or other programs, in a suitable location selected by us. We may, at our discretion charge you a separate fee of up to $750 per day for this optional training.

(e) In addition to updates to the Confidential Operations Manual, we may provide you with additional materials relating to the Franchised Business. We may also from time to time make available to you for purchase other materials relevant to the System and the Franchised Business.

(f) All costs and expenses (including travel, hotel and meal) of your attendees at any post-opening training, conferences or meetings will be your sole responsibility. All persons attending post-opening training, conferences or meetings on your behalf must have a demonstrable relationship to the management and operation of your Franchised Business.

(g) In the event of a Transfer of your Franchised Business (which must be done in full compliance with section 12.2 of this Agreement), the transferee must be trained by us as a condition of our consent to such Transfer. The transferred Franchised Business may not be opened or re-opened by the transferee until we accept the transferee in writing as being qualified to operate the Franchised Business and we have otherwise consented to the Transfer in accordance with this Agreement.

6.3 Mandatory Meetings.
Not more often than once each year, we may conduct a system-wide meeting or series of regional meetings to discuss Rockstars of Tomorrow business activities or other matters relating to the Franchised Business. Attendance of a Principal Equity Owner at these meetings will be mandatory (and is highly recommended for your General Manager and all your other Principal Equity Owners). We may limit the number of your attendees at these meetings. You must pay the cost of travel, hotel and meal expenses for your attendees at these mandatory meetings. The mandatory meetings referenced in this section 6.3 are in addition to any voluntary convention or sales conference that may be coordinated by us.

6.4 Proprietary Materials.
At Initial Training and other training programs and conferences, we may provide you with Proprietary Information, as well as training materials, training curricula and related materials for your use in servicing customers and training your staff (these items are and will remain our property). You must not yourself nor allow your employees or others, to copy, reproduce, disseminate or otherwise reveal to third parties any of the foregoing Proprietary Information and related materials without our express prior written consent.

VII. OPENING OF OUTLET AND FRANCHISED BUSINESS

7.1 Your Outlet.
The Franchised Business may only be operated from your Outlet. If your Outlet has not been identified when you sign this Agreement, but the general location of the Territory is identified, the exact location of your Outlet will be inserted into a restated Exhibit 1 attached to this Agreement as soon as its location has been determined. To promote the orderly and timely service of Rockstars of Tomorrow customers, you may not deliver Rockstars of Tomorrow Services and Products outside your Territory without our prior written consent.

7.2 Building Out Your Outlet.

(a) Within 180 days after the Effective Date, premises acceptable to us where your Outlet will be operated must be located and secured by you. Within 15 days thereafter we will review and either consent to or disapprove the location (and if we disapprove, you must promptly propose an alternative location). If within 180 days after the Effective Date you have not located a site for your Outlet acceptable to us, we may cancel your Franchise Agreement because you failed to find an acceptable site within the allotted time; and if we do so, we will refund your Initial Franchise Fee less any costs we incurred up to the date of cancellation. You must build out your Outlet (and commence operation of the Franchised Business there) within 365 days after the Effective Date, using architects, project managers, contractors, subcontractors, architectural plans and key equipment suppliers designated by us (or one of our affiliated companies) or otherwise reasonably acceptable to us. You must commence operation of the Franchised Business at your Outlet as soon as practicable after your receipt of a certificate of occupancy (or equivalent document) from the responsible local government authority. If after you have located and secured suitable premises (that we consent to) for your Outlet, you have not commenced operation of the Franchised Business within 365 days after the Effective Date, we may terminate this Agreement effective on written notice, and if we do so, you will not be entitled to receive any refund of your Initial Franchise Fee. If this Agreement is for a second or subsequent

Outlet owned by you under the terms of an ADA you executed, you must commence operation of the Franchised Business at the additional Outlet by the date specified in the Development Schedule included in the ADA. We will give you an automatic one-month extension to open the Outlet beyond the mandatory dates specified above in this section 7.2(a) if we deem in our sole discretion you made a diligent effort to open, but you were unable to do so due to reasons beyond your reasonable control.

(b) We may but are not required to assist you in the site selection process. We reserve the sole right of final review and consent to any location of the Outlet. We use available demographic information to help you evaluate the site and the area in which it is located, and analyze area income figures, traffic patterns, child friendly access, visibility, population density, competition, zoning, parking, accessibility and other related, relevant circumstances.

(c) We will provide you with a sample prototype layout for your Outlet. At your sole expense, you must employ architects, builders or others designated or approved by us to complete or adapt the sample plans and specifications for the Outlet. The architect must submit a complete set of final plans and specifications to us before commencing construction of the Outlet. We will review these plans and specifications promptly and accept them as stated or provide you with our comments on the plans and specifications. We have complete and uncontested control over the design of the Outlet. You may not modify the design or choose third party designers without our express written consent and you may not commence construction of the Outlet until we consent in writing to the final plans, specifications and contractors to be used in constructing the Outlet. We will consult with you, to the extent we deem necessary, on the construction and equipping of the Outlet, but it is and will remain your sole responsibility to diligently construct, equip and otherwise make ready, and then open the Outlet. You are responsible, at your expense, for obtaining all zoning classifications, permits, clearances, certificates of occupancy and center clearances which may be required by governmental authorities.

(d) You must use competent licensed general contractors and vendors reasonably acceptable to us to construct your Outlet. We expressly disclaim any warranty of the quality or merchantability of any goods or services provided by designated or approved architects, contractors, or any other persons or entities we may refer to you. We will not be responsible for delays in the construction, equipping or decoration of the Outlet or for any loss resulting from the Outlet design or construction since we have no control over the landlord or developer and numerous construction or related problems that could occur, and consequent delay in the opening of your Outlet. We must approve in writing all changes in the Outlet plans prior to construction of the Outlet or the implementation of such changes.

(e) We must have access to your Outlet while work is in progress. We may make video records of construction in process and may require such reasonable alterations to or modifications in the construction of the Outlet as we deem necessary. Your failure to promptly commence the design, construction, inventorying, equipping and opening of the Outlet with due diligence will be grounds for the termination of this Agreement. And if you do not complete the build out of the Outlet in a reasonable time, we can complete the build out, all expenses of which will then be paid or reimbursed by you. Before opening of the Outlet and prior to final inspections by any governmental agency, our representatives may complete a final "walk through" inspection of the Outlet and issue a written consent to open. Any deficiencies noted by us from this inspection must be corrected by you within 30 days or this Agreement may be terminated without any liability to us.

(f) Unless otherwise agreed to in writing by you and us, you have the sole responsibility for locating and obtaining suitable premises for your Outlet. You and your landlord must execute a rider to your lease (or other written agreement or written understanding) that (i) grants us an option to assume your position as lessee under the lease for the Outlet premises upon 30 days written notice to the Landlord or if you are in material default of either this Agreement or the lease for the Outlet premises (including an obligation of the landlord to notify us within 10 business days if you are in default of your lease), (ii) if we assume the lease, grants us the option to assign the lease or sublease the Outlet premises to another franchisee, subject to the landlord's consent (which may not be unreasonably withheld), and (iii) requires the landlord to fully cooperate with us in either allowing us to assume or sublease the Outlet premises or completing de-identification of the Outlet if this Agreement is terminated or expires without being renewed.

(g) After the Outlet opens, we have the right to periodically inspect your Outlet and any other site where you conduct the Franchised Business.

7.3 Initial Inventory.
Within the timeframes that we specify before the Opening Date, you must order from (and if necessary pre-pay to) designated or approved suppliers the "Rockstars of Tomorrow Start-Up Pack" (as described in Exhibit 3 to this

Agreement), other musical instruments, equipment and accessories and other items specified in the outlet development materials and the Confidential Operations Manual for your complete initial inventory of Rockstars of Tomorrow Services and Products, with delivery scheduled for not later than three business days before the Opening Date. Thereafter, you must buy Rockstars of Tomorrow Services and Products and other authorized items only from vendors designated by us or suppliers approved by us. You must buy interior and exterior signs, other materials containing the Marks, and apparel containing the Marks only from suppliers approved by us.

7.4 Marketing and Advertising Boundaries.
You may not directly promote, advertise or otherwise market your Outlet outside the boundaries of the Territory or Marketing Area, except with our express written permission. The Marketing Area boundaries are determined by us and may be changed by us or overlap with the boundaries of Marketing Areas of other Rockstars of Tomorrow franchised Outlets as market conditions or type of media warrant, all in our sole discretion.

VIII. OPERATION OF FRANCHISED BUSINESS

8.1 Operational Requirements.

(a) At all times, and subject to applicable state law and regulations, you must be, or employ, a (i) General Manager, who will devote a sufficient amount of his or her time during normal business hours, as defined in the Confidential Operations Manual, to the management, operation and development of the Franchised Business and (ii) Music Director, who will devote a sufficient amount of his or her time during normal business hours to the supervision of musical instruction provided by Senior Faculty to customers of the Outlet. The General Manager and Music Director may be the same person. The General Manager and Music Director must ensure that you fulfill your obligations to your customers in a timely and professional manner and he or she may not engage in any other business requiring his or her active participation during normal business hours.

(b) You will provide at your Outlet Rockstars of Tomorrow Services and Products and other related products and accessories supplied by designated vendors and approved suppliers for resale by you at your Outlet in accordance with this Agreement and the Confidential Operations Manual (as amended from time to time by us).You must only operate the Franchised Business at your Outlet, in strict accordance with the procedures set forth in the Confidential Operations Manual or otherwise provided to you by us in writing. You may only provide Rockstars of Tomorrow Services and Products to customers who in your reasonable judgment are capable of receiving or using them. You may not engage in the sale or delivery of Rockstars of Tomorrow Services and Products outside of your Outlet except as we may otherwise authorize in the Confidential Operations Manual or otherwise in writing. You must use the standard signs and formats that we prescribe in operating the Outlet and conducting the Franchised Business. To protect and maintain the integrity, reputation and goodwill of the System and the Marks, we require that you comply with the methodology we prescribe in providing Rockstars of Tomorrow Services and Products to customers. Subject to applicable antitrust laws, we have the discretion to set or recommend retail prices for specific Rockstars of Tomorrow Services and Products (provided such pricing (i) is at or below any maximum price cap programs established by us for the Rockstars of Tomorrow franchise system, or (ii) is at or above any minimum price threshold programs established by us for the Rockstars of Tomorrow franchise system, or (iii) conforms to any *bona fide* promotional programs or national or regional accounts programs established by us for the Rockstars of Tomorrow franchise system), and restrict your advertising of prices that are inconsistent with these set or recommended prices. Also, to the extent permitted by federal and state law applicable to the Outlet, we may designate maximum and minimum retail prices to be charged for Rockstars of Tomorrow Services and Products.

(c) Your Franchised Business must be open on a full-time basis in accordance with the hours of operation as designated in the Confidential Operations Manual. The obligation to remain open will not apply in the event of natural or man-made disasters or public emergencies.

(d) You must promptly pay all taxes and debts when due and satisfy any other *bona fide* indebtedness that you incur in operating your Franchised Business. Contractors, subcontractors, vendors and suppliers providing services to the Franchised Business must be paid in accordance with the terms of their agreements with you.

(e) You must notify us in writing within two business days after you receive actual notice of the commencement of any investigation, action, suit, or other proceeding, or the issuance of any order, writ, injunction, award, or other decree of any court, agency, or other governmental authority that pertains to the Franchised Business or that may adversely affect your operations in the Territory or your ability to meet your obligations hereunder.

(f) Upon the occurrence of any event that occurs at the Outlet that caused or may cause harm or injury to customers or employees, or that may damage the System, Marks, or image or reputation of the Franchised Business or us or our affiliates, you must immediately inform our designated contact person as instructed in the Confidential Operations Manual by telephone, e-mail, text or other electronic messaging medium authorized by us for this purpose. You must cooperate fully with us with respect to our response to an incident described in this section 8.1(f).

(g) If there is any *bona fide* dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law. However, you may not permit a tax sale or seizure by levy or similar writ or warrant, or attachment by a creditor to occur against the premises of the Franchised Business or any of its improvements.

(h) You may not engage in any co-branding in the Outlet or in connection with the Franchised Business except with our prior written consent. We are not required to approve any co-branding chain or arrangement except in our discretion, and only if we recognize that co-branding chain as an approved co-brand for operation within the System. “Co-branding” includes the operation of an independent business, product line or operating system owned or licensed by another entity (not us) that is featured or incorporated within your Outlet or the Franchised Business you operate in your Territory or is adjacent to your Outlet and operated in a manner which is likely to cause the public to perceive it to be related to the Outlet and Franchised Business licensed to you hereunder.

(i) You must not accept cash payments from customers at the Outlet which are not reported to us or incorrectly reported. If this occurs, we can levy a fine of $500 each time it happens and declare you in material default of this Agreement for fraud and subject to immediate termination under section 13.2(a)(ix) of this Agreement.

8.2 Confidential Operations Manual.

(a) You must operate the Franchised Business in accordance with the Confidential Operations Manual, a copy of which will be provided to you. You may have access to a digital copy of the Confidential Operations Manual through our website. You may also be provided with a hard copy of all or portions of the Confidential Operations Manual at Initial Training or afterwards. We have the right to modify the Confidential Operations Manual at any time by the addition, deletion or other modification of the provisions thereof. All such additions, deletions or modifications are effective on the next business day after the digital copy maintained on our website is changed.

(b) All additions, deletions or modifications to the Confidential Operations Manual are equally applicable to all similarly situated Rockstars of Tomorrow franchisees. As modified by us from time to time, the Confidential Operations Manual will be deemed to be an integral part of this Agreement and references to the Confidential Operations Manual made in this Agreement, or in any amendments or exhibits hereto, are deemed to mean the Confidential Operations Manual. However, the Confidential Operations Manual, as modified or amended by us from time to time, will not alter your fundamental status and rights under this Agreement. If there is any discrepancy or dispute about the version of the Confidential Operations Manual that you may have printed and maintain, the master copy of the Confidential Operations Manual that we maintain at our headquarters and available on our website will be the controlling version and will supersede all prior versions.

(c) If you lose printed portions of, or allow unauthorized access to or duplication of, the Confidential Operations Manual or any other confidential manuals or proprietary materials loaned to you by us, you must request a replacement within three business days, and you will be deemed to be in violation of this Agreement and all other agreements you have with us and our affiliated entities.

(d) Upon the expiration or termination of this Agreement for any reason whatsoever, you must immediately return to us any printed portions of the Confidential Operations Manual then in your possession. Except as specifically permitted by us, at no time may you, or your employees or agents, (i) make, or cause to be made, any copies or reproductions of all or any portion of the Confidential Operations Manual, (ii) give online access to the Confidential Operations Manual to unauthorized persons, or (iii) disclose any part of the Confidential Operations Manual to any other person except your authorized employees and agents when required in the operation of the Franchised Business. You must also permanently erase anything relating to us or the Franchised Business from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

8.3 Standards of Operation.

(a) You agree that we, you and everyone else involved in the System benefits from the maintenance of the highest standards of uniformity, quality, similar appearance and prominent display of the Marks at your Outlet and elsewhere in your Territory. Therefore, you agree to maintain the uniform standards of quality, appearance and display of the Marks in strict accordance with this Agreement and the Confidential Operations Manual as it may be revised from time to time, and as we may otherwise direct in writing. In order that we may establish and maintain an effective network of franchisees, you specifically agree that you must not display the Marks except in the manner we authorize.

(b) You agree to diligently consider customer reviews and respond to customer indications of dissatisfaction with services rendered by you in a diligent and professional manner and agree to cooperate with representatives of ours or the Owner of the Marks in any investigation undertaken by us of complaints respecting your activities.

8.4 Payment Collection System and Computer System.

(a) You must purchase, use and maintain the computerized payment collection system and integrated business computer (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by us in writing for use in connection with the Outlet (the "Payment System"). The Payment System must be powered on and always connected to a dedicated, state of the art, high-speed communications medium specified or approved by us, capable of accessing the Internet in the manner designated by us in the Confidential Operations Manual or otherwise by us in writing to (i) implement and maintain the Payment System, (ii) receive software, and (iii) transmit and receive data. You must obtain and maintain an annual maintenance agreement with the manufacturer or distributor of the Payment System. The Payment System must be electronically linked to us. We may electronically access the Payment System on a daily or other basis at such times and in such manner as we determine, with or without notice, to retrieve such transaction information including sales, sales mix, usage and other operations data as we deem appropriate. You must ensure that only adequately trained employees, in our discretion can conduct transactions using the Payment System. Within a reasonable time upon our request, you must apply for and maintain debit cards, credit cards or other non-cash systems existing or developed in the future to enable customers to purchase Rockstars of Tomorrow Services and Products via such procedure, as specified by us. We may require you to update, upgrade or replace the Payment System, including hardware or software, from time to time upon written notice; however, you will not be required to replace the Payment System any more frequently than once every three years (unless the Payment System has been impaired by actions of you or your employees). The Payment System must also be configured and enabled to send daily and weekly sales reports to the email address provided by us.

(b) In addition to the Payment System, you must purchase, use and maintain a personal computer system (including all related hardware and software) as specified in the Confidential Operations Manual or otherwise by us in writing for use in connection with the Outlet (the "Computer System"). We require you to maintain an e-mail account and always connect the Computer System to a dedicated high-speed communications medium we specify, which can access the Internet to implement software, and transmit and receive data, in the manner we designate in the Confidential Operations Manual or otherwise by us in writing. You must also provide at your Outlet wireless Internet access for your customers. You must obtain all software and hardware, including digital still and video cameras, as we may specify to enable you to provide ample security against viruses, send and receive e-mail, contact and track customers, perform accounting functions, perform marketing and access and transmit to us digital photos and streaming video or other multimedia signals and information to and from the Outlet, in the form and manner prescribed by us. You must purchase any upgrades, enhancements or replacements to the Computer System or hardware and software as we may from time to time require by 30 days written notice; provided however that you will not be required to update or replace the Computer System any more frequently than once every three years. We may access the Computer System on a daily or other basis at such times and in such manner as we determine, with or without notice, to retrieve files and data stored therein relating to the Outlet and the Franchised Business.

(c) We may designate the computer software to be used in the operation of the Payment System and Computer System ("Designated Software"). If we do so, you must license or sublicense such Designated Software from our designee and enter into a software license agreement on the software licensor's then-current form and pay any related license or maintenance fees. You may also be required to purchase any upgrades, enhancements or replacements to the Designated Software. You must incorporate any required modifications or additions within 30 days after receiving written notice from us, unless a longer time is stated in the notice

(d) You may not install, and must prohibit others from installing, unauthorized software on the Payment System and the Computer System. You must take all commercially reasonable measures to insure that no virus, Trojan horse, malicious code or other unauthorized code or software is installed on, or transmitted by, the Payment System or the Computer System. You must from time to time communicate to us all passwords, access keys and other security devices or systems necessary to permit us to access the Payment System and Computer System and obtain the data we are permitted to obtain under this Agreement, including accounting, sales, marketing, client and other information to assist in and support the operation of the Franchised Business.

(e) All information on the Payment System and Computer System, including but not limited to customer data and contact information, is our property and you consent to our using this information in any way we deem fit, including to market other products not constituting Rockstars of Tomorrow Services and Products directly to other persons.

(f) We may disclose information relating to your operation of the Franchised Business, including, but not limited to, Gross Revenues, customer counts, and other related data, to future prospective franchisees.

8.5 Maintenance, Upgrades and Refurbishments to the Outlet.

(a) We require that you maintain, and from time to time refurbish, the Outlet to conform to the then-current building design, Trade Dress, and color schemes then applicable for an Outlet. Such maintenance and refurbishment may require expenditures by you on, among other things, structural changes, installing new equipment, remodeling, redecoration and modifications to existing improvements and such modifications as may be necessary to comply with System-wide standards then in effect for Outlets or to accommodate new Rockstars of Tomorrow Services and Products. In this regard, the following requirements are applicable:

(i) You must maintain all musical instruments and accessories and other equipment used at the Outlet on an as needed basis. And you must immediately and completely resolve to our satisfaction any maintenance deficiencies we identify.

(ii) You must make all upgrades to musical instruments and accessories and other equipment and any technology used in your Outlet that we may require.

(iii) We may periodically require you to update the Trade Dress used at your Outlet. Such updates will be contained in the Confidential Operations Manual or otherwise provided to you in writing. Such updates may require you to install new color schemes, logos, signage or other visual elements. We anticipate that such Trade Dress updates will be required no more frequently than once every five years.

(b) We will only require the types of modifications and expenditures described in this section 8.5 where there is good cause. In this context, "good cause" means we must make a good faith determination your Outlet is substantially inconsistent with prevailing System-wide standards (including the Trade Dress, safety issues regarding customers and employees, the overall condition of the Outlet, or the type, quality or condition of the equipment needed to adequately prepare, promote and sell Rockstars of Tomorrow Services and Products) and that, as a result of its appearance or condition, your Outlet is either (i) not adequately positioned to promote and sell Rockstars of Tomorrow Services and Products as then required or (ii) damaging the integrity of the Rockstars of Tomorrow image, brand or Marks.

8.6 Relocation of Your Outlet.

(a) If you desire to relocate your Outlet, you may do so provided that not less than 90 days prior to the desired date of relocation (unless prior notice is impractical because of a required relocation in which event notice must be given as soon as possible), you make a written request for consent to relocate, describing the reasons for the relocation and providing complete written details respecting any proposed new location.

(b) Within 20 business days after receiving your request, we will either approve or disapprove in writing such closure or relocation in our reasonable discretion. In the event of disapproval of a proposed relocation, you may request an alternative proposed new location for your Outlet pursuant to the provisions of this section 8.6.

(c) You and the landlord may be required to execute a rider to your lease for the new location for the Outlet (or other agreement or written understanding) that (i) grants us an option to assume your position as lessee under the lease for the relocated Outlet premises if you are in material default of either (A) the lease for the relocated Outlet premises (including an obligation of the landlord to notify us if you are in such default) or (B) this Agreement, and (ii) requires the landlord to fully cooperate with us in completing de-identification of the relocated Outlet in the event this Agreement is terminated or expires without being renewed and we do not exercise our option to assume the lease for the relocated Outlet premises.

8.7 Record Keeping and Reporting Requirements.

(a) Not later than 10 business days after we request them, you must submit to us financial or statistical reports, records, statements or information as required in the Confidential Operations Manual or otherwise by us in writing.

(b) Within 90 days after the end of each of your fiscal years (or any permitted extension for filing same), you must submit to us a copy of the Schedule C or equivalent portion of your federal tax return that relates to the Outlet and your operation of the Franchised Business. On the Effective Date (and any time thereafter that this date changes), you must notify us of your fiscal year end date.

(c) All financial or statistical information you provide to us must be accurate and correct in all material respects.

(d) We have the right to use any financial or statistical information that you provide us, as we deem appropriate. We will not identify you, your Outlet or your Territory as the source of the information and will not disclose any of this information except (i) with your written consent, (ii) as required by law or compulsory order or (iii) in connection with audits or collections under this Agreement.

(e) We or our designated agents have the right, at all reasonable times, to examine, copy and audit the books, records and applicable portions of your tax returns that relate to the Outlet and your operation of the Franchised Business. We agree to maintain the contents of the Schedules C (or equivalent portion) of your tax returns in strict confidence and will not disclose them to any third party without your express written consent. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at an APR of 18% (or the highest APR allowed by the law of the state where the Outlet is located, if that APR is lower). If an examination or audit discloses an underpayment or understatement of any amount due us by 5% or more, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, or it takes our auditors an unreasonable amount of time (more than eight hours) to assemble your records for audit, you must reimburse us for the cost of having your books examined or audited (this remedy will be in addition to any other rights or remedies we have under this Agreement or otherwise, including our right to terminate this Agreement).

(f) You must maintain and preserve all books, records and accounts of or relating to the Franchised Business for at least five years after the close of the fiscal year to which the books records and accounts relate.

8.8 Signs and Display Materials.

(a) All signs, display materials and other materials containing the Marks must be in full compliance with the specifications provided in, and in conformity with, the Confidential Operations Manual. We will designate or approve the suppliers of materials containing the Marks in accordance with Confidential Operations Manual guidelines.

(b) Subject to applicable governmental ordinances, regulations and statutes, you agree to post and maintain, at the Outlet, entirely at your expense, any minimum signage recommended by us. Any signage containing the Marks will be designed by a vendor we designate and manufactured by a vendor we designate or approve.

8.9 Telephone Numbers.
At your sole expense, you must list the telephone number for your Outlet in accordance with procedures prescribed by the Confidential Operations Manual. At the time of termination or expiration of this Agreement, for any reason, you must transfer the telephone numbers for your Outlet to us.

8.10 Insurance.
You must have in effect on the Opening Date and maintain during the term of this Agreement comprehensive general liability insurance, automobile insurance, and other insurance that is legally required for you to operate your business (*i.e.*, workers' compensation insurance) or that is reasonably prudent for your type of business. Policy coverage limitations and other terms relating to insurance will be set forth in the Confidential Operations Manual. Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A: VII which are authorized to do business in the state where Franchisee's Outlet is located, unless otherwise approved in writing by us. Any policies of insurance that you maintain must contain a separate endorsement naming us, the Owner of the Marks and our other affiliated companies identified by us in writing as additional insureds to the full extent of coverage provided under the insurance policies. Your insurance coverage will be primary as respects us, the Owner of the Marks and other

affiliated companies identified by us in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents. Any insurance or self-insurance maintained by us, the Owner of the Marks or other affiliated companies identified by us in writing, and their respective shareholders, members, managers, directors, officers, employees, and agents will be excess of your insurance and will not contribute with it. You must provide us a copy of the policy and endorsement upon issuance and upon every renewal. You hereby grant us a waiver of any right of subrogation which any insurer of yours may acquire against us by payment of any loss under such insurance. This provision applies regardless of whether we have received a waiver of subrogation endorsement from the insurer. Your obligation to obtain and maintain the foregoing policies of insurance in the amount specified will not be limited in any way by reason of any insurance that may be maintained by us, nor will your procurement of required insurance relieve it of liability under the indemnity provisions set forth in section 16.2 of this Agreement. Your insurance procurement obligations under this section 8.10 are separate and independent of your indemnity obligations under section 16.2 of this Agreement.

8.11 Review and Inspection.

(a) We have the right to send representatives at reasonable intervals at any time during normal business hours, to your Outlet or other offices to review and inspect your operations, business methods, service, management and administration relating to the Franchised Business or its equivalent, to determine the quality thereof and the faithfulness of your compliance with the provisions of this Agreement and the Confidential Operations Manual.

(b) You must permit our representatives to access your Outlet and any other facility from which you sell Rockstars of Tomorrow Services and Products at any time (announced or unannounced) during normal business hours to conduct reviews and inspections. You must cooperate with such reviews and inspections by rendering such assistance as our representatives may reasonably request and upon notice from us or our representatives, immediately begin such steps as may be necessary to correct any deficiencies noted during any such inspection. Within 10 business days after any such inspection, our representatives may re-inspect your Outlet (or other facility, if applicable) to ensure noted deficiencies have been corrected. If the deficiencies have not been corrected by the time of the initial re-inspection, our representatives may make additional re-inspections every five business days thereafter until noted deficiencies have been corrected and you must pay an additional inspection fee of $100 for each additional re-inspection.

8.12 Compliance with Laws.

You must (i) operate the Franchised Business in compliance with all applicable laws, rules and regulations of all governmental authorities, (ii) comply with all applicable wage, hour and other laws and regulations of the federal, state or local governments, (iii) prepare and file all necessary tax returns and (iv) pay promptly all taxes imposed upon you or upon your business or property. You represent and warrant that you will obtain and always maintain all necessary permits, certificates or licenses necessary to conduct the Franchised Business in the locality within which the Outlet is situated. You must immediately notify us of any litigation, arbitration, disciplinary action, criminal proceeding, or any other legal proceeding or action brought against or involving you, or any entity affiliated with you, or any agent, employee, owner, director or partner of yours, which notification must include all relevant details in respect thereof, according to the procedures set forth in the Confidential Operations Manual.

8.13 Web Site and Internet Marketing.

(a) During the term of this Agreement, as specifically authorized by us in section 6.2(a) of this Agreement, the Confidential Operations Manual or otherwise in writing, you may (i) engage in Franchised Business directly or indirectly through the Internet, (ii) establish a website or social networking media outlet (such as Facebook, Snapchat, Instagram, Tumblr, Twitter *etc*.), or register an Internet domain or social networking media outlet name using any of the Marks, or (iii) otherwise advertise on the Internet or anywhere else, the mark “Rockstars of Tomorrow”, or any other Mark, or any mark similar to “Rockstars of Tomorrow”, or any combination or derivations thereof.

(b) Any alternative distribution methods and programs you would like to use to engage in the Franchised Business, including e-commerce, web sites, Internet sub-dealers, telesales and telemarketing, or any other non-retail method of distribution, is subject to our prior written approval, which approval will be in our sole discretion.

8.14 Intranet.

(a) We may, at our option, establish and maintain an “Intranet” through which Rockstars of Tomorrow franchisees may communicate with each other, and through which we and you may communicate with each other and through which we may disseminate the Confidential Operations Manual, updates thereto and other confidential information. We will have discretion and control over all aspects of the Intranet, including the content and functionality thereof. We will have no obligation to maintain the Intranet indefinitely, and we may dismantle it at any time without liability to you.

(b) You may use the Intranet, but only if you are in strict compliance with the standards and specifications, protocols and restrictions that we may establish from time to time regarding such use. Such standards and specifications, protocols and restrictions may relate to, among other things, (i) the use of abusive, slanderous or otherwise offensive language in electronic communications, (ii) communications between or among franchisees that endorse or encourage default of any Rockstars of Tomorrow franchise agreement, or other agreement with us or our affiliates, (iii) confidential treatment of materials that we transmit via the Intranet, (iv) password protocols and other security precautions, including limitations on the number and types of employees that may be granted access to the Intranet, (v) grounds and procedures for our suspending or revoking a franchisee's access to the Intranet, and (vi) a privacy policy governing our access to and use of electronic communications that franchisees post to the Intranet. You acknowledge that, as administrator of the Intranet, we can technically access and view any communication that any person posts on the Intranet. You further acknowledge that the Intranet facility and all communications that are posted to it will become our property, free of any claims of privacy or privilege that you or any other person may assert.

(c) You must establish and continually maintain (during all times that the Intranet is operational and until the termination of this Agreement) an electronic connection (the specifications of which will be specified in the Confidential Operations Manual) with the Intranet that allows us to send messages to and receive messages from you, subject to the standards and specifications.

8.15 Franchise Advisory Council.
We may, at our option, establish a franchise advisory council (the "FAC"), which will be composed of franchisees of the System. The FAC will, among other functions requested by us, serve as a representative committee for franchisees of the System and facilitate and coordinate the sharing of information and ideas between franchisees of the System and us. If appointed or elected to do so, you (or your designee) must, at your own expense, participate as a member of the FAC. We reserve the right to set reasonable standards for appointment or election to the FAC and you acknowledge that if we establish the FAC, you may be required to pay a fee or otherwise contribute to the FAC as the FAC leadership or we may require. You acknowledge that the role of the FAC is advisory only, and we are not obligated to implement the FAC's recommendations. Neither you nor your designee will have the right to be appointed, elected, and if appointed or elected, to continue to serve on the FAC if you are in material default of this Agreement, or are not current in your financial obligations to us, and your landlord (if any), suppliers and vendors.

IX. PROPRIETARY MARKS

9.1 License of the Marks.

(a) We hereby grant you the right during the term hereof to use and display the Marks in accordance with the provisions contained in this Agreement and in the Confidential Operations Manual, solely in connection with your operation of the Franchised Business in the Territory. Neither you nor any Principal Equity Owner may use, display or permit the use or display of trademarks, trade names, service marks, insignias or logo types other than the Marks and other trademarks and service marks approved for use by us in connection with the Franchised Business. Neither you nor any Principal Equity Owner may use or display the Marks in connection with the operation of any business or other activity that is outside the scope of the Franchised Business. **You may only use the Marks on the Internet or other electronic media in the manner and as specifically authorized by us in the Confidential Operations Manual or otherwise in writing.** You agree to be responsible for and supervise all your employees and agents to insure the proper use of the Marks in compliance with this Agreement.

(b) You acknowledge that the Marks have been licensed to us by the Owner of the Marks to use in the franchised System. You acknowledge and agree your use of the Marks is a temporary authorized use under this Agreement and that the Owner of the Marks retains all ownership interests in the Marks and that the Owner of the Marks, we and the Owner of the Marks retain all ownership of the goodwill generated by the Marks. You acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our written consent is an infringement of the Owner of the Marks' and our exclusive rights, titles and interest in and to the Marks. You agree that as between you and us, all rights to use the Marks within the franchised System are our exclusive property. You now assert no claim and will hereafter assert no claim to any goodwill, reputation or ownership thereof because of your franchised use thereof or otherwise. It is expressly understood and agreed that ownership and title of the Trade Dress, Confidential Operations Manual and our other manuals, bulletins, instruction sheets, forms, methods of operation and goodwill are and, as between you and us, remains vested solely in us, and the use thereof is only co-extensive with the term of this Agreement.

(c) You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

(d) You hereby grant us the right at any time to use the name, image and likeness of you and all Principal Equity Owners for commercial purposes in connection with the marketing and promotion of the Marks, Rockstars of Tomorrow Services and Products, any Rockstars of Tomorrow Outlet, and the System, without compensation. You also agree (i) to have any affected employee of yours who is not a Principal Equity Owner sign a release in the form contained in the Confidential Operations Manual authorizing us to also use his or her name, image and likeness for the purposes described in this section 9.1(d), without compensation, and (ii) to provide us with a copy of such signed release. The terms of this section 9.1(d) survive termination or expiration of this Agreement.

[Your Initials: ________]

(e) You acknowledge that we prescribe uniform standards respecting the nature and quality of Rockstars of Tomorrow Services and Products provided by you in connection with which the Marks are used. Nothing herein gives you any right, title or interest in or to any of the Marks, except a mere privilege and license during the term hereof to display and use the same and you agree that your use of the Marks under this Agreement inures entirely to our benefit and to the benefit of the Owner of the Marks.

(f) You agrees that all materials associated with us, Rockstars of Tomorrow Services and Products or other services, artwork, graphics, layouts, slogans, names, titles, text or similar materials incorporating, or being used in connection with, the Marks which may be created by you, your employees, agents and subcontractors and any other party with whom you may contract to have such materials produced pursuant to this Agreement will become the sole property of the Owner of the Marks, including copyright and trademark rights. In furtherance thereof, you hereby and irrevocably assign to us all such materials, artwork, graphics, layouts, slogans, names, titles, text or similar materials, whether presently or hereafter existing. Furthermore, you agree on behalf of yourself, your employees, your agents, your subcontractors and any other party with whom you may contract to have such materials produced, to promptly execute all appropriate documents in this regard.

(g) If necessary, you agree to join with us and share the expenses in any application to enter you as a registered or permitted user, or the like, of the Marks with any appropriate governmental agency or entity. Upon termination of this Agreement for any reason whatsoever, we may immediately apply to cancel your status as a registered or permitted user and you hereby consent to the cancellation and agree to join in any cancellation petition. You will bear the expense of any cancellation petition.

9.2 Your Business Name.

(a) In connection with your operation of the Outlet, you agree that at all times and in all advertising, promotions, signs and other display materials, on your letterheads, business forms, and at the Outlet and other authorized business sites, in all your business dealings related thereto and to the general public, you will identify the Franchised Business solely under a trade name containing the Mark "Rockstars of Tomorrow" and authorized by us ("Business Name") together with the words "INDEPENDENTLY OWNED AND OPERATED" on your letterhead, contract agreements, invoices, advertising and other written materials containing the Marks as we may direct.

(b) You must file and keep current a fictitious business name statement, assumed name certificate or similar document with respect to your Business Name in the county or other designated jurisdiction in which you are conducting business and at such other places as may be required by law. Before you commence engaging in the Franchised Business under the Marks, you must supply evidence satisfactory to us that you have complied with relevant laws regarding the use of fictitious or assumed names.

(c) On expiration or sooner termination of this Agreement, we may, if you do not do so, execute in your name, and on your behalf, all documents necessary, in our judgment, to end and cause a discontinuance of the use by you of the Marks and Business Name registrations and we are hereby irrevocably appointed and designated as your attorney-in-fact to do so.

(d) You further agree that you will not identify yourself as (i) us, (ii) a subsidiary, parent, division, shareholder, partner, joint venture, agent or employee of ours or the Owner of the Marks or (iii) any of our other franchisees.

(e) If you are an entity and not an individual proprietor, you cannot use any of the Marks in your entity's legal name.

9.3 Trade Secrets and Proprietary Information.

(a) Under this Agreement, we are licensing you access to our Proprietary Information, Trade Secrets and other confidential data and information. You acknowledge that the material and information now and hereafter provided or revealed to you pursuant to this Agreement (including without limitation, the contents of the Confidential Operations Manual) are our confidential Trade Secrets and are revealed in confidence, and you expressly agree to keep and respect the confidences so reposed, both during the term of this Agreement and thereafter. We expressly reserve all rights with respect to the Marks, Trade Secrets, methods of operation and other proprietary information, except as may be expressly granted to you hereby or in the Confidential Operations Manual. We will disclose to you certain Trade Secrets as reasonably needed for the operation by you of your Franchised Business by loaning to you, for the term of this Agreement, the Confidential Operations Manual and other written materials containing the Trade Secrets, through training and assistance provided to you hereunder, and by and through the performance of our other obligations under this Agreement.

(b) You acknowledge that we are the sole owner of all Proprietary Information and our Trade Secrets; that such information is being imparted to you only by reason of your special status as a franchisee of the System; and that our Trade Secrets are not generally known to our industry or the public at large and are not known to you except by reason of such disclosure. You further acknowledge that you will acquire no interest in the Proprietary Information and Trade Secrets disclosed to you, other than the right to use them in the development and operation of the Franchised Business during the term of this Agreement. In addition, you acknowledge that the use or duplication of our Trade Secrets except as expressly permitted by this Agreement constitutes an unfair method of competition and that we will suffer irreparable injury thereby.

(c) You agree that you will not do or permit any act or thing to be done in derogation of any of our rights in connection with the Marks, either during the term of this Agreement or thereafter, and that you will use these only for the uses and in the manner franchised and licensed hereunder and as herein provided. Furthermore, you and your employees and agents will not engage in any act or conduct that impairs the goodwill associated with the Marks.

9.4 Modification of Marks and Trade Dress.
We may add to, substitute or modify the Marks or Trade Dress from time to time, by directive in the Confidential Operations Manual. You must accept, use, display, or cease using, as may be applicable, the Marks and Trade Dress, including but not limited to, any such modified or additional trade names, trademarks, service marks, logo types and commercial symbols, and must within 30 days of receiving notification, commence to implement such changes and use your best efforts to complete such changes as soon as practicable.

9.5 Mark Infringement Claims and Defense of Marks.

(a) If you receive notice or otherwise become aware of any claim, suit or demand against you by any party other than us, the Owner of the Marks or any of our affiliates on account of any alleged infringement, unfair competition or similar matter arising from your use of the Marks in accordance with the terms of this Agreement, or any misuse of the Marks by third parties on the Internet or otherwise, you must promptly notify us of any such claim, suit, demand or misuse. You will have no power, right or authority to settle or compromise any such claim, suit or demand by a third party or to intervene to stop misuse, without our prior written consent. We will defend, compromise or settle at our discretion any such claim, suit or demand and take steps to stop misuse at our cost and expense, using attorneys selected by us or the Owner of the Marks, and you agree to cooperate fully in such matters.

(b) We will indemnify you and hold you harmless from and against all judgments resulting from any claim, suit or demand arising from your authorized and proper use of the Marks in accordance with the terms of this Agreement. We have the sole discretion to determine whether a similar trademark or service mark that is being used by a third party is confusingly similar to the Marks being used by you or constitutes a misuse of the Marks, and whether and what subsequent action, if any, should be undertaken with respect to such similar trademark or service mark or misuse.

(c) You hereby indemnify us and hold us harmless from and against all judgments resulting from any claim, suit or demand arising from your unauthorized and improper use of the Marks or our proprietary intellectual property.

X. MARKETING AND PROMOTION

10.1 Use of Marketing and Promotion Fees.

(a) We will expend, for the purposes of national, regional or local marketing, advertising, cooperative advertising, market research, public relations and promotional campaigns designed to promote and enhance the value of the Marks and general recognition and acceptance thereof, an amount equal to the aggregate Marketing and Promotion Fees stated in section 4.3 hereof and collected from all our franchisees, less a 15% administrative fee. None of the Marketing and Promotion Fees will be deemed to be held subject to any type of trust arrangement. No interest on unexpended Marketing and Promotion Fees will be imputed for your benefit or payable to you. If requested by you in writing not later than March 31 of any calendar year, we will provide you not later than May 31 of that year with a statement of receipts and expenditures of the aggregate Marketing and Promotion Fees relating to the preceding calendar year, certified to be correct by one of our executive officers.

(b) In our sole discretion and as we deem appropriate, we are obligated to spend the Marketing and Promotion Fees collected from you and all other Rockstars of Tomorrow franchisees (less our 15% administrative fee) on regional, local or national media or other marketing techniques or programs designated to promote the retail sale of Rockstars of Tomorrow Services and Products, the Marks and other aspects of the Rockstars of Tomorrow brand, creative and production costs, and for other purposes deemed appropriate by us to enhance and promote the general recognition of Rockstars of Tomorrow franchises.

(c) We may also spend Marketing and Promotion Fees collected from you and all other Rockstars of Tomorrow franchisees for initiatives we approve, which may include branding and marketing studies, initiatives and research; test marketing new products or concepts; franchisee compliance with System standards and practices through a "mystery shopper" program; the development of marketing strategies, tools, initiatives, and materials; public relations; market research; annual conferences (excluding the expenses of our principals and employees to travel to such conferences); and occasional selective regional and local advertising.

10.2 Advertising Content and Costs.
With respect to local, regional or system-wide advertising, we determine the cost, form of media, content, format, production, timing (including regional or local concentration and seasonal exposure), location and all other matters relating to advertising, public relations and promotional campaigns.

XI. NON-COMPETITION COVENANTS

11.1 Exclusive In-Term Dealing.

(a) You acknowledge that you will receive valuable specialized training and access to our Proprietary Information and Trade Secrets, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of the System. In consideration for the use and license of such valuable information, you agree that you will not during the term of this Agreement operate, manage, own, assist or hold an interest in (direct or indirect as an employee, officer, director, shareowner, partner or otherwise), or engage in, any competing business selling goods or offering services equivalent to Rockstars of Tomorrow Services and Products or the Franchised Business, without our express prior written consent.

(b) It is the intention of both you and us that you maximize the Franchised Business within the Territory, and any action of yours that diverts business to another entity or diminishes the Franchised Business being conducted in the Territory will be a material breach of this Agreement. Accordingly, neither you nor any Principal Equity Owner may, either directly or indirectly, for yourself or themselves, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity, (i) divert or attempt to divert any business or customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or (ii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System.

11.2 Post Termination Non-Competition Covenants.
For a period of one year after termination of this Agreement or its expiration without renewal pursuant to section 5.2 of this Agreement, you agree that you will not (either directly or indirectly, for yourself, or through, on behalf of, or in conjunction with, any person, persons, partnership, corporation or other entity) operate, manage, own, assist or hold

an interest in (direct or indirect as an employee, officer, director, shareowner, partner, joint venture or otherwise), or engage in, any competing business selling goods or offering services equivalent to Rockstars of Tomorrow Services and Products or the Franchised Business, within a radius of 25 miles of (i) your Outlet or (ii) any other authorized location selling Rockstars of Tomorrow Services and Products, without our express prior written consent. Following termination or expiration of this Agreement, you must always refrain from any use, direct or indirect, of any of our proprietary information.

11.3 General Provisions Regarding Non-Competition Covenants.

(a) You acknowledge that the restrictions contained in this Article XI are reasonable and necessary to protect our legitimate interests, and in the event of violation of any of these restrictions, we are entitled to recover damages including, without limitation, Royalties, Marketing and Promotion Fees and other fees that would have been payable if such business were included in the Franchised Business. You must also provide us with an equitable accounting of all earnings, profits and other benefits arising from such violation, which rights and remedies will be cumulative and in addition to any other rights or remedies to which we are entitled at law or in equity.

(b) This Article XI applies to your General Manager, Principal Equity Owners and each of your other managers, directors, officers, general partners and affiliates.

(c) Each provision of this Article XI is independent of each other provision of this Agreement. If any provision of this Article XI is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by (i) the maximum duty permitted by law with respect to that provision, which will be deemed restated accordingly, and (ii) all other provisions of this Article XI.

XII. ASSIGNMENT

12.1 Assignment by Us.
We have the right to Transfer this Agreement, and all our rights and privileges hereunder to any other person, firm or corporation ("Our Assignee"); provided that, in respect to any Transfer ("Assignment by Us") resulting in the subsequent performance by our Assignee of the functions of franchisor hereunder: (i) at the time of Assignment by Us, Our Assignee will be financially responsible and economically capable of performing the obligations of franchisor hereunder; and (ii) Our Assignee will expressly assume and agree to perform such obligations. In the event of such Assignment by Us, we will be relieved of all obligations or liabilities after the effective date of the assignment.

12.2 Assignment by You.

(a) This Agreement is being executed by us in reliance upon and in consideration of the singular personal skills and qualifications of you and your Principal Equity Owners and the trust and confidence we repose in you and them. Therefore, neither your interest in this Agreement and the Franchise granted hereunder, nor all or substantially all the assets of the Franchised Business, nor a controlling or non-controlling interest in the Franchised Business, may be assigned, transferred, shared or divided, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise, in any manner (collectively, "Assignment by You"), without our prior written consent and subject to our right of first refusal provided for in section 12.3 hereof. Our consent to a specific Assignment by You is not cumulative and will not apply to any subsequent assignments, in respect of each of which you must comply with this section 12.2.

(b) Prior to any Assignment by You, you must notify us of your intent to sell, transfer or assign the Franchise, all or substantially all the assets of the Franchised Business, or a controlling or non-controlling interest in the Franchised Business. The notice shall be in writing, delivered to us in accordance with section 16.1 hereof and include the following:

(i) The proposed transferee's name and address;

(ii) A copy of all agreements related to the sale, assignment, or transfer of the Franchise, the assets of the Franchised Business, or the interest in the Franchised Business; and

(iii) The proposed transferee's application for approval to become the successor franchisee. The application must include all forms, financial disclosures and related information generally used by us when interviewing prospective new franchisees, if we make those forms available to you. If the forms are not readily available, you must request that we deliver the forms to you by business courier in accordance with section 16.1

hereof within 15 calendar days. As soon as practicable after the receipt of the proposed transferee's application, we will notify, in writing, you and the proposed transferee of any additional information or documentation necessary to complete the transfer application. If our then-existing standards for the approval of new or renewing franchisees are not readily available to you when you notify us of your intent to sell, transfer, or assign the Franchise, all or substantially all the assets of the Franchised Business, or the controlling or non-controlling interest in the Franchised Business, we will communicate the standards to you within 15 calendar days.

(c) Within 60 days after the receipt of all necessary information and documentation required pursuant to section 12.2(b) above, or as specified by written agreement between us and you, we will notify you of the approval or disapproval of the proposed Assignment by You. The notice will be in writing and delivered to you by business courier in accordance with section 16.1 hereof. Should we elect not to exercise our right of first refusal, or should such right of first refusal be inapplicable, as herein provided, our consent to the proposed Assignment by You will be deemed approved, unless disapproved by us in writing and for reasons permitted by the law governing this Agreement. If the proposed sale, assignment or transfer is disapproved, we will include in the notice of disapproval a statement setting forth the reasons for the disapproval. We may impose, among other things, the following conditions precedent to our consent to any such Assignment by You (these conditions are consistently applied to similarly situated franchisees operating under the Franchise brand):

(i) The assignee of yours ("Your Assignee") must complete our application for a franchise, and in connection therewith, you and Your Assignee must fully disclose in writing all terms and conditions of the Assignment by You;

(ii) Your Assignee and the principal equity owners of Your Assignee demonstrate they have the skills, qualifications and economic resources necessary, in our sole judgment, to conduct the business contemplated by this Agreement;

(iii) Your Assignee and each principal equity owner of Your Assignee expressly assumes in writing for our benefit all your obligations under this Agreement;

(iv) Your Assignee executes the then current form of Franchise Agreement being used by us for the remainder of the term of this Agreement or, in our sole discretion, for the initial term of the then current form of Franchise Agreement (unless we have a reasonable basis not to allow this, you may elect to have Your Assignee assume this Agreement for the remainder of its term);

(v) You must have complied fully as of the date of any such Assignment by You with all your material obligations to us, whether under this Agreement or any other agreement, arrangement or understanding with us;

(vi) Your Assignee agrees that our Initial Training program described in section 6.1 hereof and any other training or orientation programs then required by us will be satisfactorily completed by necessary personnel within 30 days after the execution by Your Assignee of a Franchise Agreement, provided, however, that Your Assignee must agree to pay for all their expenses incurred in connection therewith, including any fee we charge for training (at the rate in effect at the time of transfer), travel, hotel and meal expenses; and

(vii) Not later than 10 days before the transfer, you must pay us a non-refundable "Transfer Fee" of $7,500. The Transfer Fee is subject to adjustment in our discretion based on corresponding changes in the CPI since the Effective Date.

(d) You do not have a right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever (except that with our consent, which will not be unreasonably withheld, you may pledge a security interest in this Agreement in connection with a Small Business Administration loan), nor subfranchise or otherwise transfer, or attempt to subfranchise or otherwise transfer the Franchised Business, or to transfer or subfranchise a portion of but not all your rights hereunder without our express prior written consent, which may be withheld for any reason in our sole discretion.

(e) Any attempt by you to assign or any purported Assignment by You in violation of this section 12.2 is void and will (i) constitute a material breach of this Agreement, (ii) cause this Agreement (and in our sole discretion any or all other agreements between you and us, or between you and our affiliates) to be subject to immediate termination without further notice, and (iii) confer no rights or interest whatsoever under this Agreement upon any other party.

(f) Upon our consent to any Assignment by You, you must bring all accounts with us current and transfer to your assignee all membership contracts signed by customers of the Franchised Business conducted at your Outlet. Also, you must (i) execute an agreement among you, us and your assignee formally recognizing the Assignment by You, which will include a mutual release between you and us and (ii) enter into an assignment of the lease for the Outlet premises (including an assignment to the assignee of your rights, title and interest to telephone numbers and utilities relating to the Outlet).

12.3 Right of First Refusal.

(a) Except for a transfer (i) to your heirs, personal representatives or conservators in the case of death or legal incapacity as provided in section 12.6 hereof or (ii) between or among individuals (including their immediate family members) who have guaranteed obligations under a Small Business Administration loan, your right to transfer your entire interest in the Franchise granted by this Agreement under section 12.2 hereof is subject to our right of first refusal, which will be exercised in accordance with the terms of this section 12.3.

(b) You must deliver to us a written notice setting forth (i) all terms and conditions of any *bona fide* offer relating to a proposed Assignment by You, and (ii) all available information concerning your Assignee including a detailed summary of how the proposed assignee meets our qualifications for a new Rockstars of Tomorrow franchisee, and any other related information requested by us. If the specified terms and conditions include consideration of a non-monetary nature, such consideration must be expressed in reasonably equivalent monetary terms, and if it involves matters that cannot be stated in monetary terms, such consideration will not be considered in connection with our right of first refusal.

(c) Within 15 days after our receipt of such notice (or if we request additional information, within 10 days after receipt of such additional information), we may either (i) consent or withhold our consent to such Assignment by You, in accordance with section 12.2 hereof, or (ii) at our option, accept the Assignment by You ourselves or on behalf of our nominee upon the terms and conditions specified in the notice.

(d) If we elect not to exercise our right of first refusal and consent to the Assignment by You, you will for a period of 60 days, and subject to the provisions of section 12.2 hereof, be free to assign this Agreement to such proposed Assignee upon the terms and conditions specified in said notice. If, however, these terms are modified in any material manner (as determined by us), or if said 60-day period expires, we will again have such right of first refusal with respect thereto and you will again be required to comply with section 12.3(b) above. Detailed terms of assignment must be delivered to us no later than 72 hours following the close of escrow or other consummation of the transaction.

12.4 Transfers to Certain Family Members.
You or a Principal Equity Owner, if a natural person, may with our consent, which will not be unreasonably withheld, transfer the Franchised Business or an equity interest in your franchised entity to such person’s spouse or person having equivalent rights under applicable federal or state law, parent, sibling, niece, nephew, descendant or spouse’s descendant provided that adequate provision is made for the management of the Franchised Business and the transferor guarantees, in form and substance satisfactory to us, the performance of the transferee’s obligations under this Agreement. No transfer under this section 12.4 will be subject to our right of first refusal set forth in section 12.3 hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.5 Transfers to Affiliated Entities.
You or a Principal Equity Owner may without our consent, upon 30 days prior written notice to us, Transfer the Franchised Business or an equity interest in your franchised entity to an entity that is (i) organized for the purpose of operating the Franchised Business and (ii) owned in the same proportionate amount of ownership as prior to such Transfer, provided that adequate provision is made for the management of the Franchised Business. No Transfer under this section 12.5 will be subject to our right of first refusal set forth in section 12.3 hereof or the Transfer Fee set forth in section 12.2(b)(vii) hereof. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide full disclosure of the terms of said transfer and deliver to us no later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.6 Transfers upon the Death or Incapacity of an Individual Franchisee or Majority Equity Owner.

(a) Notwithstanding the foregoing, in the event of your death or legal incapacity, if you are an individual, or the death or legal incapacity of a Principal Equity Owner holding a majority equity interest ("Majority Equity Owner") if you are a corporation, limited liability company or partnership, the transfer of your or the deceased Majority Equity Owner's interest in this Agreement to his or her heirs, personal representatives or conservators, as applicable, will not be deemed an Assignment by You (provided that in the event of your death a responsible management employee or agent of yours that has been satisfactorily trained by us will be responsible for the Franchised Business).

(b) In the event of the death of a sole proprietor franchisee or the death of a Majority Equity Owner, such person's interest in this Agreement or its equity interest in the franchise entity must Transfer as soon as practicable (but not more than 270 days) after the date of death in accordance with such person's will or, if such person dies without a will, in accordance with laws of intestacy governing the distribution of such person's estate, provided that adequate provision is made for the management of the Franchised Business. If we determine (i) there is no imminent sale to a qualified successor or (ii) there is no heir or other Principal Equity Owner capable of operating the Franchise, we may (but are not obligated to) immediately commence operating the Outlet on your behalf for a period of up to 90 days, renewable as necessary for up to one year and we will periodically discuss the status with the heirs of the decedent. For such management assistance, you or the successor in interest must pay a reasonable *per diem* charge we set for the interim manager.

(c) No Transfer under this section 12.6 will be subject to (i) our right of first refusal set forth in section 12.3 hereof or (ii) the Transfer Fee set forth in section 12.2(b)(vii) above, although such refusal right and Transfer Fee will be applicable to any subsequent Transfer by your (or a Majority Equity Owner's) heirs, personal representatives or conservators. However, you must comply with section 12.2(b)(i) through (vi) above, as well as provide us with full disclosure of the terms of said transfer not later than three business days prior to the close of the transaction. In addition, copies of fully executed paperwork must be delivered to us no less than three business days following the close of the transaction.

12.7 Consent of Franchisor to Transfers.
Except as otherwise provided in this Agreement and subject to our right of first refusal provided in section 12.3 hereof, you or an Principal Equity Owner may consummate any Transfer of a direct or indirect interest in this Agreement, the Franchised Business or the economic benefits derived therefrom, or any equity interest in your franchised entity, not permitted by the preceding sections 12.4, 12.5 and 12.6, only after written notice to us and only with our written consent, which will not be unreasonably withheld. We will exercise our good faith business judgment in determining whether to give or withhold our consent to a Transfer under this section 12.7. Such exercise of good faith business judgment may include our consideration of certain skills and qualifications of the prospective transferee which are of business concern to us, including without limitation, the following: experience in businesses similar to the Franchised Business, financial and operational skills and qualifications, economic resources, reputation and character of such prospective transferee; the ability of such prospective transferee to fully and faithfully conduct the Franchised Business as contemplated by this Agreement; and the effect that the Transfer and the prospective transferee will have or may reasonably be expected to have on the reputation or business operations of the Franchised Business, the System or us or any of our affiliates.

XIII. DEFAULT AND TERMINATION

13.1 General.

(a) This Agreement may be terminated by us only for good cause, which means your failure to substantially comply with the lawful requirements imposed upon you by this Agreement after being given notice at least 30 days in advance of the termination and a reasonable opportunity, which in no event will be less than 30 days from the date of the notice of noncompliance, to cure the failure (provided that this section 13.1(a) does not apply when there are grounds for immediate termination without notice pursuant to section 13.2 below).

(b) If we are in material breach of this Agreement, you may terminate this Agreement by giving us prior written notice setting forth the asserted breach of this Agreement and giving us 30 days in which to cure the default. A material breach of this Agreement by us means any unauthorized action or omission seriously impairing or adversely affecting you or the relationship between you and us created by this Agreement. However, if we become insolvent or declare bankruptcy, you will continue to have the right to operate under this Agreement until and unless a court issues an order otherwise. If because of the nature of the breach, it would be unreasonable for us to be able to cure the default within 30 days, we will be given additional time (up to 30 additional days) as is reasonably necessary to cure said breach, upon condition that we must, upon receipt of such notice from you, immediately commence to cure such breach and continue to use best efforts to do so.

(c) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we also have the option, to be exercised in our sole discretion, to choose alternative remedies to our right to terminate the entire Agreement.

(d) Notwithstanding anything contained herein to the contrary, in those circumstances under which we have the right to terminate this Agreement, we have the right to all remedies available to us at law or in equity, including without limitation specific performance and damages (including without limitation punitive damages). All rights and remedies provided herein are in addition to and not in substitution of all other rights and remedies available to a party at law or in equity.

13.2 Immediate Termination.

(a) We have the right to terminate this Agreement immediately upon notice to you without an opportunity to cure:

(i) You or the business to which the Franchise relates has been the subject of an order for relief in bankruptcy, is judicially determined to be insolvent, all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, or you admit your inability to pay your debts as they come due;

(ii) You Abandon the Franchise by failing to operate the Outlet for five consecutive days during which you are required to operate the business under the terms of this Agreement, or any shorter period after which it is not unreasonable under the facts and circumstances for us to conclude that you do not intend to continue to operate the Franchise, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond the franchisee's control;

(iii) We and you agree in writing to terminate the Franchise;

(iv) You make any material misrepresentations relating to the acquisition of the Franchise or you engage in conduct that reflects materially and unfavorably upon the operation and reputation of the Franchised Business or the System;

(v) You fail, for a period of 10 days after notification of noncompliance, to comply with any federal, state or local law or regulation, including, but not limited to, all health, safety, building, and labor laws or regulations applicable to the operation of the Franchise;

(vi) After curing any failure in accordance with section 13.3 below, you engage in the same noncompliance whether or not corrected after notice;

(vii) You repeatedly fail to comply with one or more requirements of this Agreement, whether or not corrected after notice;

(viii) The Franchised Business or business premises of the Franchise are seized, taken over, or foreclosed by a government official in the exercise of his or her duties, or seized, taken over, or foreclosed by a creditor, lienholder or lessor, provided that a final judgment against the franchisee remains unsatisfied for 30 days (unless an appeal bond has been filed); or a levy of execution has been made upon the license granted by this Agreement or upon any property used in the Franchised Business, and it is not discharged within five days of such levy;

(ix) You are convicted of a felony or any other criminal misconduct (including intentional conversion of cash proceeds received from your customers but not reported as Gross Revenues) that is relevant to the operation of the Franchise; or

(x) We make a reasonable determination that your continued operation of the Franchise will result in an imminent danger to public health or safety.

(b) The parties recognize that some breaches may involve conduct that undermines the basis for the Agreement such that the expectation of full and proper contract performance cannot be restored, even if the specific activity giving rise to the claim of breach has ended. In such cases, no period of "cure" will be required. However, the termination will not take effect for 10 days to enable the parties to consider whether other alternatives may be possible.

(c) If you and we agree to mutually terminate this Agreement, you must return a signed counterpart of any document we prepare regarding the termination not later than seven days after you receive it, or the mutual agreement to terminate will be voidable by us and we may thereafter immediately and unilaterally terminate this Agreement and require payment of all sums due and payable to us at the date of termination.

13.3 Termination After Notice.

(a) Except as provided in sections 13.2 above, we may terminate this Agreement only for good cause (as defined in section 13.1(a) above) after giving you prior written notice setting forth the asserted breach of this Agreement and giving you 30 days in which to cure the default. Upon receipt of a notice of default, you must immediately commence diligently to cure said breach, and if you cure said breach within 30 days, our right to terminate this Agreement will cease. If because of the nature of the breach, it would be unreasonable for you to be able to cure the default within 30 days, you will be given additional time (up to 30 additional days) as is reasonably necessary in our determination to cure said breach, upon condition that you must, upon receipt of such notice from us, immediately commence to cure such breach and continue to use your best efforts to do so.

(b) If your rights under this Agreement are terminated by us for material breach, we may, at our option, declare you in default of all other franchise agreements (and other agreements) you have executed with us, and terminate your rights under those other agreements as well.

(c) The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.4 Description of Default.
The description of any default in any notice served by us hereunder upon you in no way precludes us from specifying additional or supplemental defaults in any action, arbitration, mediation, hearing or suit relating to this Agreement or the termination thereof.

13.5 Statutory Limitations.
Notwithstanding anything to the contrary in this Article XIII, in the event any valid, applicable law or regulation of a competent governmental authority having jurisdiction over this Agreement or the parties hereto limits our rights of termination hereunder or requires longer notice periods than those set forth herein, and in the event the parties are prohibited by law from agreeing to the shorter periods set forth herein, then this Agreement will be deemed amended to conform to the requirements of such laws and regulations, but in such event the provisions of the Agreement thus affected will be amended only to the extent necessary to bring it within the requirements of the law or regulation.

13.6 Extended Cure Period.
Notwithstanding anything contained herein to the contrary, including, without limitation, section 13.3(c) hereof, in those circumstances under which we have the right to terminate this Agreement, we also have the right, to be exercised in our sole discretion, to grant to you in writing only, in lieu of termination of this Agreement, an extended period of time to cure the breach which gave rise to our right to terminate, but in no event may such extended cure period exceed six months from the last day of the cure period otherwise applicable to such breach. You acknowledge that our election to grant an extended cure period to you will not operate as a waiver of any of our rights hereunder.

13.7 Our Right to Cure Your Defaults.
In addition to all other remedies herein granted, if you default in the performance of any of your obligations or breach any term or condition of this Agreement or any related agreement involving third parties, we may, at our election, immediately or at any time thereafter, without waiving any claim for breach hereunder and without notice to you, cure the default for your account and on your behalf, and all costs or expenses including attorney's fees incurred by us on account thereof are due and payable by you to us on demand.

13.8 Waiver and Delay.
No waiver by us of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect of ours either to exercise any right, power or option given to us hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement or the Confidential Operations Manual, constitutes a waiver of the provisions of this Agreement or the Confidential Operations Manual with respect to any subsequent

breach thereof or a waiver by us of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

13.9 Recovery of Lost Royalty.
If this Agreement is terminated because of your material breach, based on the estimated time it takes for a replacement franchise outlet to achieve a similar revenue stream, we are entitled to recover damages equal to the amount of the Royalty actually paid by you or what you were obligated to pay, whichever is greater, during (i) the three years prior to the date this Agreement was terminated or (ii) if the Opening Date is less than three years before the termination date, the time since the Opening Date.

13.10 Collection Costs.
We are entitled to reimbursement from you upon our demand of all costs we have incurred (including reasonable attorneys' fees and investigator's fees) to enforce our rights under this Agreement, including actions to collect any amounts due and delinquent hereunder.

13.11 Continuance of Business Relations.
Any continuance of business relations between you and us after termination of this Agreement will not be construed as a renewal, extension or continuation of this Agreement.

XIV. DISPUTE RESOLUTION

14.1 Initial Steps to Resolve a Dispute and Mediation.

(a) We and you have entered a long-term franchise relationship which gives rise to an obligation, subject to and consistent with the terms of this Agreement, to endeavor to make the relationship succeed in the overall best interests of the System, as contemplated by this Agreement. To that end, you and we acknowledge that you and we need to attempt to resolve disagreements or disputes before such disagreements or disputes negatively impact the relationship. Good faith communications between us are an important aspect of that obligation. The parties hereby pledge and agree that they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your Principal Equity Owners meet in person within five business days after a party notifies the other party that a Dispute has arisen at our principal executive office (without our respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement ("Settlement Conference"). We may proceed to terminate this Agreement without a settlement meeting or mediation proceeding in either of the following two situations: (i) if there is any breach of this Agreement by you that may result in an immediate termination of this Agreement pursuant to section 13.2 above, or (ii) if you fail to pay any sums due us under this Agreement which may result in termination of this Agreement pursuant to section 13.3 above. Also, if a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 14.1, the other party may immediately commence an arbitration proceeding pursuant to section 14.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1(a) above, within 10 business days after the date this conference took place (or should have taken place), you and we may submit the dispute to mediation conducted by a mediator mutually agreeable to both parties; provided however the mediator must be a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within 10 business days after the Settlement Conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings may take place at any mutually agreed location in California, and these proceedings should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation.

14.2 Arbitration.

(a) Except as specifically provided in sections 13.2(c) and 13.3(c) above, any Dispute between us (or our affiliated entities) and you (or your Principal Equity Owners or affiliated entities) not settled through the procedures described in section 14.1 above will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS, Inc. ("JAMS") and selected by the parties, in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitrator. It is explicitly agreed by each of the parties hereto that no arbitration of any Dispute may be commenced except in accordance with this section 14.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Riverside or Orange County, California, or other county where our headquarters is then located, or if we so elect, at the JAMS business location nearest where your (or an applicable Principal Equity Owner's) principal place of business is then located.

(c) A limited amount of discovery (including e-discovery) is permitted within the discretion of the arbitrator (including affidavits and a maximum of three discovery depositions for each side, with each side's depositions not to consume more than a total of 15 hours) and either party may present briefs and affidavits of witnesses who are unable to attend hearings. However, no interrogatories or requests to admit will be allowed and requests for documents will be limited to documents which are directly relevant to significant issues in the case or to the case's outcome, will be restricted in terms of timeframe, subject matter and persons or entities to which the request pertain and will not include broad phraseology such as "all documents directly or indirectly related to" (in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2). Regarding permissible e-discovery in an arbitration arising out of or related to this Agreement, the following restrictions will apply:

(i) There will be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are required to be produced from backup servers, tapes or other media.

(ii) Absent a showing of compelling need, the production of electronic documents will normally be made using generally available technology in a searchable format which is usable by the party receiving the e-documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, excepting header fields for email correspondence.

(iii) The description of custodians from home electronic documents may be collected will be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the Dispute.

(iv) Where the costs and burdens of e- discovery are disproportionate to the nature of the Dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator will either deny such requests or order disclosure on condition that the requesting party advanced the reasonable costs of production to the other side, subject to the allocation of costs in the final award ((in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2).

(d) Any party wishing to make a dispositive motion must first submit a brief letter (not exceeding five pages) explaining why the motion has merit and why it would speed the proceeding and make it more cost-effective the other side will have a brief period in within which to respond. Based on the letters, the arbitrator will decide whether to proceed with Mark operates a briefing and argument on the proposed motion. If the arbitrator decides to go forward with the motion, the arbitrator will place page limits on the briefs and set an accelerated schedule for the disposition of the motion. Under ordinary circumstances, the pendency of such a motion will not serve to stay any aspect of the arbitration or adjourn any pending deadlines.

(e) The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear

or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(f) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, YOU EXPRESSLY AGREE TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHT THAT YOU MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(g) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(h) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement.

(i) The provisions of this section 14.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 14.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _______ Your Initials: ________]

14.3 Injunctive Relief.

Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 14.1 and 14.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond. If an arbitration proceeding has already commenced pursuant to section 14.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 14.1 or 14.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 14.3. You acknowledge that failure on your part to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to us or other affiliated persons or entities and we or our affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

14.4 Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 14.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

14.5 Survival.

The terms of this Article XIV survive termination, expiration or cancellation of this Agreement.

XV. OBLIGATIONS AND RIGHTS UPON TERMINATION OR EXPIRATION

15.1 Your Obligations.

(a) In the event of termination, cancellation or expiration of this Agreement whether by reason of your breach, default, non-renewal, lapse of time or other cause, in addition to any other obligations provided for in this Agreement, you must forthwith discontinue the use or display of the Marks in any manner whatsoever, and you may not thereafter operate or do business under the Marks or any other Rockstars of Tomorrow brand or any other name or in any manner that might tend to give the general public the impression that you are in any way associated or affiliated with us, or any of the businesses conducted by us or the owner of the Marks, including without limitation repainting the business premises in a distinctively different color and removing or rearranging distinctive elements of the Rockstars of Tomorrow trade dress. You must contact Yelp, other online review sites and other online directories and websites, and you must request the removal of all use of the trademarks in connection with the former Rockstars of Tomorrow outlet (and the physical address of the former Rockstars of Tomorrow outlet) and all use of former reviews from the period you were a Rockstars of Tomorrow franchisee. And, you also must comply with section 15.2 respecting the return to us of certain materials and must not thereafter use, in any manner, or for any purpose, directly or indirectly, any of our Trade Secrets, procedures, techniques, or materials acquired by you because of the relationship established by this Agreement, including, without limitation, (i) any training or other materials, manuals, bulletins, instruction sheets, or supplements thereto, or (ii) any equipment, videotapes, videodiscs, forms, advertising matter, devices, insignias, slogans or designs used from time to time in connection with the Franchised Business.

(b) If there is a termination, cancellation or expiration as described in section 15.1(a) above, you must comply with section 11.2 of this Agreement respecting post-termination competition and also promptly:

(i) Remove at your expense all signs erected or used by you and bearing the Marks, or any word or mark indicating that you are associated or affiliated with us;

(ii) Erase or obliterate from letterheads, stationery, printed matter, advertising or other forms used by you the Marks and all words indicating that you are associated or affiliated with us;

(iii) Permanently discontinue all advertising of yours that states or implies that you are associated or affiliated with us or the System;

(iv) If you engage in any business thereafter, you must use trade names, service marks or trademarks that are significantly different from those under which you had done business and must use sign formats that are significantly different in color and type face; and take all necessary steps to ensure that your present and former employees, agents, officers, shareholders and partners observe the foregoing obligations; and

(v) Assign all interest and right to use all telephone numbers and all listings applicable to the Outlet in use at the time of such termination to us and take all action necessary to change all such telephone numbers immediately and change all such listings as soon as possible.

(c) If you fail or omit to make or cause to be made any removal or change described in section 15.1(b)(i) through 15.1(b)(vi) above, then we will have the right within 15 days after written notice to enter your Outlet or other premises from which the Franchised Business is being conducted without being deemed guilty of trespass or any other tort, and make or cause to be made such removal and changes at your expense, which expenses you agree to pay to us promptly upon demand; and you hereby irrevocably appoint us as your lawful attorney upon termination of this Agreement with authority to file any document in the name of and on our behalf for the purpose of terminating all your rights in any trade name you have used that contains any of the Marks.

15.2 Our Rights as Franchisor.

(a) The termination, cancellation, expiration or assignment of this Agreement will be without prejudice to any rights of us against you and such termination, cancellation, expiration or assignment will not relieve you of any of your obligations to us existing at the time of termination, cancellation, expiration or assignment or terminate those obligations of ours which, by their nature, survive the termination, cancellation, expiration or assignment of this Agreement.

(b) We may direct that all applicable suppliers immediately cease providing you with equipment, marketing materials, email access, website access, accessories and other items comprising or to be used to provide Rockstars of Tomorrow Services and Products.

(c) You are obligated to return, at no expense to us, all copies of the Confidential Operations Manual and all other Rockstars of Tomorrow proprietary materials and any other items that were supplied by us for your use without additional charge in connection with the operation of the Franchised Business. You must also permanently erase anything relating to us or the Franchised Business from any computers and other media storage devices you retain after expiration, cancellation or termination of this Agreement.

(d) Upon a lawful termination or nonrenewal of this Agreement, we will purchase from you, at the value of price paid, minus depreciation, all inventory, supplies, equipment, fixtures, and furnishings purchased or paid for under the terms of this Agreement or any ancillary or collateral agreement by you to us or our approved suppliers and sources, that are, at the time of the notice of termination or nonrenewal, in your possession or used by you in the Franchised Business. We are not required to purchase any personalized items, inventory, supplies, equipment, fixtures, or furnishings not reasonably required to conduct the operation of the Franchised Business in accordance with this Agreement or any ancillary or collateral agreement or to which you, at the cessation of operation of the Franchised Business by you, cannot lawfully, or does not, grant us clear title and possession upon our payment to you for the inventory, supplies, equipment, fixtures, or furnishings (we have the right to receive clear title to and possession of all items purchased from you under this section 15.2(d)). We may offset against the amounts owed to you under any such purchase under this section 15.2(d) any amounts you owe to us. Notwithstanding the foregoing however, our requirement to purchase from you under this section 15.2(d) will not apply:

(i) if you decline a *bona fide* offer of renewal from us;

(ii) if we do not prevent you from retaining control of the Outlet or other principal place of the Franchised Business;

(iii) to any termination or nonrenewal of a franchise due to a publicly announced and nondiscriminatory decision by us to completely withdraw from all franchise activity within the relevant geographic market area in which the Franchise is located;

(iv) if we and you mutually agree in writing to terminate and not renew the Franchise; or

(v) to any inventory, supplies, equipment, fixtures, or furnishings that are sold by you between the date of the notice of termination or nonrenewal, and the cessation of operation of the Franchised Business by you, pursuant to the termination or nonrenewal.

XVI. GENERAL TERMS AND PROVISIONS

16.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to us:

ROCKSTARS OF TOMORROW FRANCHISE, INC.
1900 LAMPTON LANE
NORCO CA 92860-1945
Phone: (951) 790-2765

(ii) If to you:

____
____
____
Phone: ____________________

(b) Notices between you and us will be deemed given the earlier of (i) the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when delivered in person by an agent of the sending party.

(c) Any change in the addresses listed in section 16.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or delivered in person.

(d) Any notices sent to you which include a statement of intent to terminate or not renew the Franchise must provide (i) the reasons why and (ii) the effective date of such termination or nonrenewal or expiration.

16.2 Indemnity.

(a) You hereby agree to protect, defend and indemnify us, and all our past, present and future owners, affiliates, officers, directors, employees and designees, and each of them, and hold them harmless from and against all “Losses” (as defined in section 16.2(d) below) or “Expenses” (as defined in section 16.2(e) below), arising out of or in connection with any “Proceeding” (as defined in section 16.2(f) below) concerning your intentional tort or negligence, or the intentional tort or negligence of your agents, servants or representatives, relating to your development, maintenance or operation of the Outlet and the Franchised Business, except to the extent these were caused by our intentional misfeasance, gross negligence or material default of any terms of, or our obligations under, this Agreement.

(b) We hereby agree to protect, defend and indemnify you, your Principal Equity Owners, other owners, affiliates, officers, directors, employees and designees, and each of them, from any Losses or Expenses any of them may incur as a result of any third party Proceeding arising out of our intentional misfeasance, gross negligence or material breach of our obligations under this Agreement, except to the extent these were caused by the intentional misfeasance, gross negligence or material breach by you (or your General Manager, any Principal Equity Owner, or other of your owners, affiliates, officers, directors or employees) of any terms of, or your obligations under, this Agreement.

(c) For the indemnification to be effective, each indemnified party (“Indemnified Party”) must give the indemnifying party (“Indemnifying Party”) reasonable notice of each claim or loss for which the Indemnified Party demands indemnity and defense, except that failure to provide such notice will not release the Indemnifying Party from any obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure. The Indemnifying Party will assume, at its sole cost and expense, the defense of such Proceeding through legal counsel reasonably acceptable to the Indemnified Party, except that the Indemnified Party may at its option and expense select and be represented by separate counsel. The Indemnifying Party will have control over the Proceeding, including the right to settle in its reasonable discretion (but only if the settlement includes a full release of all claims against the Indemnified Party), and provided further, the Indemnifying Party will not, absent the written consent of the Indemnified Party, consent to the entry of any judgment or enter into any settlement that: (i) provides for any admission of liability on the part of the Indemnified Party or relief other than the payment of monetary damages for which the Indemnifying Party will be solely liable; or (ii) adversely affects the rights of the Indemnified Party under this Agreement, or (iii) does not release the Indemnified Party from all Proceedings and “Losses” (as defined in section 16.2(d) below) in respect thereof. In no event will the Indemnified Party be liable for any Losses that are compromised or settled in violation of this section 16.2. The Indemnifying Party's duty to defend is independent of its duty to indemnify. Each Indemnified Party must submit all its claims to its insurers in a timely manner. Any payments made by an Indemnified Party will be net of benefits received by any Indemnified Party from insurance in respect of such claims.

(d) The term “Losses” means, refers to, and includes all “Expenses” (as defined in section 16.2(e) below), liabilities, obligations, losses, fines, penalties, costs, or damages including all reasonable out of pocket fees and disbursements of legal counsel in the investigation or defense of any of the same or in asserting any party's respective rights hereunder but excluding punitive damages (unless resulting from third party claims).

(e) The term “Expenses” means, refers to, and includes, all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding casts, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses will also include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on the Indemnitee as a result of the actual or deemed receipt of any payments under this Agreements, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent.

(f) The term “Proceeding” means, refers to, and includes any threatened pending or completed suit, claim, demand, action, suit, arbitration, alternative dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil, criminal, administrative or investigative.

(g) The indemnification provided in this section 16.2 is a continuing right and will survive the expiration or termination of this Agreement. The parties hereto further acknowledge and agree that they intend the indemnification provided in this section 16.2 to be interpreted and enforced in a manner providing the fullest extent of indemnification to the Indemnified Party now or hereafter permitted by law.

16.3 Your Relationship to Us as Franchisee.

(a) It is expressly agreed that the parties intend by this Agreement to establish between you and us the relationship of franchisee and franchisor. It is further agreed that you have no authority to create or assume in our name or on our behalf, any obligation, express or implied, or to act or purport to act as agent or representative on our behalf for any purpose whatsoever. Neither you (including any Principal Equity Owner) nor we are the employer, employee, agent, partner, fiduciary or co-venturer of or with the other, each being independent. You agree that neither you nor any Principal Equity Owner will not hold yourself out as our (or the Owner of the Marks’) agent, employee, partner or co-venturer.

(b) All employees or agents hired or engaged by or working for you will be only the employees or agents of yours and will not for any purpose be deemed employees or agents of ours or the Owner of the Marks, nor subject to our control; and in particular, we will have no authority to exercise control over the hiring or termination of these employees, independent contractors, or others who work for you, their compensation, working hours or conditions, or their day-to-day activities, except to the extent necessary to protect the Marks. You and we agree to file our own tax, regulatory and payroll reports with respect to our respective employees or agents and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

16.4 No Third-Party Beneficiaries.
This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than our financing sources to whom we may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder because of so-called “third party beneficiary rights” or otherwise.

16.5 Survival of Covenants.
The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns.
This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns, and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on Assignment by You contained herein.

16.7 Joint and Several Liabilities.
If you consist of more than one person or entity, or a combination thereof, the obligations and liabilities of each such person or entity to us are joint and several.

16.8 Titles for Convenience Only.
Section titles used in this Agreement are for convenience only and do not affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

16.9 Gender.
All terms used in any one number or gender will extend to mean and include any other number and gender as the facts, context or sense of this Agreement or any section may require.

16.10 Severability; Partial Invalidity.
Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between (i) any provisions of this Agreement or the Confidential Operations Manual and (ii) any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement or the Confidential Operations Manual thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement or the Confidential Operations Manual is held to be indefinite, invalid or otherwise unenforceable, that specific language will be deemed deleted but the remaining parts thereof will continue in full force and effect.

16.11 Counterparts.
This Agreement may be executed in multiple copies, each of which will be deemed to be an original, and both of which together will be deemed to be one and the same instrument.

16.12 Compliance with U.S. Anti-Terrorism and Other U.S. Federal Laws.

(a) You certify that neither you, nor any Principal Equity Owner, employee of yours, or anyone else associated with you is listed in the Annex to Executive Order 13224 (which is available for review at http://treasury.gov/offices/enforcement/ofac/sanctions/terrorism.html). You covenant not to hire or have any dealings with a person listed in the Annex. You certify that you have no knowledge or information that, if generally known, would result in you, the Principal Equity Owners, employees or anyone associated with you being listed in the Annex to Executive Order 13224. You and each of the Principal Equity Owners will comply with and assist us to the fullest extent possible in our efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, you certify, represent and warrant that none of your property or interests is subject to being “blocked” under any of the Anti-Terrorism Laws and that you and the Principal Equity Owners are not otherwise in violation of any of the Anti-Terrorism Laws. You are solely responsible for ascertaining what actions must be taken by you to comply with all such Anti-Terrorism Laws. You specifically acknowledge and agree that your indemnification responsibilities as provided in this Agreement pertain to your obligations under this section 16.12. Any misrepresentation by you under this section 16.12 or any violation of the Anti-Terrorism Laws by you, any of the Principal Equity Owners, or employees will constitute grounds for immediate termination of this Agreement and any other agreement you entered into with us or one of our Affiliates. “Anti-Terrorism Laws” means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies, lists, and any other requirements of any United States governmental authority (including, without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

(b) Neither you nor any Principal Equity Owner conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under any applicable Anti-Terror Legislation.

(c) Neither you nor any Principal Equity Owner nor any employee of either is named as a “Specially Designated National” or “Blocked Person” as designated by the U.S. Department of the Treasury’s Office of Foreign Assets Control and published at www.treas.gov/offices/enforcement/ofac/sdn/. You acknowledge that you are not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo, nor do you or any Principal Equity Owner act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. You agree that you will notify us in writing immediately of the occurrence of any event that renders the foregoing representations and warranties of this section 16.12 incorrect.

[Your Initials: ________]

16.13 Governing Law.
The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Outlet is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

16.14 Entire Agreement.

(a) The parties to this Agreement each acknowledge and warrant to each other that they wish to have all terms of this business relationship defined solely in and by this written Agreement and the Confidential Operations Manual. Recognizing the costs on all parties which attend uncertainty, the signatories to this Agreement each confirm that neither wishes to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements or non-contract writings (which have been or may in the future be exchanged between them) serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein.

(b) In accordance with the foregoing section 16.14(a), the parties to this Agreement agree that this Agreement (together with the Confidential Operations Manual) constitutes the entire agreement between the parties and contain all terms, conditions, rights and obligations of the parties with respect to the franchised business contemplated by this Agreement and any other aspect of the relationship between the parties; provided however, that nothing in this Agreement or in any related agreement or writing is intended to disclaim the representations made in the Rockstars of Tomorrow franchise disclosure document ("FDD") that was provided to you. No statement, questionnaire, or acknowledgment signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on our behalf. This provision supersedes any other term of this Agreement and any other document executed in connection with the Rockstars of Tomorrow franchise.

(c) This Agreement cannot be modified or changed except by written instrument signed by all parties hereto.

XVII. EFFECTIVENESS OF AGREEMENT

This Agreement will become effective only upon the execution thereof by you and by us and only after you were provided an FDD. HOWEVER, THIS AGREEMENT IS NOT BINDING ON US UNLESS AND UNTIL IT HAS BEEN ACCEPTED AND SIGNED BY US.

XVIII. ACKNOWLEDGMENTS AND REPRESENTATIONS

18.1 Acknowledgments and Representations.

(a) You represent and warrant that the following statements in this section 18.1 are true and accurate.

(b) You do not seek to obtain the Franchise for speculative or investment purposes and have no present intention to sell or transfer or attempt to sell or transfer the Franchised Business or the Franchise within 12 months after the Opening Date.

(c) You understand and acknowledge the value to the System of uniform and ethical standards of quality, appearance and service described in and required by this Agreement and the necessity of operating the Franchised Business under the standards set forth herein.

(d) If you are an entity, you are organized and qualified to do business in the state and any other applicable jurisdiction within which the Outlet is located.

(e) Your execution of this Agreement will not constitute or violate any other agreement or commitment to which you are a party.

(f) Any individual executing this Agreement on your behalf is duly authorized to do so and the Agreement constitutes a valid and binding obligation of yours.

(g) You and your Principal Equity Owners (i) have carefully read this Agreement and all other related documents to be executed by you concurrently or in conjunction with the execution hereof, (ii) have conducted an independent investigation of the business contemplated by this Agreement, (iii) have obtained, or had the opportunity to obtain, the advice of counsel in connection with the execution and delivery of this Agreement, and (iv) understand the terms of this Agreement.

(h) You are aware that other Rockstars of Tomorrow franchisees may operate under different agreements and, consequently, that our obligations and rights as to those franchisees may differ materially in certain circumstances.

(i) You received an FDD and a copy of this Agreement at least 15 calendar days before the signing of this Agreement.

(j) You made no payment to us before you signed this Agreement.

18.2 Additional Information Respecting You and Your Principal Equity Owners.

(a) You must fully complete the schedule attached as Exhibit 2 of this Agreement with required information about your Principal Equity Owners.

(b) The address (written notice of any change in this information after the Effective Date must be delivered to us pursuant to section 16.1 hereof) where your financial and other records are maintained is either [ ] the same address as provided in section 16.1 hereof, or [ ] the following address:

____

____.

This Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date:

YOU:	US:
______________________________	ROCKSTARS OF TOMORROW FRANCHISE, INC.
By: ____________________________	By: ____________________________ Michael Anderson, President
______________________________ [PRINTED NAME AND TITLE]	

List of Exhibits to Franchise Agreement:

Exhibit 1 – Territory, Marketing Area and Location of Outlet

Exhibit 2 – Names and Addresses of Principal Equity Owners

Exhibit 3 - Guarantee of Franchise Agreement

EXHIBIT 1 – TERRITORY, MARKETING AREA AND LOCATION OF OUTLET

The Territory is either [ ] a radius of ___ miles around the Outlet or [ ] the geographical area surrounding the Outlet as depicted in a map attached to this Exhibit 1.

The Marketing Area is the geographical area around the Outlet as depicted in a map attached to this Exhibit 1.

The Outlet is located at:

____

____

____

(If the address of the Outlet is unknown when this Agreement is signed, as soon as the address is determined it will be inserted later into the space above or added by addendum attached to this Exhibit 1.)

EXHIBIT 2 – NAMES AND ADDRESSES OF PRINCIPAL EQUITY OWNERS

If you are an entity, list below the names, residential addresses and respective percentage equity ownership interests of each Principal Equity Owner:

1. ______________________________
____
____
______ %

2. ______________________________
____
____
______ %

3. ______________________________
____
____
______ %

4. ______________________________
____
____
______ %

5. ______________________________
____
____
______ %

EXHIBIT 3 – GUARANTEE OF FRANCHISE AGREEMENT

In consideration of the execution by Rockstars of Tomorrow Franchise, Inc. ("Franchisor") of the "Franchise Agreement") dated ____________________, 20 ___ between Franchisor and ___________________ _________________________________ ("Franchisee") and for other good and valuable consideration, each of the undersigned "Principal Equity Owners" (as defined in the Franchise Agreement), and their spouses (if applicable), for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said Franchise Agreement and in any other agreement(s) by and between Franchisee and Franchisor.

If more than one person has executed this Guarantee of Franchise Agreement ("Guarantee"), the term "the undersigned", as used herein, refers to each such person, and the liability of each of the undersigned hereunder will be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by every covenant, term, condition, agreement and undertaking contained and set forth in said Franchise Agreement and any other agreement(s) by and between Franchisee and Franchisor.

The undersigned further hereby agree that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (i) any term, covenant or condition of the Franchise Agreement may be amended, compromised, released or otherwise altered by Franchisor and Franchisee, and the undersigned do guarantee and promise to perform all the obligations of Franchisee under the Agreement as so amended, compromised, released or altered; (ii) any guarantor of or party to the Franchise Agreement may be released, substituted or added; (iii) any right or remedy under the Agreement, this Guarantee or any other instrument or agreement between Franchisor and Franchisee may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (iv) Franchisor or any other person may deal in any manner with Franchisee, any of the undersigned, any party to the Franchise Agreement or any other person.

Should Franchisee be in breach or default under the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Franchisee and without proceeding against or naming in such suit any other Franchisee, signatory to the Franchise Agreement or any others of the undersigned.

Notice to or demand upon Franchisee or any of the undersigned will be deemed notice to or demand upon Franchisee and all the undersigned, and no notice or demand need be made to or upon any of the undersigned. The cessation of or release from liability of Franchisee or any of the undersigned will not relieve any other guarantors from liability hereunder, under the Franchise Agreement, or under any other agreement(s) between Franchisor and Franchisee, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, related to the Franchise Agreement or any other agreement(s) by and between Franchisee and Franchisor, will not modify or amend this Guarantee, which will be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

The Lanham Act (15 U.S.C. §1051 et seq.) governs any issue involving Franchisor's proprietary trademarks. To the extent applicable, the laws of the state where the Store is located govern all issues involving modification of this Guarantee while it is in effect. Otherwise, this Guarantee and the legal relations among the parties hereto will be governed by and construed in accordance with the laws of the State of California. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, "implied covenant", unfair competition, fiduciary or any other doctrine of law of the State of California or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the Superior Court of the State of California, County of Riverside or the United States District Court for the Central District of California. Guarantors hereby covenant never to assert or claim that this venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of *forum non conveniens*). Guarantors further hereby covenant never to assert or claim that such courts lack personal jurisdiction over Guarantors. In the event both such courts lack jurisdiction to enter any requested injunctive relief, an action or proceeding requesting such relief may be brought before any court having jurisdiction to grant such relief.

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions will nevertheless be effective.

This Guarantee may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the Franchise Agreement.

PRINCIPAL EQUITY OWNERS	SPOUSES OF PRINCIPAL EQUITY OWNERS (if applicable)
x ______________________________	x ______________________________
Printed Name of Principal Equity Owner	Printed Name of Spouse
x ______________________________	x ______________________________
Printed Name of Principal Equity Owner	Printed Name of Spouse
x ______________________________	x ______________________________
Printed Name of Principal Equity Owner	Printed Name of Spouse
x ______________________________	x ______________________________
Printed Name of Principal Equity Owner	Printed Name of Spouse
x ______________________________	x ______________________________
Printed Name of Principal Equity Owner	Printed Name of Spouse

ROCKSTARS OF TOMORROW

AREA DEVELOPMENT AGREEMENT

EXHIBIT A-2

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AREA DEVELOPMENT AGREEMENT

This Area Development Agreement ("Agreement") is made and executed as of ______________, 20 __ (the "Effective Date") by and between ____ ("you") and Rockstars of Tomorrow Franchise, Inc., a California corporation ("we" or "ROTF").

We are the franchisor of the Rockstars of Tomorrow franchise system. You (or an affiliated entity of yours) are concurrently entering into a Franchise Agreement with ROTF, under the terms of which you are being granted a right to open and operate a "Franchised Business" (as defined in the Franchise Agreement) at an outlet (as defined in the Franchise Agreement) ("Outlet"), in accordance with the Rockstars of Tomorrow business format.

In consideration of the mutual promises, covenants, agreements and conditions contained in this Agreement, and other good and valuable consideration, you and ROTF hereby agree as follows:

I. GRANT OF RIGHTS TO OPEN ADDITIONAL OUTLETS

1.1 Additional Outlets.

(a) Subject to the terms and conditions contained herein, we hereby grant you the right and you hereby agree to establish and operate additional Outlets in accordance with the schedule of openings attached hereto as Exhibit 1 (the "Development Schedule").

(b) So long as your obligations under the Development Schedule are being met on a timely basis and until this Agreement terminates, we will not ourselves, nor allow any other Rockstars of Tomorrow franchisee to, operate an Outlet within the geographical area (the "Development Area") indicated in the Development Schedule.

(c) Your rights to open and operate Outlets under this Agreement do not extend to a "Non-Traditional Venue" (defined as a facility operated under the Rockstars of Tomorrow trademarks that is located within another primary business or in conjunction with other businesses or at institutional settings, including toll roads, stadiums, airports, colleges and universities, schools, hospitals, military and other governmental facilities, office facilities, and any site for which the lessor, owner or operator thereof has indicated its intent to prefer or limit the operation of its facilities to a master concessionaire or contract service provider).

(d) If ROTF becomes insolvent or declares bankruptcy or is no longer authorized to offer and sell franchises in your state because of a lapse of applicable franchise registration or other reason, you will continue to have the right to operate under this Agreement until and unless a court issues an order otherwise.

1.2 Franchise Agreements.

(a) When you open an additional Outlet under the Development Schedule, you will enter into our then current form of Franchise Agreement for that additional Outlet (provided however that the economic terms, specifically royalty and advertising fees, of such Franchise Agreement for the additional Outlet will not change from the economic terms of this Agreement). So long as you are in good standing under this Agreement, you will continue to have the exclusive right to open and operate Outlets in the Development Area in accordance with the Development Schedule.

(b) Each Franchise Agreement executed pursuant hereto will provide that we and our affiliates may not open or operate, or franchise or license the operation of, any Outlet within the protected territory surrounding the Outlet opened by you as described in such Franchise Agreement.

(c) If you have been operating your initial Outlet for at least six months, when you sign a lease for an additional Outlet opened under the Development Schedule of this Agreement, to assist you in meeting the cost of construction for the new additional Outlet, if you qualify, we will grant you Royalty forgiveness under the Franchise Agreement for the additional Outlet for up to 12 months. To qualify for Royalty forgiveness, you must be in full compliance with the Franchise Agreement you executed for your initial Outlet, including fully current in payment of Royalties and other amounts due us under that Franchise Agreement. The number of months for Royalty forgiveness depends on the costs of construction for the new additional Outlet, as follows: (i) three months if costs are $250,000 or less, (ii) six months if costs are between $250,000.01 and $300,000, (iii) nine months if costs are between $300,000.01 and $400,000, or (iv) 12 months if costs are greater than $400,000.

1.3 Term.
The term of this Agreement commences on the Effective Date and, unless sooner terminated by your material breach hereof, will continue until you have opened all Outlets to be developed in accordance with the Development Schedule, at which time this Agreement will terminate. There will be no extensions or renewal periods relating to the Development Schedule unless done so in writing. Notwithstanding the above, you may terminate this Agreement at any time upon 30 days written notice to us. Upon termination of this Agreement, you will no longer have the right to open future Outlets under the Development Schedule.

1.4 Effect of Expiration.
Unless an additional development right has been agreed to pursuant to section 2.4 hereof and a restated or revised Development Schedule has been initialed by you and us, upon the expiration or termination of this Agreement, (i) you will have no further exclusive right to construct, equip, own, open or operate additional Outlets in the Development Area that are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between you (or an affiliate of yours) and us which is then in full force and effect, and (ii) we or our affiliates may thereafter themselves construct, equip, open, own or operate, and license others to (or grant development rights to) construct, equip, open, own or operate Outlets anywhere, subject only to the territorial rights granted under and applicable Franchise Agreement for an Outlet.

1.5 No Subfranchising Rights.
You do not have the right under this Agreement to enter into subfranchised Rockstars of Tomorrow franchise agreements with anyone.

II. DEVELOPMENT OBLIGATIONS

2.1 Development Obligations.

(a) You must construct, equip and open each additional Outlet not later than the date specified in Exhibit 1 applicable to the Outlet, and thereafter continue to operate the Outlet or assign it with our consent to another Rockstars of Tomorrow franchisee.

(b) Any Outlet developed hereunder that is open and operating and which has been assigned to an affiliate of yours, or to another Rockstars of Tomorrow franchisee, or a third party with our consent will continue to be considered as partial satisfaction of your obligations under the Development Schedule for so long as the assignee remains in good standing under the Franchise Agreement relating to that Outlet.

2.2 Timing of Execution of Leases and Franchise Agreements.

(a) Notwithstanding anything to the contrary contained herein, on or before the date that is 60 days before the date an Outlet is required to be opened, you must have executed a lease and Franchise Agreement, and paid the balance of the required Initial Franchise Fee, for that Outlet.

(b) With respect to the location, equipping, opening and operation of an additional Outlet you are opening under the Development Schedule, you must comply with the Franchise Agreement that is applicable to that Outlet.

2.3 Force Majeure.

(a) The term "*Force Majeure*" means a natural disaster (such as tornado, earthquake, hurricane, flood, fire or other natural catastrophe); strike, lockout or other industrial disturbance; war, terrorist act, riot, or other civil disturbance; epidemic; or other similar force which you could not by the exercise of reasonable diligence have avoided; provided however, that neither an act or failure to act by any federal, state, county, municipal and local governmental and quasi-governmental agency, commission or authority, nor the performance, non-performance or exercise of rights under any agreement with you by any lender, landlord, or other person will be a *Force Majeure*, except to the extent that such act, failure to act, performance, non-performance or exercise of rights results from an act that is otherwise a *Force Majeure*. To avoid any potential misunderstanding, your financial inability to perform or your insolvency will not be a *Force Majeure* hereunder.

(b) Subject to your continuing compliance with section 2.3(c) below, should you be unable to meet your development obligation for a scheduled additional Outlet solely as the result of a *Force Majeure* which results in your inability to construct or operate the Outlets pursuant to the terms of this Agreement, the date on which the scheduled additional Outlet is to be opened will be extended by an amount of time equal to the time period during which the *Force Majeure* exists.

(c) If you experience a *Force Majeure*, you must notify us in writing within 10 business days following commencement of the alleged *Force Majeure* detailing the specific nature and extent of the *Force Majeure*, and how it has impacted your performance hereunder. You must continue to provide us with updates and all information as we may request, including your progress and diligence in responding to and overcoming the *Force Majeure*.

(d) We will not be liable to you for any consequential damages, including lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by you by reason of a *Force Majeure* or any conduct not due to our gross negligence or intentional misfeasance.

2.4 Termination of Agreement and Limited Additional Development Rights.

(a) If you fail to open an additional Outlet in accordance with the Development Schedule, you will be in material default of this Agreement. The first time this happens, we will extend the time to open the additional Outlet (and all other additional Outlets under the Development Schedule) for 90 days. If after the 90-day extension, you are still in noncompliance with the Development Schedule, this Agreement may be immediately terminated by ROTF upon written notice.

(b) Once you have opened all additional Outlet specified in the Development Schedule, this Agreement will automatically terminate. However, all rights under Franchise Agreements you enter into respecting the additional Outlets remain in full force and effect. If you desire to engage in further development of additional Outlets in excess of the obligations you committed to under the Development Schedule, you must at the earlier of (i) 180 days prior to the scheduled expiration of the Development Schedule or (ii) the date on which acceptance of the proposed site for the last Outlet required to meet the Development Schedule is issued, notify us in writing of your desire to develop additional Outlets and present your plan for such development over a new term, setting forth the number of proposed Outlets and the deadlines for the development of each of them within such proposed term. We have the sole discretion to determine whether such additional development in the Development Area is desirable, and if we agree to allow you to develop additional Outlets, such additional development will be subject to the conditions set forth in section 2.4(b) below. Otherwise, the development rights granted under this Agreement may not be extended.

(c) Your rights to additional development described in this section 2.4 are subject to your fulfillment of the following conditions:

(i) You (and each of your affiliates that have developed or operate Outlets) must have fully performed all your obligations under this Agreement and all other agreements between you (or the applicable affiliate) and ROTF.

(ii) You must have demonstrated to us your financial capacity to perform the additional development obligations set forth in any restated or revised Development Schedule. In determining if you are financially capable, we will apply the same criteria to you that we apply to prospective Rockstars of Tomorrow area developers at that time.

(iii) You and we must agree to, and initial, a restated or revised Development Schedule.

III. DEVELOPMENT FEE

3.1 Development Fee.

(a) When you sign this Agreement, you must pay us the sum of $ ____________ as a "Development Fee" for us granting you the exclusive right to open additional Outlets pursuant to the Development Schedule.

The Development Fee is computed by multiplying the number of additional Outlets by $18,000 (for example, if Franchisee agrees to open four additional Outlets pursuant to the Development Schedule, the Development Fee would be $72,000).

(b) If you do not successfully complete initial franchise training required by the first Rockstars of Tomorrow Franchise Agreement you enter into, we will refund your Development Fee, less any expenses we incurred relating to this Agreement. **Otherwise, the Development Fee is not refundable**.

3.2 Franchise Agreements for Additional Outlets.
Each additional Outlet to be opened pursuant hereto will require execution by you and ROTF of a separate Franchise Agreement (using our then current form thereof) respecting that additional Outlet, provided however that the initial franchise fee payable under each such Franchise Agreement will be reduced by the sum of $18,000, and you would then pay the remaining balance of $18,000.

IV. TRANSFER OR ASSIGNMENT

4.1 Assignability.

(a) This Agreement has been executed by us in reliance upon and in consideration of the singular personal qualifications, trust and confidence we repose in you. Accordingly, although you may assign individual Franchise Agreements, you may not assign this Agreement except as provided in Section 4.2 below.

(b) We may assign this Agreement in our sole discretion and without your consent, and you acknowledge we are permitted to do so without liability or obligation to you, and you expressly and specifically waive any claims, demands or damages arising from or related to any such assignment.

4.2 Transfers from You to an Affiliated Entity.
You may at any time without our consent, but upon 30 days prior written notice to us, assign and transfer this Agreement to a corporation, limited liability company or other business entity that is organized to operate as a developer of additional Outlets and entirely owned by you. Any assignment and transfer to an affiliated entity must be evidenced by a written instrument, in form reasonably satisfactory to us, under the terms of which said business entity (i) assumes all your obligations hereunder, whether accrued at the time of such assignment or arising thereafter and (ii) agrees to be bound by all the terms and provisions of this Agreement to the same extent and in the same manner that you are. A copy of said instrument, executed by both you and said business entity must be delivered to us before the effective date of the transfer.

V. NON-COMPETITION

5.1 Restriction on Competitive Activities.
During the term of this Agreement and for one year after it is terminated or expires, you and each of your “Principal Equity Owners” (persons owning 20% or more equity interest in you) must comply with the non-competition covenants contained in the last effective Franchise Agreement executed by you and by us.

5.2 Website and Unauthorized Advertising.
During the term of this Agreement, neither you nor any of your principal equity owners may establish a website or register an Internet domain name using, or otherwise advertise on the Internet or anywhere else, the trademark “Rockstars of Tomorrow”, or marks similar to “Rockstars of Tomorrow”, or any combination or derivations thereof, or any other ROTF trademark, except as specifically authorized by us in writing.

VI. DEFAULT AND TERMINATION

6.1 General.
This Agreement may be terminated by us if you (i) fail to substantially comply with any obligation, duty or promise under this Agreement, including failure to open an Outlet within the time specified in the Development Schedule, after being given a notice of default and reasonable opportunity to cure the default (no more than 30 days), or (ii) are in material breach of any Franchise Agreement that you (or your affiliated entity) entered into with us.

6.2 Operation of Opened Outlets after Termination or Expiration of this Agreement. If we terminate this Agreement for the reasons described in section 6.1 above, you will be able to maintain ownership and operation of the Outlets that you have developed so long as you are not in material breach of the Franchise Agreements for those Outlets; however, you will forfeit (i) any further exclusive rights under the Development Schedule and this Agreement and (ii) any rights to have a credit applied against the Initial Franchise Fee for Outlets that were not developed.

VII. DISPUTE RESOLUTION

7.1 Initial Steps to Resolve a Dispute and Mediation.

(a) You and ROTF agree to sincerely attempt in good faith to resolve disagreements or disputes arising under this Agreement. Good faith communications between you and ROTF are an important aspect of that obligation. Therefore, the parties hereby pledge and agree they will first attempt to resolve any dispute, claim or controversy arising out of or relating to this Agreement or any alleged breach hereof, including any claim that this Agreement or any part hereof is invalid, illegal or otherwise voidable or void (collectively, "Dispute") by first having our executive officers and your principal equity owners meet person within five business days after a party notifies the other party that a Dispute has arisen at our principal executive office (without our respective legal counsel) to conduct a good faith discussion and negotiation of the issues with a view to arriving at a settlement. If a party refuses to participate in the settlement meeting or mediation within the respective time frames set forth in this section 7.1, the other party may immediately commence an arbitration proceeding pursuant to section 7.2 below.

(b) If the parties are unable to settle the Dispute at the settlement conference described in section 14.1(a) above, within 10 business days after the date this conference took place (or should have taken place), you and we may submit the dispute to mediation conducted by a mediator mutually agreeable to both parties; provided however the mediator must be a State Bar of California Board of Legal Specialization Certified Specialist in Franchise and Distribution Law. If the Dispute is not referred to mediation within 10 business days after the settlement conference took place (or should have taken place), the Dispute may be immediately submitted to binding resolution through arbitration proceedings pursuant to section 14.2 below. Any mediation proceedings may take place at any mutually agreed location in California, and these proceedings should be completed within 60 days following the date either party first gives notice of mediation. The fees and expenses of the mediator will be shared equally by the parties. The mediator will be disqualified as a witness, expert or counsel for any party with respect to the Dispute and any related matter.

(c) Mediation is a compromise negotiation and will constitute privileged communications under the law governing this Agreement. The entire mediation process will be confidential and the conduct, statements, promises, offers, views and opinions of the mediator and the parties will not be discoverable or admissible in any legal proceeding for any purpose; provided, however, that evidence which is otherwise discoverable or admissible will not be excluded from discovery or admission because of its use in the mediation.

7.2 Arbitration.

(a) Any Dispute between us (or our affiliated entities) and you (or your affiliated entities) not settled through the procedures described in section 14.1 above will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS, Inc. ("JAMS") and selected by the parties, in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitrator. It is explicitly agreed by each of the parties hereto no arbitration of any Dispute may be commenced except in accordance with this section 7.2.

(b) All hearings and other proceedings will take place at the JAMS business location in Riverside County, California, or other county where ROTF's headquarters is then located, or if ROTF so elects, at the JAMS business location nearest where your principal place of business is then located.

(c) A limited amount of discovery (including e-discovery) is permitted within the discretion of

the arbitrator (including affidavits and a maximum of three discovery depositions for each side, with each side's depositions not to consume more than a total of 15 hours) and either party may present briefs and affidavits of witnesses who are unable to attend hearings. However, no interrogatories or requests to admit will be allowed and requests for documents will be limited to documents which are directly relevant to significant issues in the case or to the case's outcome, will be restricted in terms of timeframe, subject matter and persons or entities to which the request pertain and will not include broad phraseology such as "all documents directly or indirectly related to" (in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2). Regarding permissible e-discovery in an arbitration arising out of or related to this Agreement, the following restrictions will apply:

(i) There will be production of electronic documents only from sources used in the ordinary course of business. Absent a showing of compelling need, no such documents are required to be produced from backup servers, tapes or other media.

(ii) Absent a showing of compelling need, the production of electronic documents will normally be made using generally available technology in a searchable format which is usable by the party receiving the e-documents and convenient and economical for the producing party. Absent a showing of compelling need, the parties need not produce metadata, excepting header fields for email correspondence.

(iii) The description of custodians from home electronic documents may be collected will be narrowly tailored to include only those individuals whose electronic documents may reasonably be expected to contain evidence that is material to the Dispute.

(iv) Where the costs and burdens of e- discovery are disproportionate to the nature of the Dispute or to the amount in controversy, or to the relevance of the materials requested, the arbitrator will either deny such requests or order disclosure on condition that the requesting party advanced the reasonable costs of production to the other side, subject to the allocation of costs in the final award ((in accordance with JAMS Discovery Protocols and JAMS Arbitration Rule 16.2).

(d) Any party wishing to make a dispositive motion must first submit a brief letter (not exceeding five pages) explaining why the motion has merit and why it would speed the proceeding and make it more cost-effective the other side will have a brief period in within which to respond. Based on the letters, the arbitrator will decide whether to proceed with Mark operates a briefing and argument on the proposed motion. If the arbitrator decides to go forward with the motion, the arbitrator will place page limits on the briefs and set an accelerated schedule for the disposition of the motion. Under ordinary circumstances, the pendency of such a motion will not serve to stay any aspect of the arbitration or adjourn any pending deadlines.

(e) The arbitrator will have the right to award or include in the award any relief that the arbitrator deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance and injunctive relief, provided that the arbitrator will not have the right to declare any Mark generic or otherwise invalid or to award punitive damages. If either party fails to appear or participate in the arbitration proceeding, the other party will be entitled to a default judgment award. The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(f) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, YOU EXPRESSLY AGREE TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS YOU MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(g) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND ALL

RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(h) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(i) The provisions of this section 7.2 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 7.2 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _______ Your Initials: ________]

7.3 Injunctive Relief.
Any party has the right in a situation where there is an imminent threat of harm to the legal rights of a party and damages would not be adequate relief to seek a temporary restraining order and temporary or preliminary injunctive relief from a court of competent jurisdiction in California, without the necessity of first complying with sections 7.1 and 7.2 above or posting any bond, and if bond is nevertheless required by a court of competent jurisdiction, the parties agree that the sum of $1,000 will be a sufficient bond (this amount may be adjusted by changes in the Consumer Price Index since the Effective Date). If an arbitration proceeding has already commenced pursuant to section 7.2 above when a party seeks injunctive relief, then the party seeking such injunctive relief agrees to contemporaneously submit the merits of its dispute to the arbitrator. The existence of a proceeding commenced under section 7.1 or 7.2 above will in no event abate or otherwise affect the ability of party to seek injunctive relief under this section 7.3. Franchisee acknowledges that its failure to comply fully with any of the terms of this Agreement respecting the obligations regarding examinations, audits and the Marks could cause irreparable damage to Franchisor or other affiliated persons or entities and Franchisor or Franchisor's affiliates may seek injunctive relief to protect the Marks. This covenant is independent, severable and enforceable notwithstanding any other rights or remedies that any party may have.

7.4 Legal Fees and Expenses.
The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 7.4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

7.5 Survival.
The terms of this Article VII survive termination, expiration or cancellation of this Agreement.

VIII. NOTICES

8.1 Notices.

(a) All notices that the parties hereto are required or may desire to give under or in connection with this Agreement will be in writing and (unless personally delivered by an agent of the sending party) must be sent by reliable overnight courier, for delivery on the next business day and addressed as follows:

(i) If to us, to:

ROCKSTARS OF TOMORROW FRANCHISE, INC.
1900 LAMPTON LANE
NORCO CA 92860-1945
Phone: (951) 790-2765

(ii) If to you, to:
____
____
____
Phone: _________________

(b) Notices between you and us will be deemed given the earlier of (i) the next business day after deposit with a reliable overnight courier, properly addressed and marked for delivery on the next business day or (ii) when delivered in person by an agent of the sending party.

(c) Any change in the addresses listed in section 8.1(a) above must be sent to the other party as soon as practicable after the change occurs by reliable overnight courier or delivered in person.

(d) Any notices sent to you which include a statement of intent to terminate this Agreement must provide (i) the reasons why and (ii) the effective date of such termination.

IX. GENERAL TERMS AND PROVISIONS

9.1 Governing Law.
The Federal Arbitration Act (9 U.S.C. §1 *et seq*.) governs the arbitration of disputes under this Agreement. Otherwise, the laws of the state where the Development Area is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

9.2 Modification.
This Agreement cannot be modified or changed except by a written instrument signed by all parties hereto.

9.3 Waiver and Delay.
No waiver by us of any breach or series of breaches or defaults in performance by you and no failure, refusal or neglect by us either to exercise any right of ours hereunder or to insist upon strict compliance with or performance of your obligations under this Agreement will constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by us of our right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.4 Severability; Partial Invalidity.
Nothing contained in this Agreement will be construed as requiring the commission of any act contrary to law. Whenever there is any conflict between any provisions of this Agreement and any present or future statute, law, ordinance, regulation or judicial decision, contrary to which the parties have no legal right under this Agreement, the latter will prevail, but in such event the provision of this Agreement thus affected will be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any part, article, section, sentence or clause of this Agreement is held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision will be deemed appropriately modified, and the remaining parts thereof will continue in full force and effect.

9.5 Titles for Convenience Only.
Section titles used in this Agreement are for convenience only and will not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

9.6 No Third-Party Beneficiaries.
This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than our financing sources to whom we may have granted or consented to a

collateral assignment of this Agreement) will be entitled to any rights hereunder because of so-called “third party beneficiary rights” or otherwise.

9.7 Survival of Covenants.
The covenants contained in this Agreement that by their terms require performance by the parties after the expiration or termination of this Agreement will be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.8 Successors and Assigns.
This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on any assignment by you contained herein.

9.9 Counterparts.
This Agreement may be executed in any number of copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

9.10 Entire Agreement.

(a) This Agreement contains all the terms and conditions agreed upon by you and ROTF with respect to the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Rockstars of Tomorrow franchise disclosure document provided to you.

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

This Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

YOU:	**US (ROTF):**
______________________________	ROCKSTARS OF TOMORROW FRANCHISE, INC.
By: ____________________________	By: ______________________________ Michael Anderson, President
______________________________ [PRINTED NAME AND TITLE]	

EXHIBIT 1 - DEVELOPMENT SCHEDULE AND DEVELOPMENT AREA

The initial Outlet (or Outlet 1) is to be opened and operated under the concurrently signed Franchise Agreement. Additional Outlets will be opened at sites that we have reviewed and consented to, all of which will be located in the "Development Area" described either [ ] in the map immediately following this Exhibit 1 or [ ] as follows:

____

____

____

You must open (and thereafter maintain) Outlets in accordance with the following "Development Schedule" (if more than five Outlets are committed to be opened, the Development Schedule will be expanded appropriately):

NUMBER OF OUTLET	DATE BY WHICH OUTLET MUST BE OPENED
1	
2	
3	
4	
5	

We may defer a scheduled opening date in the table above if we determine, in our reasonable discretion, you made a diligent effort to open an Outlet according to the Development Schedule but were unable to do so due to reasons beyond your reasonable control.

ROCKSTARS OF TOMORROW

TERRITORY HOLD AGREEMENT

EXHIBIT A-3

TERRITORY HOLD AGREEMENT

This Territory Hold Agreement ("Agreement") is made and executed as of____________________, 20 (the "Effective Date") by and between ____ ("You") and Rockstars of Tomorrow Franchise, Inc., a California corporation ("we" or "ROTF").

We are the franchisor of the Rockstars of Tomorrow franchise system. You were provided our franchise disclosure document ("FDD"), which included a copy of our current Franchise Agreement, at least 14 calendar days prior to the Effective Date. You intend to execute a Franchise Agreement with ROTF, under the terms of which you will be granted a right to open and operate a "Franchised Business" (as defined in the Franchise Agreement) at an "Outlet" (as defined in the Franchise Agreement) within a designated "Territory" (as defined in this Agreement), in accordance with the Rockstars of Tomorrow business format.

You do not want to execute the Franchise Agreement at this time, but you want to reserve the rights to the Territory so that it would be available to you when you do execute the Franchise Agreement. Accordingly, you and ROTF hereby agree as follows:

1. Territory Reservation.

(a) The Territory is a defined as: ____.

(b) We hereby grant you the exclusive right to the Territory for a period of six months from the Effective Date. You must execute a Franchise Agreement granting you the right to open an Outlet within the Territory on or before the expiration of six months from the Effective Date.

(c) You hereby acknowledge and confirm that you received our FDD at least 14 calendar days before signing this Agreement.

2. Territory Hold Fee.

(a) Concurrently upon signing this Agreement, you must pay us a "Territory Hold Fee" of $10,000.

(b) The Territory Hold Fee will be applied as a credit against the Initial Franchise Fee due under the Franchise Agreement with the balance of the Initial Franchise Fee due and payable in full upon the execution of a lease for the Outlet premises.

(c) The Territory Hold Fee is consideration for our granting you exclusive rights to the Territory under the terms of this Agreement and is not refundable.

3. Arbitration.

(a) Any dispute between us (or our affiliated entities) and you (or your affiliated entities) arising under this Agreement will be resolved through binding arbitration by one arbitrator from the list of retired judges referred by JAMS, Inc. ("JAMS") and selected by the parties, in accordance with its Streamlined Arbitration Rules and Procedures (if the amount in controversy is less than $250,000) or its Comprehensive Arbitration Rules and Procedures (if the amount in controversy is $250,000 or more), or if the parties in dispute mutually agree, through binding arbitration by any other mutually agreeable arbitrator. It is explicitly agreed by each of the parties hereto no arbitration of any Dispute may be commenced except in accordance with this section 3.

(b) All hearings and other proceedings will take place at the JAMS business location in Riverside County, California, or other county where ROTF's headquarters is then located, or if ROTF so elects, at the JAMS business location nearest where your principal place of business is then located.

(c) A limited amount of discovery (including e-discovery) is permitted within the discretion of the arbitrator.

(d) The arbitration award will be final and binding on the parties, and judgment on the award may be entered in any federal or state court having jurisdiction.

(e) TO THE MAXIMUM EXTENT PERMITTED BY LAW, ALL CLAIMS BROUGHT UNDER THIS AGREEMENT WILL BE BROUGHT IN AN INDIVIDUAL CAPACITY. THIS AGREEMENT MAY NOT BE CONSTRUED TO ALLOW OR PERMIT THE CONSOLIDATION OR JOINDER OF OTHER CLAIMS OR CONTROVERSIES INVOLVING ANY OTHER FRANCHISEES OR PERMIT SUCH CLAIMS OR CONTROVERSIES TO PROCEED AS A CLASS ACTION, CLASS ARBITRATION, COLLECTIVE ACTION, OR ANY SIMILAR REPRESENTATIVE ACTION. NO ARBITRATOR WILL HAVE THE AUTHORITY UNDER THIS AGREEMENT TO ORDER ANY SUCH CLASS OR REPRESENTATIVE ACTION. BY SIGNING BELOW, YOU EXPRESSLY AGREE TO WAIVE ANY SUBSTANTIVE OR PROCEDURAL RIGHTS YOU MAY HAVE TO BRING AN ACTION ON A CLASS, COLLECTIVE, REPRESENTATIVE OR OTHER SIMILAR BASIS.

(f) TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE PARTIES WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO SEEK PUNITIVE DAMAGES FROM ONE ANOTHER. ACCORDINGLY, THE ARBITRATOR WILL HAVE NO POWER TO ASSESS PUNITIVE DAMAGES AGAINST EITHER PARTY.

(g) This arbitration provision is deemed to be self-executing and will remain in full force and effect after expiration or termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party by default or otherwise notwithstanding said failure to appear.

(h) The provisions of this section 3 are intended to benefit and bind certain third-party non-signatories and will continue in full force and effect after (and notwithstanding) the expiration or termination of this Agreement. Furthermore, this section 3 will be construed as independent of any other covenant or provision of this Agreement; provided, however, that if a court of competent jurisdiction determines that any of such provisions are unlawful in any way, the court is respectfully requested to modify or interpret such provisions to the minimum extent necessary to comply with the law.

[Our Initials: _______ Your Initials: ________]

4. Legal Fees and Expenses.

The prevailing party in any arbitration or litigation to resolve a dispute between any of the parties hereto will be entitled to recover from the losing party reasonable legal fees (and incurred costs of the prevailing party's counsel) and all other expenses incurred by the prevailing party in bringing or defending such arbitration, action or proceeding or enforcing any resulting award or judgment (including without limitation arbitration or court filing fees, expert and other witness fees, discovery expenses and compensation payable to the arbitrator), whether incurred prior to or in preparation for or in contemplation of the filing of the action or thereafter. The prevailing party will be determined by the arbitrator or court. This section 4 is intended to be expressly severable from the other provisions of this Agreement, is intended to survive any judgment and is not to be deemed merged into the judgment.

5. Governing Law.

The laws of the state where the Territory is located govern this Agreement and all related matters, documents and agreements, without regard to conflicts of laws. If any provision of this Agreement is impermissible under a governing law, the provision will be deemed amended to conform to that law while maintaining to the maximum extent possible the original intent of the provision, or if the provision as amended cannot substantially maintain the original intent, then the provision will be deemed deleted.

6. Modification.

This Agreement cannot be modified or changed except by a written instrument signed by all parties hereto.

7. No Third-Party Beneficiaries.

This Agreement is not intended to benefit any other person or entity except the named parties hereto and no other person or entity (other than our financing sources to whom we may have granted or consented to a collateral assignment of this Agreement) will be entitled to any rights hereunder because of so-called "third party beneficiary rights" or otherwise.

8. Successors and Assigns.
This Agreement is binding upon (i) us and inures to the benefit of our successors and assigns and (ii) you and inures to the benefit of your successors and assigns, subject to the restrictions on any assignment by you contained herein.

9. Counterparts.
This Agreement may be executed in any number of copies, each of which will be deemed to be an original, and all of which together will be deemed to be one and the same instrument.

10. Entire Agreement.
This Agreement contains all the terms and conditions agreed upon by you and ROTF with respect to the subject matter hereof, provided however, that nothing in this Agreement or in any related agreement is intended to disclaim the representations made in the Rockstars of Tomorrow franchise disclosure document provided to you. No other agreements oral or otherwise will be deemed to exist or to bind any of the parties hereto and all prior agreements and understandings are superseded hereby. You acknowledge that you executed this Agreement without reliance upon any unauthorized representation or promise.

This Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

IN WITNESS WHEREOF, and each signatory being jointly and severally liable, the parties hereto executed this Agreement as of the Effective Date.

YOU:	**US (ROTF):**
________________________________	ROCKSTARS OF TOMORROW FRANCHISE, INC.
By: ______________________________	By: ______________________________ Michael Anderson, President
________________________________ [PRINTED NAME AND TITLE]	

ROCKSTARS OF TOMORROW

FINANCIAL STATEMENTS

EXHIBIT B

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Audited Financial Statements

For the Year Ended February 29, 2024

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Contents

For the Year Ended February 29, 2024

INDEPENDENT AUDITORS' REPORT

The Stockholder
ROCKSTARS OF TOMORROW FRANCHISE, INC.
Norco, California

Opinion

We have audited the accompanying financial statements of Rockstars of Tomorrow Franchise, Inc., which comprise the balance sheet as of February 29, 2024, and the related statements of operations, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockstars of Tomorrow Franchise, Inc. as of February 29, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rockstars of Tomorrow Franchise, Inc.'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 Rockstars of Tomorrow Franchise, Inc.'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.

Gelman LLP

October 24, 2024
Irvine, California

ROCKSTARS OF TOMORROW FRANCHISE, INC.
Balance Sheet
February 29, 2024

ASSETS

Current assets:		
Cash and cash equivalents	$	76,390
Accounts receivable		29,856
Total current assets		106,246
Property and equipment:		
Furniture and fixtures		3,000
Equipment		2,852
		5,852
Less: accumulated depreciation		4,852
Property and equipment, net		1,000
Other assets:		
Loan receivables to franchisees		63,664
Advance to franchisee		50,000
Total other assets		113,664
	$	220,910

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable and accrued expenses	$	24,905
Income taxes payable		13,109
Total current liabilities		38,014
Long-term liabilities:		
Deferred income taxes		8,355
Total long-term liabilities		8,355
Stockholder's equity:		
Common stock, $10 par value; 1,000,000 shares authorized; 8,000 shares issued and outstanding		80,000
Additional paid-in capital		30,750
Retained earnings		63,791
Total stockholder's equity		174,541
	$	220,910

ROCKSTARS OF TOMORROW FRANCHISE, INC.
Statement of Operations
For the Year Ended February 29, 2024

Revenues	
Royalty fees and other	$ 349,119
Revenues earned	349,119
Operating expenses	
Advertising	85,658
Auto	1,386
Bad debts	39,317
Computer	12,461
Depreciation	570
Dues and subscriptions	983
Equipment	55,153
Meals and entertainment	6,986
Miscellaneous	4,874
Office supplies	28,126
Professional fees	12,402
Salaries and wages	91,200
Taxes and licenses	4,936
Travel	45,237
Total operating expenses	389,289
(Loss) from operations	(40,170)
Interest expense	1,656
(Loss) before income tax (benefit)	(41,826)
Income tax (benefit)	(22,483)
Net (loss)	$ (19,343)

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Stockholder's Equity

For the Year Ended February 29, 2024

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance - February 28, 2023	$ 80,000	$ 30,750	$ 83,134	$ 193,884
Net (loss)	-	-	(19,343)	(19,343)
Balance - February 29, 2024	$ 80,000	$ 30,750	$ 63,791	$ 174,541

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Cash Flows

For the Year Ended February 29, 2024

Cash Flows From Operating Activities:		
Net (loss)	$	(19,343)
Adjustments to reconcile net (loss) to net cash provided by operating activities		
Depreciation		570
Deferred income taxes		(11,554)
(Increase) decrease in:		
Accounts receivable		47,052
Loan receivables to franchisees		(13,993)
Increase (decrease) in:		
Accounts payable		14,314
Income taxes payable		(11,747)
Net cash provided by operating activities		5,299
Cash Flows From Investing Activities:		
Collections on advance to franchisee		30,000
Net cash provided by investing activities		30,000
Cash Flows From Financing Activities:		
Repayments of loan from related party		(25,000)
Net cash (used in) financing activities		(25,000)
Net increase in cash and cash equivalents		10,299
Cash and cash equivalents at February 28, 2023		66,091
Cash and cash equivalents at February 29, 2024	$	76,390

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year ended February 29, 2024 for:

Interest	$	1,656
Income taxes	$	5,547

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – Rockstars of Tomorrow Franchise, Inc. (the "Company"), a wholly owned subsidiary of Rockstars of Tomorrow, Inc. ("ROT, Inc."), was incorporated in California on March 19, 2014. The Company was organized for the purpose of franchising a concept of offering instructional classes to beginners through advanced musicians. The Company helps teach the necessary techniques, theories, and tricks that will allow students to become confident professional musicians.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents – The Company considers all liquid debt instruments and short-term investments purchased with an original maturity of three months or less to be cash equivalents.

New Accounting Pronouncement – Effective March 1, 2023, the Company adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments–Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Company that are subject to the ASU include accounts receivable and loan receivables to franchisees. The Company adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to retained earnings was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

Allowance for Credit Losses – Management individually reviews all accounts receivable and loan receivables to franchisees balances by franchisee. Management determines whether an allowance for credit losses is necessary using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Balances are charged off against the allowance when management believes there is no possibility of recovery.

Accounts Receivable – Accounts receivable are based on the Company's unconditional right to consideration from the sale of a franchise and services rendered and are stated at amounts management expects to collect.

Contracts and Contract Balances – The Company defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Differences in timing between revenue recognition and cash collection result in contract assets and contract liabilities. Contract assets relate to the Company's right to consideration in exchange for goods or services that it has transferred to customers. Contract liabilities relate to the Company's obligation to transfer goods or services to a customer for which it has received consideration from customers. As of February 29, 2024, the Company had no contract assets or liabilities.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment, and Related Depreciation – Property and equipment are stated at cost. Major renewals and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not extend the estimated useful lives of the respective assets are expensed currently.

At the time property and equipment is sold or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is recorded.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the assets are as follows:

Assets	Estimated Useful Lives
Furniture and fixtures	7 years
Equipment	5 years

Depreciation expense related to property and equipment was approximately $600 for the year ended February 29, 2024.

Fair Value Measurements – The Company, when required, measures and discloses certain financial assets and liabilities under the established framework for determining fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There are no assets or liabilities currently measured using level 1, 2 or level 3 inputs.

The carrying values of cash and cash equivalents, accounts receivable, loan receivables to franchisees, accounts payable and accrued expenses and income taxes payable approximate their fair values due to their short-term nature.

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition – The Company recognizes franchise fees collected as revenue when substantially all services required by the franchise or license agreement are performed, which is generally upon the sale of a franchise. Royalty fees are determined based on a percentage of monthly gross revenues of the franchises and are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to operating expenses.

Advertising – The Company expenses the costs of advertising as incurred. Advertising expense for the year ended February 29, 2024 was approximately $86,000.

Income Taxes – The provision for income taxes includes federal and state income taxes currently payable and deferred income taxes. Deferred income taxes represent the effects of items reported for income tax purposes in periods different from those used for financial reporting purposes.

Uncertain Income Tax Positions – Accounting principles generally accepted in the United States of America require the Company to evaluate tax positions taken by the Company and recognize an income tax liability or asset if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by taxing jurisdictions. Management has performed an analysis of potential uncertain tax positions and has determined that there are no uncertain tax positions that are more likely than not to be changed upon examination. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2019.

Franchise Activity – During the year ended February 29, 2024, one franchise was dissolved. As of February 29, 2024, the Company has six franchises in operation.

Note 2 – Concentrations of Credit Risk

Cash and Cash Equivalents – Cash and cash equivalents are deposited with high credit quality financial institutions. The Company maintains cash deposits with financial institutions that did not exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in the accounts, and management believes it is not exposed to significant risk of loss related to the excess deposits.

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at:

	February 29, 2024	March 1, 2023
Accounts receivable	$ 29,856	$ 76,908
Less: allowance for credit losses	-	-
	$ 29,856	$ 76,908

Note 4 – Franchise Activity

During the year ended February 29, 2024 and February 28, 2023, the Company issued two loan receivables to franchisees with monthly payments of approximately $500 until the balances are paid in full. The loan receivable to franchisees was approximately $63,700 as of February 29, 2024.

During the year ended February 28, 2023 and 2022, the Company advanced funds to a new franchisee for working capital purposes. The advances are unsecured, non-interest bearing and are due on demand. The advances totaled approximately $50,000 as of February 29, 2024.

Note 5 – Provision for Income Taxes

The provision for income taxes for the year ended February 29, 2024 consisted of the following:

Current income taxes:	
Federal	$ (5,657)
State	(5,272)
	(10,929)
Deferred income taxes:	
Federal	(7,904)
State	(3,650)
	(11,554)
	$ (22,483)

<u>Note 5 – Provision for Income Taxes</u> (Continued)

Deferred income tax assets (liabilities) are comprised of the following:

Assets	$	554
Liabilities		(8,909)
Net deferred tax liability	$	(8,355)

Deferred income taxes result from the Company reporting its results of operations under the accrual method of accounting for financial reporting purposes, and under the cash method for income tax purposes.

<u>Note 6 – Contingencies</u>

In the normal course of business, the Company is subject to legal proceedings, claims, assessments and subject to various local, state and federal environmental regulations. Management believes that these obligations will not have a material impact on the Company's financial position or its results of operations.

<u>Note 7 – Subsequent Events</u>

The Company has evaluated subsequent events through October 24, 2024, the date which the financial statements were available to be issued. Management's evaluation of subsequent events has determined that there are no events that require additional disclosures.

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Audited Financial Statements

For the Year Ended February 28, 2023

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Contents

For the Year Ended February 28, 2023

INDEPENDENT AUDITORS' REPORT

The Stockholder
ROCKSTARS OF TOMORROW FRANCHISE, INC.
Norco, California

Opinion

We have audited the accompanying financial statements of Rockstars of Tomorrow Franchise, Inc., which comprise the balance sheet as of February 28, 2023, and the related statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockstars of Tomorrow Franchise, Inc. as of February 28, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rockstars of Tomorrow Franchise, Inc.'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 Rockstars of Tomorrow Franchise, Inc.'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.

Gelman LLP

June 19, 2023
Irvine, California

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Balance Sheet

February 28, 2023

ASSETS

Current assets:		
Cash and cash equivalents	$	66,091
Accounts receivable		76,908
Total current assets		142,999
Property and equipment:		
Furniture and fixtures		3,000
Equipment		2,852
		5,852
Less: accumulated depreciation		4,282
Property and equipment, net		1,570
Other assets:		
Loan receivables to franchisees		49,671
Advance to franchisee		80,000
Total other assets		129,671
	$	274,240

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable	$	10,591
Income taxes payable		24,856
Related party note payable		25,000
Deferred income taxes		19,909
Total current liabilities		80,356
Stockholder's equity:		
Common stock, $10 par value; 1,000,000 shares authorized; 8,000 shares issued and outstanding		80,000
Additional paid-in capital		30,750
Retained earnings		83,134
Total stockholder's equity		193,884
	$	274,240

See accompanying notes to the financial statements

ROCKSTARS OF TOMORROW FRANCHISE, INC.
Statement of Income
For the Year Ended February 28, 2023

Revenues	
Franchise fees	$ 105,000
Royalty fees and other	178,746
Revenues earned	283,746
Operating expenses	
Advertising	88,783
Auto	1,027
Computer	5,277
Depreciation	889
Dues and subscriptions	3,000
Management fees	37,840
Meals and entertainment	10,117
Miscellaneous	10,744
Office supplies	17,049
Professional fees	9,219
Repairs and maintenance	8,348
Total operating expenses	192,293
Income before provision for income taxes	91,453
Provision for income taxes	26,127
Net income	$ 65,326

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Stockholder's Equity

For the Year Ended February 28, 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
Balance - February 28, 2022	$ 80,000	$ 30,750	$ 17,808	$ 128,558
Net income	-	-	65,326	65,326
Balance - February 28, 2023	$ 80,000	$ 30,750	$ 83,134	$ 193,884

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Cash Flows

For the Year Ended February 28, 2023

Cash Flows From Operating Activities:		
Net income	$	65,326
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		889
Deferred income taxes		19,909
(Increase) decrease in:		
Accounts receivable		(49,432)
Increase (decrease) in:		
Accounts payable		(289)
Income taxes payable		2,625
Net cash provided by operating activities		39,028
Cash Flows From Investing Activities:		
Advance to franchisee		(30,000)
Net cash (used in) investing activities		(30,000)
Cash Flows From Financing Activities:		
Repayments of loan from related party		(25,000)
Net cash (used in) financing activities		(25,000)
Net (decrease) in cash and cash equivalents		(15,972)
Cash and cash equivalents at February 28, 2022		82,063
Cash and cash equivalents at February 28, 2023	$	66,091

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year ended February 28, 2023 for:

Interest	$	-
Income taxes	$	4,737

Supplemental Disclosure of Non-Cash Investing and Financing Activities:

During the year ended February 28, 2023, the Company issued a loan receivable to two franchisees for approximately $49,700 to offset outstanding accounts receivable balances.

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – Rockstars of Tomorrow Franchise, Inc. (the "Company"), a wholly owned subsidiary of Rockstars of Tomorrow, Inc. ("ROT, Inc."), was incorporated in California on March 19, 2014. The Company was organized for the purpose of franchising a concept of offering instructional classes to beginners through advanced musicians. The Company helps teach the necessary techniques, theories, and tricks that will allow students to become confident professional musicians.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents – The Company considers all liquid debt instruments and short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are based on the Company's unconditional right to consideration from the sale of a franchise and services rendered and are stated at amounts management expects to collect. The Company utilizes the allowance method of accounting for losses from uncollectible accounts. Under this method, an allowance is provided based on historical experience and management's evaluation of outstanding accounts receivable.

Accounts receivable are generally due 30 days after the issuance of the invoice. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of customers. Management determined that an allowance for uncollectible accounts was not required for the year ended February 28, 2023.

Contracts and Contract Balances – The Company defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Differences in timing between revenue recognition and cash collection result in contract assets and contract liabilities. Contract assets relate to the Company's right to consideration in exchange for goods or services that it has transferred to customers. Contract liabilities relate to the Company's obligation to transfer goods or services to a customer for which it has received consideration from customers. As of February 28, 2023, the Company had no contract assets or liabilities.

Property and Equipment, and Related Depreciation – Property and equipment are stated at cost. Major renewals and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not extend the estimated useful lives of the respective assets are expensed currently.

At the time property and equipment is sold or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is recorded.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment, and Related Depreciation (Continued) – Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the assets are as follows:

Assets	Estimated Useful Lives
Furniture and fixtures	7 years
Equipment	5 years

Depreciation expense related to property and equipment was approximately $900 for the year ended February 28, 2023.

Fair Value Measurements – The Company, when required, measures and discloses certain financial assets and liabilities under the established framework for determining fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There are no assets or liabilities currently measured using level 1, 2 or level 3 inputs.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature.

Revenue Recognition – The Company recognizes franchise fees collected as revenue when substantially all services required by the franchise or license agreement are performed, which is generally upon the sale of a franchise. Royalty fees are determined based on a percentage of monthly gross revenues of the franchises and are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to operating expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

Advertising – The Company expenses the costs of advertising as incurred. Advertising expense for the year ended February 28, 2023 was approximately $89,000.

Income Taxes – The provision for income taxes includes federal and state income taxes currently payable and deferred income taxes. Deferred income taxes represent the effects of items reported for income tax purposes in periods different from those used for financial reporting purposes.

Uncertain Income Tax Positions – Accounting principles generally accepted in the United States of America require the Company to evaluate tax positions taken by the Company and recognize an income tax liability or asset if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by taxing jurisdictions. Management has performed an analysis of potential uncertain tax positions and has determined that there are no uncertain tax positions that are more likely than not to be changed upon examination. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2018.

Franchise Activity – During the year ended February 28, 2023, the Company sold and put three franchises into operation. As of February 28, 2023, the Company has seven franchises in operation.

Note 2 – Concentrations of Credit Risk

Cash and Cash Equivalents – Cash and cash equivalents are deposited with high credit quality financial institutions. The Company maintains cash deposits with financial institutions that did not exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in the accounts, and management believes it is not exposed to significant risk of loss related to the excess deposits.

Note 3 – Accounts Receivable

Accounts receivable consisted of the following at:

	February 28, 2023	March 1, 2022
Accounts receivable	$ 76,908	$ 77,147
Less: allowance for doubtful accounts	-	-
	$ 76,908	$ 77,147

Note 4 – Franchise Activity

During the year ended February 28, 2023, the Company issued two loan receivables to franchisees with monthly payments of approximately $500 until the balances are paid in full. The loan receivable to franchisees was approximately $49,700 as of February 28, 2023.

During the year ended February 28, 2023 and 2022, the Company advanced funds to a new franchisee for working capital purposes. The advances are unsecured, non-interest bearing and are due on demand. The advances totaled approximately $80,000 as of February 28, 2023.

Note 5 – Related Party Transactions

Related Party Note Payable – During the year ended February 28, 2022, a stockholder of ROT, Inc. provided the Company with funds for working capital through issuance of a note payable. The note is unsecured, non-interest bearing and is due on demand. The note payable was approximately $25,000 as of February 28, 2023.

Management Fees – ROT, Inc., the stockholder, provides management services to the Company. Management fees expense was approximately $37,800 for the year ended February 28, 2023.

Note 6 – Provision for Income Taxes

The provision for income taxes for the year ended February 28, 2023 consisted of the following:

Current income taxes:	
Federal	$ 4,351
State	1,867
	6,218
Deferred income taxes:	
Federal	13,620
State	6,289
	19,909
	$ 26,127

Note 6 – Provision for Income Taxes (Continued)

Deferred income tax assets (liabilities) are comprised of the following:

Assets	$	3,039
Liabilities		(22,948)
Net deferred tax liability	$	(19,909)

Deferred income taxes result from the Company reporting its results of operations under the accrual method of accounting for financial reporting purposes, and under the cash method for income tax purposes.

Note 7 – Contingencies

In the normal course of business, the Company is subject to legal proceedings, claims, assessments and subject to various local, state and federal environmental regulations. Management believes that these obligations will not have a material impact on the Company's financial position or its results of operations.

Note 8 – Subsequent Events

The Company has evaluated subsequent events through June 19, 2023, the date which the financial statements were available to be issued. Management's evaluation of subsequent events has determined that there are no events that require additional disclosures.

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Audited Financial Statements

For the Year Ended February 28, 2022

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Contents

For the Year Ended February 28, 2022

INDEPENDENT AUDITORS' REPORT

The Stockholder
ROCKSTARS OF TOMORROW FRANCHISE, INC.
Norco, California

Opinion

We have audited the accompanying financial statements of Rockstars of Tomorrow Franchise, Inc., which comprise the balance sheet as of February 28, 2022, and the related statements of income, stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rockstars of Tomorrow Franchise, Inc. as of February 28, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rockstars of Tomorrow Franchise, Inc.’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 Rockstars of Tomorrow Franchise, Inc.’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.

Gelman LLP

June 17, 2022
Irvine, California

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Balance Sheet

February 28, 2022

ASSETS

Current assets:	
Cash and cash equivalents	$ 82,063
Accounts receivable	77,147
Total current assets	159,210
Property and equipment:	
Furniture and fixtures	3,000
Equipment	2,852
	5,852
Less: accumulated depreciation	3,393
Property and equipment, net	2,459
Other assets:	
Advance to franchisee	50,000
Total other assets	50,000
	$ 211,669

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:	
Accounts payable	$ 10,880
Income taxes payable	22,231
Related party note payable	50,000
Total current liabilities	83,111
Stockholder's equity:	
Common stock, $10 par value; 1,000,000 shares authorized; 8,000 shares issued and outstanding	80,000
Additional paid-in capital	30,750
Retained earnings	17,808
Total stockholder's equity	128,558
	$ 211,669

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Income

For the Year Ended February 28, 2022

Revenues		
Franchise fees	$	63,000
Royalty fees		94,373
Revenues earned		157,373
Operating expenses		
Advertising		24,417
Auto		250
Computer		550
Depreciation		999
Dues and subscriptions		6,615
Management fees		30,330
Meals and entertainment		3,784
Miscellaneous		6,710
Office supplies		3,068
Professional fees		7,801
Total operating expenses		84,524
Income before provision for income taxes		72,849
Provision for income taxes		22,231
Net income	$	50,618

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Stockholder's Equity

For the Year Ended February 28, 2022

	Common Stock	Additional Paid-in Capital	Retained Earnings / Accumulated (Deficit)	Total Stockholder's Equity
Balance - February 28, 2021	$ 80,000	$ 30,750	$ (32,810)	$ 77,940
Net income	-	-	50,618	50,618
Balance - February 28, 2022	$ 80,000	$ 30,750	$ 17,808	$ 128,558

See accompanying notes to the financial statements

ROCKSTARS OF TOMORROW FRANCHISE, INC.

Statement of Cash Flows

For the Year Ended February 28, 2022

Cash Flows From Operating Activities:		
Net income	$	50,618
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		999
(Increase) decrease in:		
Accounts receivable		(52,288)
Increase (decrease) in:		
Accounts payable		10,880
Income taxes payable		21,431
Net cash provided by operating activities		31,640
Cash Flows From Investing Activities:		
Advance to franchisee		(50,000)
Net cash (used in) investing activities		(50,000)
Cash Flows From Financing Activities:		
Loan from related party		50,000
Net cash provided by financing activities		50,000
Net increase in cash and cash equivalents		31,640
Cash and cash equivalents at February 28, 2021		50,423
Cash and cash equivalents at February 28, 2022	$	82,063

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year ended February 28, 2022 for:

Interest	$	-
Income taxes	$	800

Note 1 – Summary of Significant Accounting Policies

Nature of Operations – Rockstars of Tomorrow Franchise, Inc. (the "Company"), a wholly owned subsidiary of Rockstars of Tomorrow, Inc. ("ROT, Inc."), was incorporated in California on March 19, 2014. The Company was organized for the purpose of franchising a concept of offering instructional classes to beginners through advanced musicians. The Company helps teach the necessary techniques, theories, and tricks that will allow students to become confident professional musicians.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents – The Company considers all liquid debt instruments and short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are based on the Company's unconditional right to consideration from the sale of a franchise and services rendered and are stated at amounts management expects to collect. The Company utilizes the allowance method of accounting for losses from uncollectible accounts. Under this method, an allowance is provided based on historical experience and management's evaluation of outstanding accounts receivable.

Accounts receivable are generally due 30 days after the issuance of the invoice. Receivables past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of customers. Management determined that an allowance for uncollectible accounts was not required for the year ended February 28, 2022.

Contracts and Contract Balances – The Company defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. Differences in timing between revenue recognition and cash collection result in contract assets and contract liabilities. Contract assets relate to the Companies' right to consideration in exchange for goods or services that it has transferred to customers. Contract liabilities relate to the Companies' obligation to transfer goods or services to a customer for which it has received consideration from customers. As of February 28, 2022, the Company had no contract assets or liabilities.

Property and Equipment, and Related Depreciation – Property and equipment are stated at cost. Major renewals and improvements are charged to the property accounts while replacements, maintenance, and repairs which do not extend the estimated useful lives of the respective assets are expensed currently.

At the time property and equipment is sold or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is recorded.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment, and Related Depreciation (Continued) – Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The estimated useful lives of the assets are as follows:

Assets	Estimated Useful Lives
Furniture and fixtures	7 years
Equipment	5 years

Depreciation expense related to property and equipment was approximately $1,000 for the year ended February 28, 2022.

Fair Value Measurements – The Company, when required, measures and discloses certain financial assets and liabilities under the established framework for determining fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There are no assets or liabilities currently measured using level 1, 2 or level 3 inputs.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to their short-term nature.

Revenue Recognition – The Company recognizes franchise fees collected as revenue when substantially all services required by the franchise or license agreement are performed, which is generally upon the sale of a franchise. Royalty fees are determined based on a percentage of monthly gross revenues of the franchises and are recognized as earned, with an appropriate provision for estimated uncollectible amounts charged to operating expenses.

Note 1 – Summary of Significant Accounting Policies (Continued)

Advertising – The Company expenses the costs of advertising as incurred. Advertising expense for the year ended February 28, 2022 was approximately $24,000.

Income Taxes – The provision for income taxes includes federal and state income taxes currently payable and deferred income taxes. Deferred income taxes represent the effects of items reported for income tax purposes in periods different from those used for financial reporting purposes.

Uncertain Income Tax Positions – Accounting principles generally accepted in the United States of America require the Company to evaluate tax positions taken by the Company and recognize an income tax liability or asset if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by taxing jurisdictions. Management has performed an analysis of potential uncertain tax positions and has determined that there are no uncertain tax positions that are more likely than not to be changed upon examination. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2017.

Franchise Activity – During the year ended February 28, 2022, the Company sold and put two franchises into operation. As of February 28, 2022, the Company has four franchises in operation.

Recently Issued Accounting Pronouncements – In February 2016, the FASB issued new accounting guidance which changes accounting requirements for leases (the "Lease Guidance"). The Lease Guidance requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the Company's balance sheet. The Lease Guidance also requires disclosure of significant information about leasing arrangements to increase transparency and comparability among organizations. The Company continues to evaluate the impact of the Lease Guidance on its financial statements. The Lease Guidance will be effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. Early application of the Lease Guidance is permitted.

Note 2 – Concentrations of Credit Risk

Cash and Cash Equivalents – Cash and cash equivalents are deposited with high credit quality financial institutions. The Company maintains cash deposits with financial institutions that did not exceed amounts covered by the insurance provided by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in the accounts, and management believes it is not exposed to significant risk of loss related to the excess deposits.

Note 3 – Accounts Receivable, Net

Accounts receivable, net consisted of the following at:

	February 28, 2022	March 1, 2021
Accounts receivable	$ 77,147	$ 24,859
Less: allowance for doubtful accounts	-	-
	$ 77,147	$ 24,859

Note 4 – Advance to Franchise

During the year ended February 28, 2022, the Company advanced funds to a new franchisee for working capital purposes. The advance is unsecured, non-interest bearing and is due on demand.

Note 5 – Related Party Transactions

Related Party Note Payable – During the year ended February 28, 2022, a stockholder of ROT, Inc. provided the Company with funds for working capital through issuance of a note payable. The note is unsecured, non-interest bearing and is due on demand.

Management Fees – ROT, Inc., the stockholder, provides management services to the Company. Management fees expense was approximately $30,300 for the year ended February 28, 2022.

Note 6 – Provision for Income Taxes

The provision for income taxes for the year ended February 28, 2022 consisted of the following:

Current income taxes:	
Federal	$ 15,595
State	6,636
	22,231
Deferred income taxes:	
Federal	-
State	-
	-
	$ 22,231

Note 6 – Provision for Income Taxes (Continued)

Deferred income taxes were insignificant as of February 28, 2022.

Note 7 – Contingencies

In the normal course of business, the Company is subject to legal proceedings, claims, assessments and subject to various local, state and federal environmental regulations. Management believes that these obligations will not have a material impact on the Company's financial position or its results of operations.

Note 8 – Subsequent Events

The Company has evaluated subsequent events through June 17, 2022, the date which the financial statements were available to be issued. Management's evaluation of subsequent events has determined that there are no events that require additional disclosures.

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED THEIR OPINION WITH REGARD TO THE CONTENT OR FORM.

Rockstars of Tomorrow Franchise, Inc

Balance Sheet

As of October 31, 2024

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
1010 BUSINESS CHECKING (XXXXXX 3638)	43,187.04
clearing	0.00
Total Bank Accounts	**$43,187.04**
Accounts Receivable	
1210 Accounts Receivable	41,984.88
1215 Exchange Account - Citibank Receivable	0.00
Total Accounts Receivable	**$41,984.88**
Other Current Assets	
1330 Prepaid Expense	1,872.90
1350 Inventory Asset	48,560.61
1355 Prepaid Lessons	80,750.00
1375 Uncategorized Asset	0.00
1400 Loan Receivable - La Verne	8,276.00
1425 Notes Receivable - Frisco	28,888.15
Undeposited Funds	11,565.57
Total Other Current Assets	**$179,913.23**
Total Current Assets	**$265,085.15**
Fixed Assets	
1510 Fixed Asset Computers	0.03
1550 Furniture & Fixtures	7,167.75
1560 Studio Equipment	1,012.36
1570 Trademark	2,625.00
Total Fixed Assets	**$10,805.14**
Other Assets	
1410 Loan Receivable - RoT Chino Hills	41,395.00
1420 Loan Receivable - RoT HB	48,820.00
1430 Loan Receivable - RoT	26,476.43
Total Other Assets	**$116,691.43**
TOTAL ASSETS	**$392,581.72**

Rockstars of Tomorrow Franchise, Inc

Balance Sheet

As of October 31, 2024

	TOTAL
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2010 Accounts Payable	2,075.28
Total Accounts Payable	**$2,075.28**
Credit Cards	
2040 Credit Card Payable - Citi Bank	22,087.19
2045 Credit Card Payable - Amex	250.00
2050 Credit Card Payable - Hilton HGV	2,007.51
AMEX HILTON (xxx91002)	7,112.28
Total Credit Cards	**$31,456.98**
Other Current Liabilities	
1590 Accumulated Depreciation	4,282.00
2001 Tax Payable	24,838.00
2100 Deferred Tax Liability	19,909.00
2515 Loan Payable - RoT	0.00
2640 Louisiana Department of Revenue Payable	1,741.73
2650 Louisiana, Terrebonne Parish Payable	2,152.72
2651 California Department of Tax and Fee Administration Payable	1,832.22
Out Of Scope Agency Payable	0.00
Total Other Current Liabilities	**$54,755.67**
Total Current Liabilities	**$88,287.93**
Long-Term Liabilities	
2501 Loan Payable - Eric Lee	0.00
2503 Loan Payable - J. Anderson	0.00
2510 Loan Payable 2 - Eric Lee	0.00
Total Long-Term Liabilities	**$0.00**
Total Liabilities	**$88,287.93**
Equity	
3001 APIC	30,750.00
3003 Common Stock-1	80,000.00
3020 Opening Balance Equity	-8,112.28
3040 Retained Earnings	140,302.88
Equity - Eric Lee	72,226.00
Net Income	-10,872.81
Total Equity	**$304,293.79**
TOTAL LIABILITIES AND EQUITY	**$392,581.72**

Rockstars of Tomorrow Franchise, Inc

Profit and Loss

February 29 - October 31, 2024

	TOTAL
Income	
4200 Sales of Product Income	
4223 Sales - Musical Equipment	3,601.18
4224 Sales - Franchise Graphics	131.84
Total 4200 Sales of Product Income	**3,733.02**
4210 Sales - Franchise Purchase Fee	45,185.88
4212 Income - Franchise Royalities	146,088.63
Uncategorized Income	0.01
Total Income	**$195,007.54**
Cost of Goods Sold	
Cost of Goods Sold	12,476.19
Total Cost of Goods Sold	**$12,476.19**
GROSS PROFIT	**$182,531.35**
Expenses	
6010 Accounting Software	594.35
6015 Advertising	34,141.32
6020 Auto	
6022 Fuel	907.72
6023 Maintenance	133.62
6024 Parking	21.55
Total 6020 Auto	**1,062.89**
6030 Computer Supplies and Software	9,469.71
6035 Bank Charges	201.11
6038 Office Expense	1,106.69
6110 Travel	
6180 Meals and Entertainment	1,504.96
6185 Travel - Transportation Expense	2,146.58
6190 Travel - Lodging	3,215.33
Total 6110 Travel	**6,866.87**
6148 Insurance - Workers' Comp	2,920.00
6150 Franchise Sales Promotion	
6152 Promotion & Support- TX	97.00
6183 Promotion & Support - LV	280.00
Total 6150 Franchise Sales Promotion	**377.00**
6165 Legal & Professional Fees	8,216.90
6167 Interest Expense	5,147.86
6170 Management Fee	160.00
6200 Payroll	107,796.77
6260 Office/General Administrative Expenses	
6315 Stationery & Printing	90.38
Total 6260 Office/General Administrative Expenses	**90.38**

Rockstars of Tomorrow Franchise, Inc

Profit and Loss

February 29 - October 31, 2024

	TOTAL
6310 Repair & Maintenance	59.30
6320 Taxes & Licenses	14,781.82
Uncategorized Expense	800.00
Total Expenses	**$193,792.97**
NET OPERATING INCOME	**$ -11,261.62**
NET INCOME	**$ -11,261.62**

ROCKSTARS OF TOMORROW

LIST OF FRANCHISE OUTLETS

EXHIBIT C

LIST OF FRANCHISE OUTLETS

The following franchised Outlets were open and operating on February 29, 2024:

STATE	CONTACT NAME	ADDRESS	PHONE NO.
CALIFORNIA	Chuck Foskett, Diana Sheahan	15776 Main St., Hesperia, CA 92395	442-267-4241
	Brian Pim, Robert Gonzales	2855 Foothill Blvd., Ste. A-102, La Verne, CA 91750	909-675-7580
	Alan & Gail Benson	11650 Mission Park Dr., Ste. 112, Rancho Cucamonga, CA 91730	951-258-4417
	Tommy & Amy Wright, Don & Sherrie Miskulin	3392 Tyler St., Riverside, CA 92503	951-344-5554
NEVADA	Tommy & Amy Wright, Don & Sherrie Miskulin	1181 S. Buffalo Dr., Ste. 130, Las Vegas, NV 89117	702-978-7696
TEXAS	Vanessa Cantu, Carmen Torres	6363 N. Dallas Pkwy., Ste. 112, Frisco, TX 75304	214-937-9073
	Arnie & Terri Newman	1836 Cannon Dr., Ste. 100, Mansfield, TX 76063	817-799-7625

As of February 29, 2024, no franchisee had signed a Franchise Agreement but not yet opened and begun operating.

ROCKSTARS OF TOMORROW

LIST OF TERMINATED FRANCHISES

EXHIBIT D

LIST OF TERMINATED FRANCHISES

During our fiscal year ended February 29, 2024, the following franchisee had an Outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under its franchise agreement:

STATE	NAME	CITY	LAST KNOWN PHONE NUMBER	REASON FOR TERMINATION
LOUISIANA	Lisa Black	Houma	985-746-5388	Never Opened

No franchisee has failed to communicate with the franchisor within the 10 weeks ending on the date of this disclosure document.

ROCKSTARS OF TOMORROW

STATE FRANCHISE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT E

STATE FRANCHISE ADMINISTRATORS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. The following are the state administrators responsible for the review, registration and oversight of franchises in these states:

California:
Commissioner of Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677
www.dfpi.ca.gov
Ask,DFPI@dfpi.ca.gov

Hawaii:
Business Registration Division
Dept. of Commerce and Consumer Affairs
335 Merchant St., Rm. 203
Honolulu, HI 96813
(808) 586-2722

Illinois:
Office of the Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:
Franchise Section
Securities Division
302 W. Washington St., Rm. E111
Indianapolis, IN 46204
(317) 232-6681

Maryland:
Office of the Attorney General
Securities Division
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:
Michigan Attorney General's Office
Consumer Protection Division
Attn: Franchise Section
G. Mennen Williams Bldg., 1st Flr.
525 W. Ottawa St.
Lansing, MI 48933
(517) 373-7117

Minnesota:
Department of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:
NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Flr.
New York, NY 10005
(212) 416-8222

North Dakota:
Franchise Examiner
North Dakota Securities Department
600 E. Boulevard Ave.
State Capitol - 5th. Flr., Dept. 414
Bismarck, ND 58505
(701) 328-4712

Rhode Island:
Securities Division
Dept. of Business Regulation
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:
State Corporation Commission
Div. of Securities & Retail Franchising
1300 E. Main St., 9th Flr.
Richmond, VA 23219
(804) 371-9051

Washington:
Administrator
Dept. of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:
Franchise Administrator
Division of Securities
345 W. Washington Ave.
Madison, WI 53703
(608) 266-8557

AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a franchise in some of or all the following states, in accordance with applicable state law. If we register the franchise (or otherwise comply with the franchise investment laws) in any of these states, we will designate the following state offices or officials as our agents for service of process in those states:

California:
Commissioner of Financial Protection and Innovation,
Dept. of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834
(866) 275-2677
www.dfpi.ca.gov
Ask.DFPI@dfpi.ca.gov

Hawaii:
Hawaii Commissioner of Securities,
Dept. of Commerce and Consumer
Affairs, Business Registration Div.
335 Merchant St., Rm. 205
Honolulu, HI 96813
(808) 586-2744

Illinois:
Illinois Attorney General
500 S. 2nd St.
Springfield, IL 62701
(217) 782-4465

Indiana:
Indiana Secretary of State
200 W. Washington St., Rm. 201
Indianapolis, IN 46204
(317) 232-6681

Maryland:
Maryland Securities Commissioner
200 Saint Paul Pl.
Baltimore, MD 21202
(410) 576-6360

Michigan:
Michigan Corporation & Securities Bureau
Department of Commerce
6546 Mercantile Way
Lansing, MI 48911
(517) 373-7117

Minnesota:
Minnesota Commissioner of Commerce
85 7th Pl. E., Ste. 280
Saint Paul, MN 55101
(651) 539-1600

New York:
Secretary of State
99 Washington Ave.
Albany, NY 12231
(518) 473-2492

North Dakota:
North Dakota Securities Commissioner
600 E. Boulevard Ave., 5th. Flr.
Bismarck, ND 58505
(701) 328-4712

Rhode Island:
Director,
Rhode Island Dept. of Business Regulations
1511 Pontiac Ave., Bldg. 69-1
Cranston, RI 02920
(401) 462-9527

South Dakota:
Division of Insurance
Securities Regulation
124 S. Euclid Ave., Ste. 104
Pierre, SD 57501-3168
(605) 773-3563

Virginia:
Clerk
Virginia State Corporation Commission
1300 E. Main St., 1st Flr.
Richmond, VA 23219
(804) 371-9733

Washington:
Dept. of Financial Institutions
Securities Division – 3rd Flr.
150 Israel Rd. SW
Tumwater, WA 98501
(360) 902-8760

Wisconsin:
Franchise Administrator
Division of Securities
345 W. Washington Ave.
Madison, WI 53703
(608) 261-9555

ROCKSTARS OF TOMORROW

STATE SPECIFIC ADDENDA

EXHIBIT F

CALIFORNIA

ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT FOR CALIFORNIA FRANCHISEES

1. California Business and Professions Code sections 20000 through 20043 (the "Act") provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.

2. Section 31125 of the California Corporations Code requires the franchisor to give you a disclosure document, in a form and containing information that the Commissioner of the Department of Financial Protection and Innovation may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

3. The Franchise Agreement requires binding arbitration. The arbitration will occur at the offices of JAMS, Inc. in Riverside or Orange County, California, with the administrative costs being borne by the parties equally, or by the party that does not prevail in the arbitration. 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 provision of a franchise agreement restricting venue to a forum outside the State of California.

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

5. The Franchise Agreement contains a covenant not to compete that extends beyond the termination or transfer of the franchise. This provision may not be enforceable under California Law.

6. The Franchise Agreement requires you to execute a general release of claims upon renewal or transfer of the Franchise Agreement. California Corporations Code section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (Corporations Code §§31000-31516). Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000-20043).

7. The California Franchise Investment Law requires that a copy of all proposed agreements relating to the sale of the franchise be delivered together with the disclosure document.

8. The agreements contain a liquidated damage clause, under Civil Code, Section 1671, certain liquidated damage clauses are enforceable.

9. 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 Financial Protection and Innovation at www.dfpi.ca.gov.

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

11. Payment of all initial fees under the Franchise Agreement and Area Development Agreement is postponed until after all of franchisor's initial obligations are complete and the franchisee is open for business. For California franchisees who sign an Area Development Agreement, the payment of the development and initial fees attributable to a specific unit is deferred until that unit is open.

11. Under California law, an agreement between a seller and a buyer regarding the price at which the buyer can resell a product (known as vertical price-fixing or resale price maintenance) is illegal. Therefore, requirements on franchisees to sell goods or services at specific prices set by the franchisor may be unenforceable.

12. California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from

disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

13. 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 clains 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.

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

ADDENDUM TO FRANCHISE AGREEMENT FOR CALIFORNIA FRANCHISEES

The Franchise Agreement is amended as follows:

1. In section 4.1(a), the term "when you sign this Agreement" is replaced by "when all our initial obligations as franchisor are complete and your Outlet is open for business as a Rockstars of Tomorrow franchisee."

2. Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

3. In sections 13.1(a), 13.2(a)(viii) and 13.3(a), "30 days" is amended to "60 days".

4. Under California law, Franchisor has the obligation under certain conditions to purchase assets of Franchisee's business if Franchisee does not continue to operate a retail tea store business at its location after the Franchise Agreement is terminated or not renewed.

5. 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 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.

6. 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.

7. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.

8. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.

This Addendum to Franchise Agreement may be executed and delivered by facsimile, email with scanned attachment or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (including DocuSign) and, upon such execution and delivery, will have the same force and effect as an original.

Date: ____________________	Date: ____________________
YOU:	US:
______________________________________	ROCKSTARS OF TOMORROW FRANCHISE, INC.
BY: __________________________________	BY: __________________________________ Michael Anderson, President
ITS: __________________________________	

ADDENDUM TO AREA DEVELOPMENT AGREEMENT FOR CALIFORNIA FRANCHISEES

The Area Development Agreement is amended as follows:

1. In section 3.1(a), the term “When you sign this Agreement” is replaced by “When all our initial obligations as franchisor are complete and your initial Outlet is open for business as a Rockstars of Tomorrow franchisee.”

2. Section 3.2(b) is restated to read in full as follows:

“Each additional Outlet to be opened pursuant hereto will require execution by you and ROTF of a separate Franchise Agreement (using our then current form thereof) respecting that additional Outlet, provided however that no initial franchise fee would be payable under each such Franchise Agreement until the additional Outlet is open for business as a Rockstars of Tomorrow franchisee, and when payable the initial franchise fee for the additional Outlet will be reduced by the sum of $17,500, and you would then pay the remaining balance of $17,500.”

Date: ______________________	Date: ______________________
YOU:	US:
____	ROCKSTARS OF TOMORROW FRANCHISE, INC.
BY: ____________________________________	BY: ____________________________________ Michael Anderson, President
ITS: ___________________________________	

ROCKSTARS OF TOMORROW

STATE EFFECTIVE DATES

EXHIBIT G

State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	**Effective Date**
California	Pending

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

ROCKSTARS OF TOMORROW

RECEIPTS

EXHIBIT H

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 Rockstars of Tomorrow Franchise, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Rockstars of Tomorrow Franchise, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency listed in Exhibit E.

We have no franchise brokers. The names, address and telephone number of the franchise sellers for this offering is: Michael Anderson, 1900 Lampton Lane, Norco, California 92860; (909) 636-3446.

Date of Issuance: November 1, 2024

Rockstars of Tomorrow Franchise, Inc. authorizes the person identified in Item 1 to receive service of process for it in your state. I received a disclosure document dated November 1, 2024, that included the following Exhibits:

"A-1"	Franchise Agreement *Exhibits to Franchise Agreement:* Exhibit 1: Territory, Marketing Area and Location of Outlet Exhibit 2: Names and Addresses of Principal Equity Owners Exhibit 3: Guarantee of Franchise Agreement
"A-2"	Area Development Agreement *Exhibit to Area Development Agreement:* Exhibit 1: Development Schedule and Development Area
"A-3"	Territory Hold Agreement
"B"	Financial Statements
"C"	List of Franchise Outlets
"D"	List of Terminated Franchises
"E"	State Franchise Administrators and Agents for Service of Process
"F"	State Specific Addenda
"G"	State Effective Dates
"H"	Receipts

DATED: ____________________
(Do not leave blank)

If a business entity:

____
(Name of Business Entity)

____
(Signature of Primary Contact Owner)

____
(Print Name and Title)

If an individual:

____
(Signature of Prospective Franchisee)

____
(Print Name)

Please date and sign this page, and then keep it for your records

RECEIPT

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DATED: ____________________
(Do not leave blank)

If a business entity:

____
(Name of Business Entity)

____
(Signature of Primary Contact Owner)

____
(Print Name and Title)

If an individual:

____
(Signature of Prospective Franchisee)

____
(Print Name)

Please date and sign this page, and then return it to Rockstars of Tomorrow Franchise, Inc., either by e-mail to michael@rockstarsoftomorrow.com, or by mail to 1900 Lampton Lane, Norco, California 92860-1945.