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FRANCHISE DISCLOSURE DOCUMENT

H & R DANCE, INC.
An Ohio corporation
1369 East 28th Street
Signal Hill, California 90755
Phone: (562) 438-4466
Fax: (562) 438-3466
bweber@webbydancecompany.com
http://www.webbydancecompany.com

The franchised business teaches children's dance, gymnastics, yoga and cheerleading classes.

The total investment necessary to begin operation of a WEBBY DANCE COMPANY® franchise ranges from $31,140 to $48,185. This includes up to $25,500 that must be paid to the franchisor or an affiliate.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Rebecca E. Weber, 1369 East 28th Street, Signal Hill, California 90755, Phone (562) 438-4466, email bweber@webbydancecompany.com.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, 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 may contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You may also visit the FTC's home page at http://www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

ISSUANCE DATE: April 9, 2025

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How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D-1 and D-2.
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 estimated initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit 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 Webby Dance 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 Webby Dance franchisee?	Item 20 or Exhibits D-1 and D-2 lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in the 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 franchised 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 franchisor to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit A-1.

Your state may also 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 the following risks be highlighted:

1. **Out-of-State Dispute Resolution**. The Franchise Agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in California. Out-of-state mediation, arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to mediate, arbitrate or litigate with us in California than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes you 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 your and your spouse's marital and personal assets, perhaps including your house at risk if your franchise fails.

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

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WEBBY DANCE COMPANY®
FRANCHISE DISCLOSURE DOCUMENT

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

The franchisor is H & R Dance, Inc., an Ohio corporation formed in 1995. We also do business under the name "Webby Dance Company." We will refer to ourselves in this disclosure document as "H & R," "we", "our" or "us." We will call the person or company to which we grant a franchise "you." The word "you" does not include your owners. We will call them your "Related Parties."

Our affiliate is Weber School of Dance, Inc. (WSD). It does not offer franchises in any line of business nor provide any products or services to our franchisees. We have no predecessor from which we acquired the major portion of our assets within the past ten years nor any parent.

Our principal business address is 1369 East 28th Street, Signal Hill, California 90755. WSD is at the same address. The name and address of our agent for service of process in this state are stated in Exhibit A-2 to this disclosure document.

We have never operated a business of the type being franchised. WSD has operated a business of the type being franchised since 1999. We have no business other than granting franchises and assisting our franchisees.

We have been offering these franchises since March 1996. We have never offered any other type of franchise. WSD has never offered franchises of any kind.

The franchised business is a children's dance instruction business (Business). You will teach dance, yoga, gymnastics and cheerleading classes. The classes are usually offered through various private and public organizations (Host Organizations) which provide the facilities, such as public and private child care centers and preschools, where the classes are conducted.

The market the Business serves is well-developed and services of the same type as ours are widely available from other sources. Your revenue probably will be lower during the summer than during the regular school term. Your principal competitors will be other dance instructors and their employers.

You will be subject to State laws requiring a teacher to obtain a criminal background clearance certificate based on information gathered through a fingerprint check with State agencies and the Federal Bureau of Investigation. In some jurisdictions or at some Host Organizations, you may also be subject to mandatory drug and alcohol testing as a pre-condition to teaching, to specific educational requirements for teaching young children, and to inquiry-based background checks.

ITEM 2. BUSINESS EXPERIENCE

Rebecca E. Weber, President, Secretary, Chief Financial Officer and Director

Rebecca E. Weber has been our President, Secretary, Chief Financial Officer and Director since 1997. She has also operated WSD (a WEBBY DANCE COMPANY® Business), in Long Beach, California, since August 1990, becoming its President, Secretary, Chief Financial Officer and Director when it incorporated in 1999.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Franchise Agreement

When you sign the franchise agreement, you will pay us in immediately accessible funds an initial franchise fee of $25,000. The initial franchise fee is not refundable. It is uniform as to all franchises currently being granted, unless Territory size differs significantly. In the fiscal year ended 12/31/24, initial franchise fees ranged from $15,000 to $25,000 due to the sale of new territories to existing franchisees.

Payment for Recruitment Materials and Supplies

Before you begin operating under the franchise agreement, you must purchase an opening supply of recruitment materials and supplies from us. With your order, you must submit a check for the full purchase price, plus an additional amount to cover the costs of shipping, freight insurance, and any applicable duties, sales or use tax, as we specify. The amount of your initial purchase is in the range of approximately $250 - $500. The purchase price is not refundable and is uniform as to all franchisees.

Information about financing the initial franchise fee is disclosed in Item 10 of this disclosure document.

ITEM 6. OTHER FEES

TYPE OF FEE[1]	AMOUNT	DUE DATE	REMARKS
Royalties	(a) 8% of Gross Service Sales[2] and 4% of Gross Retail Sales or (b) $250 minimum royalty in effect for the full calendar months running from October through June, whichever is more for the month.	Monthly	Monthly minimum may increase each year based on increase in CPI
Marketing Fund Contributions	1% of Gross Service Sales	Monthly	This amount may be adjusted upon notice to you but will not exceed 2% of your Gross Service Sales.
Recruiting materials and supplies	Our cost plus small markup per current price list	With order	
Reimbursement Of Renewal Costs	Reimbursement of our attorney fees and direct costs of renewal, if any, in the maximum amount of $5,000	When renewal franchise agreement is signed	We will estimate the full amount before you sign the renewal franchise agreement, based upon the circumstances of your renewal
Transfer Fee	$5,000 if transferee is a new franchisee and $2,500 if transferee is an existing franchisee	When we sign the consent to assignment and transferee's franchise agreement	
Declined Payment Charge	$35 or our actual expenses for each declined payment, whichever is more	Upon invoice	Payable only if your credit card payment, electronic transfer or check to us is dishonored by the bank
Administrative Processing Fee	$50 for each payment or report that is not received when due	Upon invoice	Intended to compensate us for the administrative burden your late payment or report creates
Interest On Late Payments	Lower of 1.5% per month, or highest rate allowed by law	Upon invoice	Accrues from date payment was due
Audit Expenses	Our expenses in connection with audit(s)	Immediately upon invoice	Payable only if audit discloses a discrepancy of 3% or more or if audit was needed because you did not submit reports on time

1. All fees are payable to us and are not refundable. We impose and collect all fees. Payments are not refundable. Whether payments to others are refundable depends on the arrangements you make with them. All fees are uniformly imposed.

2. "Gross Services Sales" means the total amount of money or other consideration you and your Related Parties receive for all services, including dance, yoga, cheerleading or similar instruction and presentation of recitals, rendered in

association with our Trade Name or Marks, less adjustments, allowances, refunds, credits, dishonored checks or payments counted as revenue in a prior period, and sales tax. "Gross Retail Sales" means the total amount of money or other consideration you and your Related Parties receive for all recital costumes, tights, digital copies of recitals, bags, T-Shirts, flowers and other merchandise, including concessions, sold by you in, at, from or in association with your WEBBY DANCE COMPANY® franchise and/or in connection with our Trade Name or Marks, less adjustments, allowances, refunds, credits, dishonored checks or payments counted as revenue in a prior period, and sales tax.

ITEM 7. ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT[1]

TYPE OF EXPENDITURE	AMOUNT		METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee[2]	$25,000	$25,000	Single payment	At agreement signing	Us
Dance Equipment and Supplies	$500	$1,000	Single payment	Before opening	Suppliers
Initial inventory of Recruiting Materials and Supplies	$250	$500	Single payment	Before opening	Us
Office Equipment, Furniture And Supplies	$0	$2,000	As arranged	Before opening	Suppliers
Insurance	$500	$2,000	As arranged	Before opening	Insurer
Business License And FBN Registration	$230	$1,450	As arranged	Before opening	Government agencies and media
Live Scan fingerprinting fee	$25	$50	Single payment	As incurred	Live Scan providers
Professional Fees[3]	$500	$2,000	As arranged	Before opening	Attorney, accountant and various
Training Expenses	$250	$5,000	As incurred	As incurred	Hotels, carriers, restaurants
Post Office Box Rental	$50	$100	As arranged	Before opening	Suppliers
Computer System and software	$1,635	$3,085	As arranged	Before opening	Suppliers Computer
Additional Funds[4]	$2,200	$6,000	Varies	Varies	Employees and various
TOTAL	$31,140	$48,185			

FIGURES ARE ESTIMATES ONLY

1. Except for the “Additional Funds” category shown above, the table shows estimated expenses until opening of your Business. None is refundable, except for insurance, which may be partially refundable, and deposits.

2. We may, in our unfettered discretion, agree to provide financing of the initial franchise fee to franchisees who have assisted us as independent contractors or employees and with whom we have a good working history. See Item 10 of this disclosure document for details.

3. This figure includes fees for an attorney's review of legal documents and an accountant's assistance in setting up your books.

4. This category includes estimated training expenses, opening cash, and other miscellaneous expenses incurred before opening and during the first 90 days of operations. We relied on our management's experience in operating WSD and on unaudited franchisee financial statements in developing these figures. You should review them carefully in light of local conditions and the current economic outlook, consulting a business advisor if necessary.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must buy any extra training video, dance music and dance note libraries you will need to train employees, certain recruiting materials and supplies, and dance recital tickets from us. You do not have to buy any other goods or services from us. In the fiscal year 2024, we received no revenues from our franchisees from all required purchases and leases of products and services.

You must buy all registration and marketing materials including posters and teeshirts for your Business from suppliers we designate. You may buy teaching equipment and supplies, costume accessories and teeshirt printing only from suppliers which we have approved. Otherwise, you do not have to obtain our approval of your suppliers. None of our officers has an interest in any designated or approved supplier.

You must buy liability insurance, dance equipment and supplies, and hardware and software according to our specifications.

We may receive revenue from your required purchases only in the form of your payment for the items we sell you. In our last fiscal year, we received no revenue from sales to franchisees of required products and services.

Approximately 25% of your start-up expenses and 10% of your ongoing expenses, other than fees disclosed in Items 5 and 6, will be for purchases from approved or designated suppliers or according to our specifications.

We evaluate and approve suppliers upon the basis of their ability to meet quality specifications and to replicate the products and services provided by currently approved suppliers. Systemwide price agreements will also be taken into account and, in some cases, will eliminate any consideration of another supplier. If you would like to use or sell any product that must be purchased from an approved supplier, you must ask for our approval and, upon request, give us product specifications, sample products, and information about the supplier. Normally, we will tell you whether we approve the supplier within a month of your request. We do not charge a fee for evaluating a supplier.

You must have a personal computer that is capable of running Jackrabbit Dance® software, MS Office®, Print Shop®, Photoshop Elements® and QuickBooks®. You must also have a color printer/fax/copier machine. We estimate that the cost of buying the system will range between $1,500 and $2,500.

You must purchase Jackrabbit Dance® online class management software from Jackrabbit Technologies, Inc. The cost ranges from $45 to $195 per month depending on the number of students you have.

As a condition of approving a supplier of any product that bears the Trade Name or Marks, we may require that the supplier sign our License Agreement so that we may maintain quality standards. We may withdraw our approval of a supplier if the supplier no longer meets our standards. In that case, we will advise you in writing.

Our existing standards and specifications and criteria were evolved through the experience of our management. We will communicate our standards and specifications to you in writing.

We negotiate purchase arrangements with suppliers, including advantageous price terms, for the benefit of all members of the WEBBY DANCE COMPANY® Network. In some cases, all WEBBY DANCE COMPANY® Businesses may be required to purchase certain items from a designated supplier in return for system-wide benefits. Otherwise, there are currently no purchasing or distribution cooperatives.

We do not provide material benefits, such as renewal or granting additional franchises, to you based on your voluntary use of designated or approved sources.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION		SECTION IN AGREEMENT	DISCLOSURE DOCUMENT
a	Site selection and acquisition/lease	Not applicable	11
b	Pre-opening purchases/leases	7.2.5	5, 8
c.	Site development and other pre-opening requirements	7.2.1	11
d.	Initial and ongoing training	7.2.1, 7.2.2, attachment 4	11
e	Opening	7.2.3	
f	Fees	Article 6	5, 6, 7
g.	Compliance with standards and policies/operating manual	7.2.4	11
h	Trademarks and proprietary information	7.1.1, 7.1.2, 7.1.3, 8.1	13, 14
i	Restrictions on products/services offered	7.2.5, 7.2.10	16
j	Warranty and customer service requirements	7.2.6, 7.2.8, 7.2.11	Not applicable

OBLIGATION	SECTION IN AGREEMENT	DISCLOSURE DOCUMENT
k Territorial development and sales quotas	4.5	12
l Ongoing product/service purchases	7.2.5, 7.2.10	8
m. Maintenance, appearance and remodeling requirements	7.2.7	17
n. Insurance	7.7	8
o Advertising	7.5	11
p. Indemnification	8.5	Not applicable
q. Owner's participation/management/staffing	7.4	15
r. Records and reports	7.6	17
s. Inspections and audits	6.5, 7.29	6
t. Transfer	Article 9	17
u. Renewal	4.4.2	17
v. Post-termination obligations	8.6, 10.3	17
w. Non-competition covenants	8.6	17
x. Dispute resolution	11.1, 11.2,11.7 - 11.12	17
y. Related Party agreements	4.4.2(d), 8.4, 8.6, 9.4(c-d), attachments 4 and 6	22

ITEM 10. FINANCING

Although not required to do so by the franchise agreement, we sometimes provide financing of up to 50% of the initial franchise fee to franchisees with whom we have previously developed a positive working relationship, either when they worked as our employees or as our independent contractors. We provide financing only to individuals we know well and consider creditworthy. **We are not obligated to provide financing to anyone.**

Our usual financing arrangement provides for a down payment of at least 50% of the initial franchise fee. The interest rate on the remaining balance is 5% over the prime rate stated by the Western Edition of the Wall Street Journal on the date of the promissory note. The balance is payable in 48 equal monthly installments of principal and interest. Copies of the financing documents (Promissory Note, Security Agreement and Continuing Guaranty) are attached to this disclosure document as Exhibit C-2.

Upon a material event of default under the note or the franchise agreement that is not cured within the period permitted by the applicable agreement and State law, or if you default in the payment of principal and interest when due, the whole sum of principal and interest due under the Note will, at our option, be immediately due and payable.

To secure the note, you must give us a security interest in your rights under the franchise agreement and all tangible and intangible assets of the franchised business. You

and your controlling owner, if you are a company, must sign a continuing guaranty of the obligations of the promissory note and security agreement.

Under the promissory note and security agreement, you waive presentment, protest, and demand, notice of protest, notice of demand, and dishonor, and notice of nonpayment of the note. You expressly waive any constitutional or other right to a judicial hearing prior to the time we take possession or dispose of the collateral upon an event of default. Under the continuing guaranty of the note, your guarantor waives any claim, right, or remedy that he or she may have or acquire against the borrower. In addition, the guarantor waives any right to proceed against the borrower or the borrower's assets for any surety ship rights until the financed amount is fully paid.

If you or your Related Parties default under the promissory note, security agreement and/or continuing guaranty, you and your Related Parties will become liable to us for our attorney fees and other expenses in enforcing the documents. Any dispute under the financing documents will be resolved by the American Arbitration Association under its rules for commercial arbitration in Los Angeles County, California.

We do not sell, assign, or discount the financing arrangement to a third party.

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

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

Pre-Opening Obligations

Initial Training Program

Before the opening of your Business, we will conduct an initial training program in the marketing and operating procedures of your Business under the WEBBY DANCE COMPANY® System for you or your Designated Owner. (Franchise Agreement § 5.1)

Manual

We will lend to you or make available to you on our intranet a Manual containing information that we believe may be necessary or helpful to you in your operation of your Business. Our current manual contains 155 pages. (Franchise Agreement § 5.2)

Approved or Designated Suppliers

We will advise you of sources and specifications for opening inventory and supplies you will need in your business. We will give you, in the Manual or otherwise in writing, names and addresses of approved or designated suppliers of certain goods and services. (Franchise Agreement § 5.3)

Site Selection

You do not need our approval of your Business location as long as it is within your Territory.

Time Before Opening

We estimate that the average length of time between signing of a franchise agreement and opening of a franchised business will be 60 days. Factors that may affect the length of time it takes to open include completion of training and receipt of materials and equipment you have ordered.

Post-Opening Obligations

Marketing Fund

We will administer the marketing fund. The purpose of the fund is to pool our advertising money and that of our franchisees so as to achieve greater benefits for all in promoting the Trade Name and Marks. (Franchise Agreement § 5.4)

Proprietary Choreography Availability

We will choreograph the dances and routines that you teach in your classes and provide you with videos of the dances and routines at no additional charge. We will use commercially reasonable efforts to ensure that we or a designated supplier will at all times have a supply of extra copies of Proprietary Choreography for sale to you at below retail pricing. (Franchise Agreement § 5.5)

Additional Training

We will provide additional training to you when we believe that additional training is needed. (Franchise Agreement § 5.6)

Consultation

We will provide support related to the operation of your Business to help you comply with our quality standards and specifications. We will suggest tuition prices for your classes to the extent allowable under law. We will provide telephone, fax, email or on-line consultation and support services to you for no additional charge. (Franchise Agreement § 5.7)

Advertising Services

We will conduct a regional/national marketing program for the WEBBY DANCE COMPANY® Franchise Network, largely using web-based advertising such as a promotional web site and social media. We may also create advertising for school publications and local print media, public relations activities and community events. In addition, we may also provide downloadable templates and forms that you may use to create local marketing material.

Our own personnel will prepare most of the advertising material. You may use your own original advertising material only with our prior written consent. We will focus our efforts on generating advertising material that benefits the entire Franchise Network, rather than spending money that is geographically targeted. However, the franchise agreement does not obligate us to spend any particular amount of money on advertising in your area.

We do not have a franchisee advisory council to advise us on advertising.

You do not have to participate in a regional advertising cooperative.

Locations in Ohio and Kentucky are owned and operated by an immediate family member of our President and do not operate under franchise agreements so do not contribute to our marketing fund. All Webby Dance Company® franchisees contribute an equal percentage of their revenue to the marketing fund. The amount of the contribution is stated in Item 6 of this disclosure document. The Webby Dance® Businesses owned and operated by our affiliate may, but is not required to, contribute to the marketing fund.

We administer the marketing fund. Its operations are not audited and it does not have financial statements that you may review. Upon request, once a year, we will give you a report on the fund's receipts and expenses by general category.

In 2024, we spent 75% of the marketing fund on advertising production, 15% on media placement and10% on administrative expenses. If not all marketing funds are spent in the fiscal year in which they are collected, we will retain the remainder to spend in a future year.

We will not use any part of the marketing fund for advertisements that principally solicit new franchise sales.

Start-up Marketing Program and Student Recruitment/Promotion

You must spend at least $500 on a start-up marketing program conducted according to our general guidelines. You must also spend least $500 each year on student recruitment, marketing, and/or promotion of your Business in a manner that conforms with our written guidelines. You must submit, on or before the15th day after receipt of written request from us, copies of invoices or other written substantiation evidencing that you have complied with the requirement during the timeframes specified in our request.

Computer Systems

You must have a personal computer that is capable of running Jackrabbit Dance®, MS Office, Print Shop, Photoshop Elements and QuickBooks. You must also have a color printer/fax/copier machine. You will use the computer system to manage classes, student registration, attendance, recitals, billing, payroll, accounts payable, financial report and contacts and to prepare student recruitment materials. We estimate that the cost of buying the system will range between $1,500 and $2,500. You may purchase the hardware from the vendor of your choice. We will not have independent access to the information on your system.

You must purchase Jackrabbit Dance® online class management software from Jackrabbit Technologies, Inc. The cost ranges from $49 to $245 depending on the number of students you have. The software allows you to manage all of your studio operations and customer interactions including time clock, billing and payments. Point of Sale, online registration and other business management tools. Jackrabbit may, but is not required to, update the software. At this time there is no charge for updates or upgrades to the software.

We estimate that the annual cost of maintaining the computer system will range between $110 and $1,000. Neither we nor a third party is obligated to provide ongoing maintenance, repairs, upgrades, or updates for the computer system. Periodically, we will ask you to upgrade the system to meet our currently effective standards. We do not require frequent upgrades, but there is no contractual limitation on our right to require them and you must promptly comply with any such request.

We will have independent access to the information that will be generated or stored in your computer system. We have the right to retrieve all information relating to the operation of your Business.

Manual

We will give you the opportunity to view our Manual in the presence of our representative at a mutually convenient time and place before you enter into a franchise agreement with us.

Training Program

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON-THE- JOB TRAINING	LOCATION
Accounts & Students	6	1	Signal Hill, CA
Administration	6	1	Signal Hill, CA
Operations	31	1	Signal Hill, CA
Marketing	6	1	Signal Hill, CA
Selling And Customer Service	6	1	Signal Hill, CA
TOTAL	55	5	

We will conduct training classes as often as we deem reasonable to ensure that your training can be completed within 60 days after you sign the franchise agreement.

During training, we will provide you a copy of our Manual, libraries of training videos, dance notes and music, a teacher training manual, and seasonal task manuals.

Our principal trainer is Becky Weber. She has over 28 years' experience in the field and over 28 years' experience with us.

You or your Designated Owner must attend and successfully complete all phases of the initial training program and complete it to our satisfaction within 60 days after signing the franchise agreement. Your Business must always be directly or indirectly supervised by a person who has successfully completed our initial training program and who is certified by us in writing as Designated Owner.

We will require you to participate in additional training programs or refresher courses from time to time at no additional charge other than the travel expenses and *per diem* of any trainer who travels to your location at your request. We may, at our sole discretion, arrange an annual meeting to provide updates, offer continuing education, and encourage discussion of topics of importance to the Franchise Network. If we designate attendance at the annual meeting as mandatory, you or your Designated Owner must attend at your own expense. We do not charge a fee for attendance at the annual meeting.

We do not charge a fee for the initial training program, unless we travel to your location at your request to conduct training. For all training we offer, you must pay any costs of travel, lodging, meals, and other incidental expenses that you or your employees incur or that we incur in traveling to and from your location, at your request, and conducting your training, including the *per diem* compensation for any trainer who travels to your location.

ITEM 12. TERRITORY

Description

Under the franchise agreement, we grant to you the right and obligation to operate as a WEBBY DANCE COMPANY® Business within a designated Territory. We will designate the Territory in Attachment 1 to the franchise agreement by reference to contiguous boundaries, typically cities. At the time of our approval, your Territory will include approximately 100 private child care centers, excluding home-based child care facilities and state-funded facilities.

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."

Subject to the exceptions and reserved rights described below, your designated Territory will be protected during the term of their franchise agreement, meaning we will not for our self, nor through an affiliate or a franchisee of ours, open or operate a WEBBY DANCE COMPANY® Business servicing customers located within your Territory. We have the right to convert any competitor account to a WEBBY DANCE COMPANY® account, even if the account is located in your designated Territory. We may, in our sole discretion, offer you certain of these competitor accounts that we have converted to Webby Dance Company Accounts located in your designated Territory, for a price based on number of students and frequency of classes as well as the price we paid for them. If you do not choose to purchase such accounts, we may offer them to other franchisees at the same price or operate them ourselves or through an affiliate. Such Accounts will become part of your designated Territory. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

Your Territory will not include any marketing exclusivity. You may promote and advertise your Business in the Territory specified in Attachment 1 to this agreement or within a reasonable distance outside the Territory. We encourage franchisees to focus their marketing in their Territory, however, we understand it is impossible to control the boundaries of marketing in some instances. You may provide products and services related to your WEBBY DANCE COMPANY® Business only to customers located inside your Territory except under the limited circumstances involving "Acquiring Extraterritorial Accounts."

“Acquiring Extraterritorial Accounts” encompasses situations in which it may be appropriate for us to grant you certain limited and/or temporary rights related to specified geographic areas or customer accounts located outside your designated Territory. Such instances might involve an area outside your Territory that is not yet part of the territory designated to another Webby Dance Company® franchisee and in which an account is located that has specifically requested that you provide Webby Dance Company products and services. You must request our ***prior written consent*** to such areas and/or accounts. You must have no further discussion with or make no commitment related to such customer, area and/or account located outside your Territory, unless and until you receive our written consent to do so in accordance with this policy. We will respond to your request within thirty (30) days from receipt of all relevant information related to the situation and may refuse in whole or in part and/or may grant such rights on a temporary or otherwise limited basis, in our sole and absolute discretion. Any Extraterritorial Accounts that you may acquire from us do not represent part of your designated Territory and thus are not subject to the rights associated with your designated Territory, including, without limitation, you do not have any “protected” Territory rights that would preclude us from opening and/or franchising others to open a Webby

Dance Company® in such areas or related to any Extraterritorial Account. We may terminate some or all of your Extraterritorial Accounts on sixty (60) days' written notice, with or without cause, and you must then cease all activities related to any terminated Extraterritorial Account.

Relocation

The franchise agreement does not give you the right to relocate or reconfigure your Territory under any conditions.

Options and Rights of First Refusal

The franchise agreement does not give you any options, rights of first refusal or similar rights to acquire additional franchises.

Rights Granted

We do not have a right to modify the configuration of your Territory during the term of the franchise agreement.

As long as your franchise agreement is in effect, your territorial rights *per se* are not dependent upon achieving a certain sales volume, market penetration or any other contingency. However, maintenance of your right to operate your Business (including your right to your Territory) is dependent upon your meeting an annual Minimum Performance Standard. Beginning 1 year after the Start Date, we will review your lists of students and classes each year. To maintain your right to operate your Business, you must maintain a Minimum Performance Standard of at least 100 active students or at least an average of 10 classes per week, over each 12 month period following your Start Date. If you do not meet the Minimum Performance Standard at the end of any year, we will notify you in writing of that fact. If you do not meet the Minimum Performance Standard at the end of the following year, it will constitute a material event of default giving us the right, in our sole discretion, to Terminate your franchise upon 90 days' written notice and opportunity to cure.

Restrictions/Reserved Rights

You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

We reserve all other rights not expressly granted to you in the franchise agreement, including the exclusive right to conduct and/or control Internet promotion and marketing, the exclusive right to establish and use social media accounts and conduct Internet promotions in connection with our Trade Name or Marks. We further reserve the right to establish Businesses anywhere outside your Territory, the right to establish, purchase or franchise businesses within your Territory as long as they are not operated under the WEBBY DANCE COMPANY® Trade Name, Marks, and System, and the right to sell Proprietary Choreography through any means or channels of distribution other than through a WEBBY DANCE COMPANY® Business.

Performance Obligations

Maintenance of your right to operate your Business is dependent upon your meeting an annual Minimum Performance Standards. Beginning 1 year after the Start Date, we will review your lists of students and classes each year. To maintain your right to operate your Business, you must maintain a Minimum Performance Standard of at least 100 active students or at least an average of 10 classes per week, over each 12 calendar month period following your Start Date.

If you do not meet the Minimum Performance Standards at the end of any year, we will notify you in writing of that fact. If you do not meet the Minimum Performance Standards at the end of the following year, it will constitute a material event of default giving us the right, in our sole discretion, to Terminate your franchise upon 90 days' written notice and opportunity to cure.

Market Withdrawal

If we determine that our continued franchising in your area is not appropriate for reasons that relate to our economic or other interests and that we are withdrawing from franchise activity in that state/region/area (as long as we continue to honor and service any then-existing franchisees under outstanding agreements), then we will be considered to have made a general market area withdrawal. We will have no liability to you related to the withdrawal and will not be required to offer you any renewal franchise or similar rights. If this occurs and you are not in default of your franchise agreement, you will not be required to comply with your non-competition obligations as set forth in the franchise agreement and we will not prevent you from retaining control of the principal place of your Business, if applicable.

ITEM 13. TRADEMARKS

Under the franchise agreement, we grant you the right to use our principal identifying Mark, WEBBY DANCE COMPANY®. On March 16, 1999, this Mark was registered on the Principal Register of the United States Patent and Trademark Office (USPTO), registration number 2,232,605, in international class 41 for use in connection with providing dance training and instruction to others.

All required affidavits have been filed and the registration was renewed on July 21, 2018.

There is no currently effective material determination of the USPTO, the Trademark Trial and Appeal Board, or any state trademark administrator or court, or any pending infringement, opposition, or cancellation proceeding that affects our ownership, use or licensing of the principal Mark.

There is no pending material federal or state court litigation regarding our use or ownership rights in the principal Mark.

There is no currently effective agreement that significantly limits our right to use or license the use of our Marks in a manner material to the franchise.

You must notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or System. You must promptly notify us in writing of any claim, demand, or suit against you or against your principals in connection with your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, we may select legal counsel and have the right to control the proceedings.

Your Franchised Business will operate under the WEBBY DANCE COMPANY® brand, using it as a fictitious business name or “d/b/a” (“doing business as”). However, the formal, legal name for your franchised business entity must not include any of our Marks (or a modified version of any of our Marks or anything phonetically or visually similar to any of our Marks). So, for example, your legal business entity name might be Jane Smith Family, LLC, dba

WEBBY DANCE COMPANY of (geographic area). You will file to obtain fictitious business name registration(s) for the d/b/a if required under your local law.

We must indemnify and hold you harmless from all expenses and liabilities of any kind arising from or in any way connected to any third party claim that your operation of a WEBBY DANCE COMPANY® Business infringes its intellectual property rights or misappropriates its trade secrets. If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense. Any settlement we negotiate will bind you, but we will reimburse you for your direct cost of compliance with the settlement agreement.

Otherwise, we have the right to change our Trade Name and Marks and the specifications for each when we believe, in our reasonable discretion, that the changes will benefit the Franchise Network. You must promptly conform, at our expense, to any such changes.

We do not know of any superior rights or infringing uses that could materially affect your use of the Marks.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We have no patent or copyright registrations nor any pending patent applications that are material to the franchise. We claim common law copyright protection for our Proprietary Choreography, videos, audiovisual works, manuals, promotional materials and other written works relating to a Webby Dance Company franchise.

The elements of our Proprietary Choreography, and the information, ideas, forms, marketing plans, and other materials we disclose to you under the franchise agreement, whether or not included in the Manual, are also part of our confidential and proprietary information and trade secrets.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

Your Designated Owner (you in your role as ultimate supervisor of your WEBBY DANCE COMPANY® Business or an owner of at least 51% of your equity whom we have certified as your Designated Owner) must devote full time and best efforts to the management and operation of your Business and must directly or indirectly supervise all financial and operational aspects of your Business.

Your Designated Owner must pass the criminal background check that is required by applicable state law. Your Designated Owner must have no conviction of any crime involving harm or threat to children, drug or alcohol abuse, or violence of any kind.

Your Designated Owner must successfully complete our initial training program and attend any additional training programs, including webinars and telephone conferences, that we designate as mandatory. He or she must also sign the nondisclosure and noncompetition agreement attached to the franchise agreement as Attachment 4.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must use and sell all the goods and services and only the goods and services that we have authorized you to provide. You must offer children's classes in dance. You may also

offer children's classes in yoga, gymnastics and cheerleading. If, from time to time, we decide to make changes in the goods and services you are authorized to provide or in the specifications for the goods and services, you must comply with the changed requirements at your own expense.

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 AGREEMENT**	**SUMMARY**
a. Length of the franchise term	4.4.1	5 years, beginning on Start Date (date when your Business begins operation or 60 days after we sign the franchise agreement, whichever is first)
b. Renewal or extension of the term	4.4.2	At your request, we will extend the term of the agreement if you meet all conditions to renewal.

	PROVISION	SECTION IN AGREEMENT	SUMMARY
c.	Requirements for franchisee to renew or extend	4.4.2 and 4.6	As a condition of renewal, you will be required to sign a new franchise agreement that may have materially different terms and conditions. Other conditions: be in good standing, give timely notice, sign release and pay renewal fee. If we publish an announcement that we have determined that continued franchising in the state, region or standard metropolitan statistical area (as established by the United States Office of Management and Budget) within which your Business is located is not appropriate for reasons that relate to our economic or other interests and that we are withdrawing from franchise activity in such state/region/area (provided that we can continue to honor and service any then-existing franchisees under outstanding agreements), then we will be considered to have made a general market area withdrawal, will have no liability to you therefor and will not be required to offer you any renewal franchise or similar rights (a "Market Withdrawal"). In that event and if you are not in default of the franchise agreement, you will not be required to comply with your non-competition obligations under Section 8.6, and we will not prevent you from retaining control of the principal place of your Business, if applicable.
d.	Termination by franchisee	None	Not applicable. Franchisees may terminate under any grounds permitted by law.
e.	Termination by franchisor without cause	None	Not applicable
f.	Termination by franchisor with cause	10.2.1 California Addendum to Franchise Agreement	We may terminate only upon non-curable or uncured default. Subject to applicable state law.

	PROVISION	SECTION IN AGREEMENT	SUMMARY
g.	"Cause" defined - curable defaults	10.2.2	Subject to State law, you have 5 days to cure payment defaults and 30 days to cure non-submission of reports, failure to begin operating on time, failure to operate according to agreement, failure to devote best efforts or any other material, curable default not listed here.
h.	"Cause" defined - non-curable defaults	10.2.2 California Addendum to Franchise Agreement	Non-curable defaults: include failure to successfully complete initial training, misuse of Marks, violation of the Nondisclosure and Non-Competition Agreement, any unapproved transfer or attempt to transfer your rights in the Business or under the Franchise Agreement, misrepresentation in obtaining or operating the franchise or in your reports to us, termination of another agreement between us, acting without required approval, abandonment, repeated defaults, threat to public safety, insolvency, conviction of specified criminal conduct. Subject to applicable state law.
i.	Franchisee's obligations on termination/non-renewal	10.3(b-e)	Obligations include payment of all amounts due, complete de-identification, terminating listings and assigning contact list to us, maintaining records, and turning over management. Also see r. below.
j.	Assignment of contract by franchisor	9.7	We may transfer the franchise, any interest in us or our assets, without notice or your consent if we reasonably believe the transferee can perform our obligations and assignee expressly agrees in writing to assume obligations.
k.	"Transfer" by franchisee - defined	3.20, 9.5	With specified exceptions, transfer means any change in the majority ownership of the franchise agreement, the capital assets of the Business, or you.
l.	Franchisor approval of transfer by franchisee	9.1	You must not attempt or complete any Transfer, without obtaining our prior written consent.

	PROVISION	SECTION IN AGREEMENT	SUMMARY
m.	Conditions for franchisor approval of transfer	9.4 California Addendum to Franchise Agreement	The assignee must qualify, assume rights and obligations under the then-current franchise agreement, satisfactorily complete training program, and not be in default. You must sign a special release of claims, pay transfer fee, bring all payment obligations current, and obtain our written approval of sale agreement. Subject to applicable state law.
n.	Franchisor's right of first refusal to acquire franchisee's business	9.2, 9.3	We may match any offer to buy your Business
o.	Franchisor's option to purchase franchisee's business	10.3(f) California Addendum to Franchise Agreement	After termination or non-renewal, we have the right to acquire sole rights in the Host Organization list of the Business Subject to applicable state law.
p.	Death or disability of franchisee	9.6	Qualified transferee must be identified within 90 days after notice and you must move promptly to transfer
q.	Non-competition covenants during the term of the franchise	8.6	No involvement in competing Business anywhere
r.	Non-competition covenants after the franchise is terminated or expires	8.6 Attachment 4	Subject to state law, no involvement in competing Business within the Territory of another franchisee or your former Territory for 2 years after termination
s.	Modification of the agreement	11.4	Amendment requires signature of both parties
t.	Integration/merger clause	11.6	Only the terms of the Franchise Agreement and other written agreements with us (if any) are binding. We have made no other promises. No claim made in any franchise agreement is intended to disclaim the express representations made in this Franchise Disclosure Document. Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable. Subject to state law.

	PROVISION	SECTION IN AGREEMENT	SUMMARY
u.	Dispute resolution by arbitration or mediation	11.7, 11.8	Good faith participation in negotiation and mediation are preconditions to arbitration. Aside from requests for interim injunctive relief, all disputes that are not settled must be decided by binding arbitration by the AAA under its rules for commercial arbitration.
v.	Choice of forum	11.7.3, 11.8	Mediation and arbitration must be in Los Angeles County, California. Subject to state law.
w.	Choice of law	11.2	Except for arbitration and trademark issues, law of the State in which your Territory is located governs. Subject to state law.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Rebecca E. Weber, 1369 East 28th Street, Signal Hill, California 90755, Phone (562) 438-4466, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

SYSTEMWIDE OUTLET SUMMARY FOR YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE (+ OR -)
Franchised	2022	17	18	+1**
	2023	18	22	+4
	2024	22	25	+3
Company Owned*	2022	2	3	+1
	2023	3	3	0
	2024	3	2	-1
Total Outlets	2022	19	21	+2
	2023	21	25	+4
	2024	25	27	+2

***** These outlets are owned and operated by our affiliate, Weber School of Dance, Inc.

** Historical numbers adjusted to correct reporting errors.

Table No. 2

TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS OTHER THAN H & R DANCE, INC. FOR YEARS ENDED DECEMBER 31 2022, 2023 AND 2024

STATE	YEAR	NUMBER OF TRANSFERS
Florida	2022	1
	2023	0
	2024	0
Washington	2022	1
	2023	0
	2024	0
TOTAL	2022	2
	2023	0
	2024	0

Table No. 3

STATUS OF FRANCHISED OUTLETS FOR YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	TERMINATIONS	NON-RENEWALS	REACQUIRED BY FRANCHISOR	CEASED OPERATIONS-OTHER REASONS	OUTLETS AT END OF THE YEAR
Arizona	2022	0	0	0	0	0	0	0
	2023	0	2	0	0	0	0	2
	2024	2	0	0	0	0	0	2
California	2022	5	0	0	0	0	0	5***
	2023	5	0	0	0	0	0	5
	2024	5	1	0	0	0	0	6
Colorado	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Florida	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Indiana	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Kentucky	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Maryland	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Ohio*	2022	4	1	0	0	0	2*	3***
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Oregon	2022	1	1	0	0	0	0	2***
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Texas	2022	1	1	0	0	0	0	2***
	2023	2	1	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Washington	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Total	2022	17	3	0	0	0	2**	18***
	2023	18	4	0	0	0	0	22
	2024	22	3	0	0	0	0	25

*You should note an immediate family member of our President operates a Webby Dance business similar to that offered under this franchise offering in South Cincinnati, Ohio and Northern Kentucky.

**A franchisee sold assets to this family member in 2022. The businesses operated by this family member do not operate under franchise agreements.

*** Historical numbers adjusted to correct reporting errors.

Table No. 4

STATUS OF COMPANY-RELATED OUTLETS FOR YEARS ENDED DECEMBER 31, 2022, 2023 AND 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
AZ	2022	0	1	0	0	0	1
	2023	1	0	0	0	1	0
	2024	0	0	0	0	0	0
CA	2022	2	0	0	0	0	2
	2023	2	0	0	0	0	2
	2024	2	0	0	0	1	1
NC	2022	0	0	0	0	0	0
	2023	0	1	0	0	0	1
	2024	1	0	0	0	0	1
TOTALS	2022	2	1	0	0	0	3
	2023	3	1	0	0	1	3
	2024	3	0	0	0	1	2

These outlets are owned and operated by our affiliate, Weber School of Dance, Inc.

Table No. 5

PROJECTED OPENINGS AS OF DECEMBER 31, 2024

State	Franchise Agreements Signed But Outlets Not Opened	Projected New Franchised Outlets in Next Fiscal Year	Projected New Company-related Outlets in Next Fiscal Year
North Carolina	0	0	1
Ohio	0	0	0
Texas	0	0	0
TOTALS	0	0	1

Attached as Exhibit D-1 to this disclosure document are the names, addresses and telephone numbers of all current franchisees as of December 31, 2024.

Attached as Exhibit D-2 to this disclosure document are the names, cities and states and current business telephone numbers (or if unknown, last known home telephone numbers) of each franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within ten weeks of the disclosure document issuance date.

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

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as franchisees in our system.

ITEM 21. FINANCIAL STATEMENTS

Attached to this disclosure document as Exhibit B are our audited financial statements for the calendar years ended December 31, 2022, 2023, and 2024.

ITEM 22. CONTRACTS

The following agreements are proposed for use in this state in connection with the franchise we offer:

TITLE OF AGREEMENT	**Exhibit/ Schedule/ Attachment #**	**SIGNED BY:**
Franchise Agreement	Exhibit C-1	You and us
General Release of Claims Form	Attachment 2	You
Authorization Agreement for Prearranged Payment	Attachment 3	You and your financial institution
Nondisclosure and Noncompetition Agreements	Attachment 4	Related Parties*
Assignment of Telephone Numbers, Email Addresses and Web Addresses and Special	Attachment 5	You
Personal Guaranty and Subordination Agreement	Attachment 6	All officers and shareholders with a 10% or greater interest in you or all general partners or all members Spouses who are not parties to the franchise agreement must consent to your owner's personal guaranty
Promissory Note	Exhibit C-2	You or your Designated Owner, if we provide financing to you
Security Agreement	Exhibit C-2	You or your Designated Owner, if we provide financing to you

TITLE OF AGREEMENT	Exhibit/ Schedule/ Attachment #	SIGNED BY:
Continuing Guaranty	Exhibit C-2	You or your Designated Owner, if we provide financing to you

**"Related Party" or "Related Parties" means "people and companies associated with you, including general partners, limited partners, shareholders, companies in which you have a controlling interest, companies in which any person or company owning a controlling interest in you also has a controlling interest, and your officers and directors."*

ITEM 23. RECEIPTS

Attached as the last page of this disclosure document (Exhibit F-2) is a receipt. Please sign it, date it **as of the date you receive the disclosure document** and return it to us. A duplicate of the receipt is attached for your records.

ADDENDUM TO
DISCLOSURE DOCUMENT:
SPECIFIC STATE DISCLOSURES

California

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.

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

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

The franchise agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision may not be enforceable under California law.

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

The franchise agreement requires binding arbitration. The arbitration will occur in Los Angeles County, California, with the costs being borne according to the Rules for Commercial Arbitration of the American Arbitration Association.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

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.

Section 31512 of the Franchise Investment Law (FIL) and 20010 of the California Franchise Relations Act (CFRA) provide that any condition, stipulation or provision purporting to bind you to waive compliance with any provision of these laws is void. Therefore, any release of claims that you must sign as a condition of renewal or transfer may not apply to claims arising under the FIL or the CFRA.

Unless the transaction is exempt, section 31125 of the California Corporations Code requires us to give you a special disclosure document, approved by the Commissioner of the Department of Financial Protection and Innovation, before asking you to consider a proposed material modification of an existing franchise.

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

Washington

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

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

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

14. Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed $100,000 per year (an amount that will be adjusted annually for inflation). In

addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed $250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

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

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

#_____

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

_____
Signature of Franchisor Representative

_____
Title of Franchisor Representative

_____
Signature of Franchisee Representative

_____
Title of Franchisee Representative

EXHIBIT A-1
STATE ADMINISTRATORS

Department of Financial Protection
and Innovation
One Sansome Street, Suite 600
San Francisco, CA 94104

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

May Lee State Office Complex
651 Bannon Street, Suite 300
Sacramento, CA 95811

1455 Frazee Road, Ste. 315
San Diego, CA 92108

Commissioner of Securities
Department of Commerce & Consumer Affairs
335 Merchant Street, Room 203
Honolulu, Hawaii 96813
(808) 586-2722

Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

Franchise Section
Indiana Securities Division
302 West Washington Street, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Franchise Administrator
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913
(517) 373-7117

Department of Commerce
85 Seventh Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

New York State Department of Law
Investor Protection Bureau
Franchise Section
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8211
(212) 416-6042 (fax)

North Dakota Securities Department
600 East Boulevard Ave., Fifth Floor
Bismarck, North Dakota 58505
(701) 328-4712

Division of Securities
1511 Pontiac Avenue
John O. Pastore Complex 69-1
Cranston, RI 02920-4407

Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-4013

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Department of Financial Institutions
Securities Division
P.O. Box 41200
Olympia, Washington 98504-1200
(360) 902-8760

State of Wisconsin
Office of the Commissioner of Securities
4822 Madison Yards Way, North Tower Madison,
WI 53705

EXHIBIT A-2
AGENTS FOR SERVICE OF PROCESS

Commissioner of Financial
Protection and Innovation
Department of Financial
Protection and Innovation
320 W. 4th Street, Suite 750
Los Angeles, California 90013

Commissioner of Securities
Department of Commerce
335 Merchant Street, Room 203
Honolulu, Hawaii 96813

Illinois Attorney General Office
500 South Second Street
Springfield, Illinois 62706

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204

State of Michigan/Department of Attorney General
Consumer Protection Agency/Attn: Franchise
670 Law Building
525 West Ottawa Street
Lansing, MI 48913

Maryland Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Commissioner of Commerce
85 Seventh Place East, Suite 280
St. Paul, Minnesota 55101-2198
(651) 539-1500

Secretary of State
99 Washington Avenue
Albany, New York 11231

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor
Bismarck, North Dakota 58505-0510

Director of Business Regulation
Division of Securities
John O. Pastore Complex 69-1
1511 Pontiac Avenue
Cranston, RI 02920

Director
Division of Insurance
Securities Regulation
124 South Euclid, Suite 104
Pierre, South Dakota 57501

Clerk, State Corporation Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219

Director
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, Washington 98501

Franchise Administrator
Department of Financial Institutions
Division of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705

EXHIBIT B

FINANCIAL STATEMENTS

H & R DANCE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Mark K. Chapman, CPA
Danielle M. McGee, CPA

Barbara Ann Barschak, CPA

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors
H & R Dance, Inc.
Signal Hill, California

Opinion

We have audited the accompanying financial statements of H & R Dance, Inc. (a California corporation), consisting of the balance sheet as of December 31, 2024 and 2023, and the related statement of income and retained earnings 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 H & R Dance, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent H & R Dance, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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.

KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

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 purposes of expressing an opinion on the effectiveness of H & R Dance, 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 H & R Dance, 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 matters that we identified during the audit.

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
April 8, 2025

H & R DANCE, INC.

BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 150,533	$ 289,986
Accounts receivable, net of allowance for doubtful accounts	84,660	80,158
Current portion of notes receivable	62,763	47,217
Total Current Assets	297,956	417,361
Other Assets		
Notes receivable, net of current portion and allowance for doubtful notes	78,031	77,106
Intangible assets, net of accumulated amortization	27,297	36,141
Total Other Assets	105,328	113,247
Total Assets	$ 403,284	$ 530,608
Liabilities and Stockholder's Equity		
Current Liabilities		
Accrued expenses	$ 58,720	$ 78,678
Deferred advertising revenue	69,731	25,768
Total Current Liabilities	128,451	104,446
Total Liabilities	128,451	104,446
Stockholder's Equity		
Common stock, $2 value: 1,000 shares authorized, 500 shares issued and outstanding	1,000	1,000
Retained earnings (accumulated deficit)	273,833	425,162
Total Stockholder's Equity	274,833	426,162
Total Liabilities and Stockholder's Equity	$ 403,284	$ 530,608

The accompanying notes are an integral part of these financial statements.

H & R DANCE, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Income		
Royalties	$ 552,473	$ 476,285
Franchise fees	30,240	63,000
Marketing fees	18,889	57,702
Total Income	601,602	596,987
Operating Expenses		
Administrative expenses	48,014	47,316
Advertising	18,789	45,863
Amortization	8,844	8,844
Bad debts	5,500	6,409
Legal and professional services	82,658	47,730
Salaries and benefits	120,473	129,869
Total Operating Expenses	284,278	286,031
Net Income from Operations	317,324	310,956
Interest Income	4,619	3,536
Net Income Before Income Taxes	321,943	314,492
Income Tax Expense	6,319	3,913
Net Income	315,624	310,579
Retained Earnings - Beginning	425,162	360,732
Shareholder Distributions	(466,953)	(246,149)
Retained Earnings - Ending	$ 273,833	$ 425,162

The accompanying notes are an integral part of these financial statements.

H & R DANCE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities:		
Net income	$ 315,624	$ 310,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization expense	8,844	8,844
Bad debt expense	5,500	6,409
Increase in accounts receivable	(10,002)	(22,136)
Increase (decrease) in:		
Accrued expenses	(19,958)	(31,620)
Deferred advertising revenue	43,963	(4,267)
Net Cash Provided by Operating Activities	343,971	267,809
Cash Flows from Investing Activities:		
Payments received on loan to shareholder	-	25
Net advances made under notes receivable	(16,471)	(8,826)
Net Cash Used in Investing Activities	(16,471)	(8,801)
Cash Flows from Financing Activities:		
Shareholder distributions	(466,953)	(246,149)
Net Increase (Decrease) in Cash	(139,453)	12,859
Cash - Beginning	289,986	277,127
Cash - Ending	$ 150,533	$ 289,986

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:		
Income taxes	$ 6,319	$ 3,913

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of H & R Dance, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company was founded in 1995 in the state of Ohio. The Company is the franchisor of Webby Dance Company franchises, specializing in teaching children's dance classes. Classes are most often conducted at day-care, preschool and similar facilities as a small group, extracurricular activity, with special event recitals to showcase the accomplishments of the dance students.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Accounts and Notes Receivable

The Company finances franchise purchases through notes receivable secured by the franchised territories. Franchise fees receivable for which promissory notes have not yet been executed are included in accounts receivable with royalties receivable. The Company provides for uncollectible accounts and notes receivable in the year they are determined to be uncollectible. Based on management's evaluation, the allowance for doubtful accounts is $5,500 as of December 31, 2024. No allowance for doubtful accounts is deemed necessary as of December 31, 2023.

Intangible Assets

Intangible assets are amortized using the straight-line method over a useful life of 15 years.

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties and marketing fund fees. Royalties are 8% of gross service sales and 4% of gross retail sales. In addition, franchisees pay a marketing fee equal to 1% of gross service sales. Royalty revenue is recognized as franchisee sales occur. Marketing fee revenue is recognized as the related marketing expenses are incurred.

The Company's franchise agreements have an initial term of five years. Franchisees have the right to renew the franchise for consecutive additional five-year terms subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Webby Dance Company trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, and has elected to treat all eligible pre-opening activities as a single performance obligation. Therefore 100% of the franchise fee is recognized as revenue when each franchised location commences operations. Management has determined that the value of its performance obligations after opening, consisting primarily of licensing, program support, and advertising, are equal to the royalties and advertising fees charged to each location.

Research and Development

Costs relating to designing and developing new products and services which will be used by the Company's franchisees are expensed as incurred.

Advertising

Advertising is expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was $18,789 and $45,862, respectively.

Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be classified as a Subchapter S corporation for federal and state income tax purposes. The income or loss of the Company is included in the federal and state income tax returns of the stockholder. California taxes the net income of Subchapter S corporations at a rate of 1.5%, subject to a minimum tax of $800. Accordingly, the Company's financial statements include a provision for California income taxes only.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

2. FRANCHISE ACTIVITY

Following is a summary of franchised locations for the years ended December 31, 2024 and 2023:

	Franchisee Owned	Owned by Affilite (Note 3)	Total
Locations at December 31, 2022	18	3	21
Locations opened	4	1	5
Locations sold to franchisees	-	(1)	(1)
Locations at December 31, 2023	22	3	25
Locations opened	3	-	3
Locations closed	(1)	-	(1)
Affiliate-owned location sold to franchisee	1	(1)	-
Locations at December 31, 2024	25	2	27

3. RELATED PARTY TRANSACTIONS

The Company shares common ownership with Weber School of Dance, Inc. (Weber SOD), which operates two and three locations as of December 31, 2024 and 2023, respectively. Weber SOD does not pay franchise fees for their locations. Royalty revenue received from Weber SOD was $235,427 and $229,390 for the years ended December 31, 2024 and 2023, respectively. Accounts receivable from Weber SOD total $19,580 and $46,741 as of December 31, 2024 and 2023, respectively.

One franchisee who is a relative of the Company's president operates locations in Ohio and Kentucky without franchise agreements.

4. NOTES RECEIVABLE

Notes receivable arise from promissory notes executed by franchisees to finance their initial franchise fee. The loans are secured by each franchisee's territory, bear interest at 4% per annum, and mature in four to five years, depending on the agreement. There are twelve and nine loans outstanding as of December 31, 2024 and 2023, respectively.

Notes receivable as of December 31, 2024 and 2023 consist of the following:

	2024	2023
Notes receivable	$ 140,794	$ 124,323
Allowance for doubtful notes	-	-
Notes receivable, net of allowance	140,794	124,323
Current portion	(62,763)	(47,217)
Notes receivable, net of current portion	$ 78,031	$ 77,106

Accounts receivable as of December 31, 2003 includes $20,000 related to a franchise purchase for which the promissory notes was not executed as of December 31, 2024.

5. INTANGIBLE ASSETS

Intangible assets as of December 31, 2024 and 2023 consist of the following:

	2023	2022
Goodwill related to repurchased territory	$ 105,538	$ 105,538
Client list	62,108	62,108
	167,646	167,646
Less accumulated amortization	(131,505)	(122,661)
Intangible assets, net	$ 36,141	$ 44,985

Amortization of intangible assets totaled $8,844 per year for the years ended December 31, 2024 and 2023.

6. RETIREMENT PLAN

The Company is included in a multi-employer defined benefit pension plan with Weber SOD. The annual contribution is determined by the plan administrator and is allocated between the two employers based on gross payroll. The Company's share of the contribution was $52,319 and $68,217 for the years ended December 31, 2024 and 2023, respectively, which is included in accrued liabilities on the Company's balance sheets.

7. ECONOMIC CONCENTRATIONS

As of December 31, 2024, two franchisees operating six locations, combined with two locations operated by Weber SOD (Note 3), account for approximately 56% of the Company's accounts receivable. For the year ended December 31, 2024, one franchisee operating five locations, combined with three locations operated by Weber SOD, accounted for approximately 57% of royalty revenue. As of December 31, 2024, the Company's royalty and marketing fee revenue is derived from 25 locations owned by franchisees and two locations owned by Weber SOD, all operating in the United States.

As of December 31, 2023, one franchisee operating five locations, combined with three locations operated by Weber SOD, account for approximately 58% of the Company's accounts receivable. For the year ended December 31, 2023, one franchisee operating five locations, combined with three locations operated by Weber SOD, accounted for approximately 69% of royalty revenue. As of December 31, 2023, the Company's royalty and marketing fee revenue is derived from 22 locations owned by franchisees and three locations owned by Weber SOD, all operating in the United States.

8. COVID-19 PANDEMIC

In January 2020, the World Health Organization (WHO) declared an international public health emergency over the spread of the COVID-19 coronavirus. Social distancing and other restrictions affected businesses worldwide. WHO declared the end of the public health emergency in May 2023. The outbreak and responses to the virus significantly disrupted and may continue to disrupt the Company's business.

The Company reduced and/or waived some royalty payments and allowed additional time for franchisees to pay royalties from 2021 to 2023 to accommodate COVID-related declines in sales.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 8, 2025, the date on which the financial statements were available to be issued.

H & R DANCE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Neal M. Katz, CPA
Mark K. Chapman, CPA
Catherine E. Thompson, CPA
Danielle McGee, CPA

Barbara Ann Barschak, CPA

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors
H & R Dance, Inc.
Signal Hill, California

Opinion

We have audited the accompanying financial statements of H & R Dance, Inc. (a California corporation), consisting of the balance sheet as of December 31, 2023, and the related statement of income and retained earnings 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 H & R Dance, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent H & R Dance, 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.

Prior Period Financial Statements

The financial statements of H & R Dance, Inc. as of December 31, 2022 and for the year then ended were audited by other auditors whose report dated March 27, 2023 expressed an unmodified opinion on those statements.

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.

KATZ | CASSIDY
AN ACCOUNTANCY CORPORATION

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 purposes of expressing an opinion on the effectiveness of H & R Dance, 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 H & R Dance, 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 matters that we identified during the audit.

Katz Cassidy

Katz Cassidy
An Accountancy Corporation
Los Angeles, California
April 15, 2024

H & R DANCE, INC.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

	2023	2022 (Restated)
Assets		
Current Assets		
Cash	$ 289,986	$ 277,127
Accounts receivable, net of allowance for doubtful accounts	80,158	70,660
Current portion of notes receivable	47,217	44,186
Total Current Assets	417,361	391,973
Other Assets		
Notes receivable, net of current portion and allowance for doubtful notes	77,106	65,107
Intangible assets, net of accumulated amortization	36,141	44,985
Total Other Assets	113,247	110,092
Total Assets	$ 530,608	$ 502,065
Liabilities and Stockholder's Equity		
Current Liabilities		
Accrued expenses	$ 78,678	$ 110,298
Deferred advertising revenue	25,768	30,035
Total Current Liabilities	104,446	140,333
Total Liabilities	104,446	140,333
Stockholder's Equity		
Common stock, $2 value: 1,000 shares authorized, 500 shares issued and outstanding	1,000	1,000
Retained earnings (accumulated deficit)	425,162	360,732
Total Stockholder's Equity	426,162	361,732
Total Liabilities and Stockholder's Equity	$ 530,608	$ 502,065

The accompanying notes are an integral part of these financial statements.

H & R DANCE, INC.

STATEMENTS OF INCOME AND RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 (Restated)
Income		
Royalties	$ 476,285	$ 405,298
Franchise fees	63,000	70,000
Marketing fees	57,702	20,299
Total Income	596,987	495,597
Operating Expenses		
Administrative expenses	47,316	12,320
Advertising	31,981	11,254
Amortization	8,844	8,844
Bad debts	6,409	3,224
Legal and professional services	61,612	34,270
Salaries and benefits	129,869	152,093
Total Operating Expenses	286,031	222,005
Net Income from Operations	310,956	273,592
Interest Income	3,536	2,094
Net Income Before Income Taxes	314,492	275,686
Income Tax Expense	3,913	1,398
Net Income	310,579	274,288
Retained Earnings - Beginning	360,732	227,724
Shareholder Distributions	(246,149)	(141,280)
Retained Earnings - Ending	$ 425,162	$ 360,732

The accompanying notes are an integral part of these financial statements.

H & R DANCE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022 (Restated)
Cash Flows from Operating Activities:		
Net income	$ 310,579	$ 274,288
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization expense	8,844	8,844
Bad debt expense	6,409	3,224
(Increase) decrease in accounts receivable	(15,907)	(73,884)
Increase (decrease) in:		
Accrued expenses	(31,620)	51,333
Deferred advertising revenue	(4,267)	21,035
Net Cash Provided by Operating Activities	274,038	284,840
Cash Flows from Investing Activities:		
Payments received on loan to shareholder	-	10,000
Net advances made under notes receivable	(15,030)	(38,888)
Net Cash Used in Investing Activities	(15,030)	(28,888)
Cash Flows from Financing Activities:		
Shareholder distributions	(246,149)	(141,280)
Net Increase in Cash	12,859	114,672
Cash - Beginning	277,127	162,455
Cash - Ending	$ 289,986	$ 277,127

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Income taxes		

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of H & R Dance, Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, who is responsible for their integrity and objectivity.

Nature of Business

The Company was founded in 1995 in the state of Ohio. The Company is the franchisor of Webby Dance Company franchises, specializing in teaching children's dance classes. Classes are most often conducted at day-care, preschool and similar facilities as a small group, extracurricular activity, with special event recitals to showcase the accomplishments of the dance students.

Basis of Financial Statements

The financial statements of the Company are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Accounts and Notes Receivable

The Company finances franchise purchases through notes receivable secured by the franchised territories. Franchise fees receivable for which promissory notes have not yet been executed are included in accounts receivable with royalties receivable. The Company provides for uncollectible accounts and notes receivable in the year they are determined to be uncollectible. Based on management's evaluation, no allowance for doubtful accounts receivable is necessary as of December 31, 2023 or 2022, and no allowance for doubtful notes receivable is necessary as of December 31, 2023. The allowance for doubtful notes receivable as of December 31, 2022 is $6,229.

Intangible Assets

Intangible assets are amortized using the straight-line method over a useful life of 15 years.

Revenue Recognition

The Company receives revenue from the sale of franchises and from royalties and marketing fund fees. Royalties are 8% of gross service sales and 4% of gross retail sales. In addition, franchisees pay a marketing fee equal to 1% of gross service sales. Royalty revenue is recognized as franchisee sales occur. Marketing fee revenue is recognized as the related marketing expenses are incurred.

The Company's franchise agreements have an initial term of five years. Franchisees have the right to renew the franchise for consecutive additional five-year terms subject to certain requirements established by the Company. In consideration for the initial franchise fee and continuing royalties and other amounts specified in the franchise agreement, the Company sublicenses new franchisees to use the Webby Dance Company trademarks and operating system, and provides training, preopening assistance, and shop operating assistance.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. The amount of revenue to be recognized reflects the consideration to which the Company is entitled to receive in exchange for the goods or services delivered. To achieve this core principle, the Company applies the following five steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

ASU 2014-09 initially required revenue from the licensing of symbolic intellectual property to be recognized over the period of time during which the franchisee has access to such intellectual property. In January 2021, FASB provided a practical expedient under which franchisors may account for pre-opening services provided to a franchisee or other licensee as distinct performance obligations and recognize revenue accordingly. Franchisors may also elect to treat specific pre-opening activities identified by FASB as a single performance obligation. The Company has adopted the practical expedient as of the earliest period presented in the financial statements, and has elected to treat all eligible pre-opening activities as a single performance obligation. Therefore 100% of the franchise fee is recognized as revenue when each franchised location commences operations. Management has determined that the value of its performance obligations after opening, consisting primarily of licensing, program support, and advertising, are equal to the royalties and advertising fees charged to each location.

Research and Development

Costs relating to designing and developing new products and services which will be used by the Company's franchisees are expensed as incurred.

Advertising

Advertising is expensed as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was $31,981 and $11,254, respectively.

Income Taxes

The Company, with the consent of its stockholder, has elected under the Internal Revenue Code to be classified as a Subchapter S corporation for federal and state income tax purposes. The income or loss of the Company is included in the federal and state income tax returns of the stockholder. California taxes the net income of Subchapter S corporations at a rate of 1.5%, subject to a minimum tax of $800. Accordingly, the Company's financial statements include a provision for California income taxes only.

Concentrations of Credit Risk

The Company maintains its cash with various commercial banks which are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation. At times, account balances may exceed insured limits. The Company has not experienced any losses on these accounts, and management believes the Company is not exposed to any significant risk related to its cash accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to be consistent with the current year presentation.

2. FRANCHISE ACTIVITY

Following is a summary of franchised locations for the years ended December 31, 2023 and 2022:

	Franchisee Owned	Owned by Affilite (Note 3)	Total
Locations at December 31, 2021	17	2	19
Locations opened	3	1	4
Locations sold to related party	(2)	-	(2)
Locations at December 31, 2022	18	3	21
Locations opened	4	1	5
Locations sold to franchisees	-	(1)	(1)
Locations at December 31, 2023	22	3	25

During the year ended December 31, 2022, the assets of two franchisee owned locations were sold to a a relative of the Company's president, who operates their locations without franchise agreements (Note 3).

As of December 31, 2022, two franchisees have signed franchise agreements but have not yet opened for business.

3. RELATED PARTY TRANSACTIONS

The Company shares common ownership with Weber School of Dance, Inc. (Weber SOD), which operates three locations as of December 31, 2023 and 2022. Weber SOD does not pay franchise fees for their locations. Royalty revenue received from Weber SOD was $229,390 and $207,396 for the years ended December 31, 2023 and 2022, respectively. Accounts receivable from Weber SOD total $46,741 and $19,116 as of December 31, 2023 and 2022, respectively.

One franchisee who is a relative of the Company's president operates locations in Ohio and Kentucky without franchise agreements. The assets related to two of these locations were purchased from franchisees during the year ended December 31, 2022.

4. NOTES RECEIVABLE

Notes receivable arise from promissory notes executed by franchisees to finance their initial franchise fee. The loans are secured by each franchisee's territory, bear interest at 4% per annum, and mature in four to five years, depending on the agreement. There are eight and seven loans outstanding as of December 31, 2023 and 2022, respectively.

Notes receivable as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Notes receivable	$ 124,323	$ 115,522
Allowance for doubtful notes	-	(6,229)
Notes receivable, net of allowance	124,323	109,293
Current portion	(47,217)	(44,186)
Notes receivable, net of current portion	$ 77,106	$ 65,107

Accounts receivable as of December 31, 2023 includes $20,000 related to a franchise purchase for which the promissory notes was not executed as of December 31, 2023.

5. INTANGIBLE ASSETS

Intangible assets as of December 31, 2023 and 2022 consist of the following:

	2023	2022
Goodwill related to repurchased territory	$ 105,538	$ 105,538
Client list	62,108	62,108
	167,646	167,646
Less accumulated amortization	(131,505)	(122,661)
Intangible assets, net	$ 36,141	$ 44,985

Amortization of intangible assets totaled $8,844 per year for the years ended December 31, 2023 and 2022.

6. RETIREMENT PLAN

The Company is included in a multi-employer defined benefit pension plan with Weber SOD. The annual contribution is determined by the plan administrator and is allocated between the two employers based on gross payroll. The Company's share of the contribution was $68,217 and $104,000 for the years ended December 31, 2023 and 2022, respectively, which is included in accrued liabilities on the Company's balance sheets.

7. PRIOR PERIOD RESTATEMENT

Accrued expenses as of December 31, 2022 and salaries and benefits expense for the year then ended have been restated to correct the accrual of the 2022 retirement plan contribution. The changes are summarized as follows:

	Accrued Expenses	Net Income
As originally stated	$ 131,298	$ 253,288
Prior period adjustment	(21,000)	21,000
As restated	$ 110,298	$ 274,288

8. ECONOMIC CONCENTRATIONS

As of December 31, 2023, one franchisee operating five locations, combined with the three locations operated by Weber SOD, account for approximately 58% of the Company's accounts receivable. For the year ended December 31, 2023, one franchisee operating five locations, combined with the three locations operated by Weber SOD, accounted for approximately 69% of royalty revenue. As of December 31, 2023 the Company's royalty and marketing fee revenue is derived from 22 locations owned by franchisees and three locations owned by Weber SOD, all operating in the United States.

As of December 31, 2022, Weber SOD, operating three locations, accounts for approximately 66% of the Company's accounts receivable. For the year ended December 31, 2022, one franchisee operating five locations, combined with the three locations operated by Weber SOD, accounted for approximately 63% of royalty revenue. As of December 31, 2022, the Company's royalty and marketing fee revenue is derived from 18 locations owned by franchisees and three locations owned by Weber SOD, all operating in the United States.

9. COVID-19 PANDEMIC

In January 2020, the World Health Organization (WHO) declared an international public health emergency over the spread of the COVID-19 coronavirus. Social distancing and other restrictions affected businesses worldwide. WHO declared the end of the public health emergency in May 2023. The outbreak and responses to the virus significantly disrupted and may continue to disrupt the Company's business.

The Company reduced and/or waived some royalty payments and allowed additional time for franchisees to pay royalties from 2021 to 2023 to accommodate COVID-related declines in sales.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 15, 2024, the date on which the financial statements were available to be issued.

EXHIBIT C-1

WEBBY DANCE COMPANY® FRANCHISE AGREEMENT

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STATE SPECIFIC ADDENDA TO WEBBY DANCE COMPANY® FRANCHISE AGREEMENT

ATTACHMENTS:

1. Territory
2. General Release of Claims Form
3. Authorization Agreement for Prearranged Payment
4. Nondisclosure and Noncompetition Agreement
5. Assignment of Telephone Numbers, Email Addresses and Web Addresses and Special Power of Attorney
6. Personal Guaranty and Subordination Agreement

WEBBY DANCE COMPANY®
FRANCHISE AGREEMENT

1. PARTIES

This franchise agreement is made between H & R Dance, Inc. (H & R, we or us), an Ohio corporation with its principal office in Long Beach, California, and _____ *[franchisee's legal name]* (you).

2. RECITALS

2.1. Ownership of System

We have developed a unique branded system for operating a children's dance instruction business. We own certain intellectual property rights, including the trade name and mark, WEBBY DANCE COMPANY®. We have spent time, effort, and money to develop business methods, technical knowledge, specialized services, proprietary choreography, operational processes, trade secrets, advertising materials, marketing strategies, and training techniques for operating WEBBY DANCE COMPANY® Businesses that offer classes in dance, gymnastics, yoga and cheerleading to children.

2.2. Objectives of Parties

We would like to grant to you the right and you would like to accept from us the obligation to own and operate business, using our Trade Name, Marks, and System, throughout the term of this agreement and according to its conditions.

3. DEFINITIONS

For purposes of this franchise agreement, when any of the following words and phrases begins with a capital letter, we define its meaning in this Article 3:

3.1. Business

"Business" means a business offering specified products and services related to dance, gymnastics, yoga, cheerleading and similar services to children, that we operate or that we have authorized a franchisee to operate under our Trade Name, Marks, and System.

3.2. CPI

"CPI" means the Consumer Price Index: All Items/U. S. City Average - All Urban Consumers (1982-1984 = 100), published by the Bureau of Labor Statistics, U. S. Department of Labor, or a comparable index that we select if the above-referenced index is no longer published.

3.3. Designated Owner

"Designated Owner" means you in your role as ultimate supervisor of your WEBBY DANCE COMPANY® Business or an owner of at least fifty-one percent (51%) of your equity whom we have certified as your Designated Owner.

3.4. Franchise Network

"Franchise Network" means the interdependent network composed of us, all WEBBY DANCE COMPANY® franchisees, our affiliates, and any other people or companies that we have licensed to use our Trade Name or Marks.

3.5. Good Standing

"Good Standing" means your timely compliance and that of your Related Parties with all provisions of this agreement and the Manual, specifically including provisions for timely payment of money you owe to us or our affiliate.

3.6. Gross Retail Sales

"Gross Retail Sales" means the total amount of money or other consideration you and your Related Parties receive for all recital costumes, tights, recital DVD's, digital copies of recitals, bags, T-Shirts, flowers and other merchandise, including concessions, sold by you in, at, from or in association with your WEBBY DANCE COMPANY® franchise and/or in connection with our Trade Name or Marks, less adjustments, allowances, refunds, credits, dishonored checks or payments counted as revenue in a prior period, and sales tax.

3.7. Gross Services Sales

"Gross Services Sales" means the total amount of money or other consideration you and your Related Parties receive for all services, including dance, yoga, cheerleading or similar instruction and presentation of recitals, rendered in association with our Trade Name or Marks, less adjustments, allowances, refunds, credits, dishonored checks or payments counted as revenue in a prior period, and sales tax.

3.8. Host Organization

"Host Organization" means an organization, such as a provider of community, preschool or child care center services at which it would be suitable to offer WEBBY DANCE COMPANY® products and services.

3.9. H & R

"H & R" means H & R Dance, Inc., or any person or company to which we allocate part or all of our rights and obligations under this agreement.

3.10. Manual

"Manual" means the manual or manuals that we will lend you or to which we will give you access on our intranet during the term of this agreement, as updated from time to time, containing information, forms, and requirements for the establishment and operation of a WEBBY DANCE COMPANY® Business and for use of our Trade Name and Marks.

3.11. Marks

"Marks" means the trademarks, service marks, trade dress, logotypes, slogans, and other commercial symbols we authorize you to use under this agreement.

3.12. Proprietary Choreography

"Proprietary Choreography" means the original dance arrangements we make available for use in your Business, including the music used in the arrangements and the media and dance notes that memorialize them.

3.13. Related Party

"Related Party" or "Related Parties" means "people and companies associated with you, including general partners, limited partners, shareholders, companies in which you have a controlling interest, companies in which any person or company owning a controlling interest in you also has a controlling interest, and your officers and directors."

3.14. School Administrator

"School Administrator" means the owner, director or other chief administrator at a Host Organization.

3.15. Start Date

"Start Date" means the date when your WEBBY DANCE COMPANY® Business opens for business or ninety (90) days after we sign this agreement, whichever is first. The Start Date may be extended only with our written consent.

3.16. System

"System" means the intellectual property that we license to you under this agreement, including the right to use our business methods, technical knowledge, specialized services, proprietary choreography, operational processes, trade secrets, advertising materials, marketing strategies, and training techniques.

3.17. Termination

"Termination" means expiration of this agreement, non-renewal of this agreement, or termination of this agreement before its normal expiration date.

3.18. Territory

"Territory" means the geographic area we grant to you in this agreement.

3.19. Trade Name

"Trade Name" means the commercial name "WEBBY DANCE COMPANY."

3.20. Transfer

Except as described in Section 9.5 of this agreement, "Transfer" means any sale, gift, or other change in the majority beneficial ownership of: (1) rights in this agreement, (2) the capital assets of your WEBBY DANCE COMPANY® Business or (3) you, if you are a company.

3.21. You

"You" means the person or company that is named as "you" in Article 1 of this agreement." If you are an individual, "you" also means your Designated Owner. "You" means, in addition, all people or entities that succeed to your interest by Transfer or operation of law.

4. FRANCHISED RIGHTS

4.1. Granting Clause

We grant to you the right and obligation and you accept from us the right and obligation to own and operate a WEBBY DANCE COMPANY® Business within a designated Territory under our Trade Name, Marks, and System during the term of this agreement and according to its provisions.

4.2. Territory

Subject to the terms of this Agreement, including the rights reserved and "Acquiring Extraterritorial Accounts" policy exceptions described below, your designated Territory will be protected during the term of the franchise agreement, meaning that we will not for ourself, nor through an affiliate or franchisee of ours, open or operate a WEBBY DANCE COMPANY® Business servicing customers located within your Territory.

Your Territory will not include any marketing exclusivity. You may promote and advertise your Business in the Territory specified in Attachment 1 to this Agreement or within a reasonable distance outside the Territory. We encourage franchisees to focus their marketing in their Territory, however, we understand it is impossible to control the boundaries of marketing in some instances. You may provide products and services related to your WEBBY DANCE COMPANY® Business only to customers located inside your Territory except under the limited circumstances described below related to, "Acquiring Extraterritorial Accounts." We have the right to convert any competitor account to a WEBBY DANCE COMPANY® account, even if the account is located in your designated Territory. We may, in our sole discretion, offer you certain of these competitor accounts that we have converted to Webby Dance Company Accounts located in your designated Territory, for a price based on number of students and frequency of classes as well as the price we paid for them. If you do not choose to purchase such accounts, we may offer them to other franchisees at the same price or operate them ourselves or through an affiliate. Such Accounts will become part of your designated Territory.

"Acquiring Extraterritorial Accounts" encompasses situations in which it may be appropriate for us to grant you certain limited and/or temporary rights related to specified geographic areas or customer accounts located outside your designated Territory. Such instances might involve an area outside your Territory that is not yet part of the territory designated to another Webby Dance Company® franchisee and in which an account is located that has specifically requested that you provide Webby Dance Company products and services. You must request our ***prior written consent*** to such areas and/or accounts. You must have no further discussion with or make no commitment related to such customer, area and/or account located outside your Territory, unless and until you receive our written consent to do so in accordance with this policy. We will respond to your request within thirty (30) days from receipt of all relevant information related to the situation and may refuse in whole or in part and/or may grant such rights on a temporary or otherwise limited basis, in our sole and absolute discretion. Any Extraterritorial Accounts that you may acquire from us do not represent part of your designated Territory and thus are not subject to the rights associated with your designated Territory, including, without limitation, you do not have any "protected" Territory rights that would preclude us from opening and/or franchising others to open a Webby Dance Company® in such areas or related to any Extraterritorial Account. We may terminate some or all of your Extraterritorial Accounts on sixty (60) days' written notice, with or without cause, and you must then cease all activities related to any terminated Extraterritorial Account.

4.3. Rights Reserved

We reserve the exclusive right to conduct and/or control Internet promotion and marketing, including the exclusive right to establish and use social media accounts in connection with our Trade Name or Marks. We will conduct Internet promotions for the purpose of generally promoting the Trade Name, Marks and/or Franchise Network. We reserve all other rights not expressly granted to you in this agreement, including the right to establish Businesses anywhere outside

your Territory, the right to establish, purchase or franchise businesses within your Territory as long as they are not operated under the WEBBY DANCE COMPANY® Trade Name or Marks or marks substantially similar thereto, and the right to sell Proprietary Choreography through any channel of distribution other than through a WEBBY DANCE COMPANY® Business. We also have the right to acquire competitors or their assets and convert them to WEBBY DANCE COMPANY® classes and/or businesses, even if they are in your Territory. If this occurs, we may, at our option, offer these classes to you for a price based on number of students and frequency of classes as well as on the price we paid for them. If you are not in good standing under this agreement or do not choose to purchase these classes, we may offer them to other franchisees at the same price or operate them through an affiliate.

4.4. Term and Renewal

4.4.1. Initial Term

The initial term of the franchise will begin on the Start Date and will continue for five (5) years.

4.4.2. Renewal

You have the right to renew the franchise for consecutive additional five- (5) year terms on the same terms and conditions as those on which we are customarily granting new franchises at the time of renewal if, at the time of renewal, the following conditions have been fulfilled:

(a) You and your Related Parties are in Good Standing under this agreement, any other agreement between us or our affiliates and you, and the Manual,

(b) You have notified us in writing at least one hundred eighty (180) days before the expiration date of this agreement of your intention to renew,

(c) You and any Related Parties that have signed this agreement have signed a copy of the franchise agreement for the renewal term not less than ninety (90) days before the expiration of this agreement or thirty (30) days after you receive the renewal franchise agreement from us, whichever is later,

(d) You and any Related Parties that are guarantors to this agreement have signed a special release of claims in the form of Attachment 2 to this agreement with respect to past dealings with us and our affiliates , and

(e) You have paid us the renewal fee described in Section 6.8 of this agreement.

The provisions of the standard franchise agreement we use at the time of renewal may be materially different from this agreement's provisions. Changed provisions may include increased royalties and advertising fund contributions.

4.5. Minimum Performance Standard

Maintenance of your right to operate your Business is dependent upon your meeting an annual Minimum Performance Standard.

4.5.1. Your Responsibility

Beginning one (1) year after the Start Date, we will review your lists of students and classes each year. To maintain your right to operate your Business, you must maintain a Minimum Performance Standard of at least one hundred (100) active students or at least an average of ten (10) classes per week, over each twelve (12) calendar month period following your Start Date.

4.5.2. Consequences of Failure to Meet

If you do not meet the Minimum Performance Standard at the end of any year, we will notify you in writing of that fact. If you do not meet the Minimum Performance Standard at the end of the following year, it will constitute a material event of default giving us the right, in our sole discretion, to Terminate your franchise upon ninety (90) days' written notice and opportunity to cure.

4.6. Market Withdrawal

If we publish an announcement that we have determined that continued franchising in the state, region or standard metropolitan statistical area (as established by the United States Office of Management and Budget) within which your Business is located is not appropriate for reasons that relate to our economic or other interests and that we are withdrawing from franchise activity in such state/region/area (provided that we can continue to honor and service any then-existing franchisees under outstanding agreements), then we will be considered to have made a general market area withdrawal, will have no liability to you therefor and will not be required to offer you any renewal franchise or similar rights (a "Market Withdrawal"). In that event and if you are not in default of this agreement, you will not be required to comply with your non-competition obligations under Section 8.6, and we will not prevent you from retaining control of the principal place of your Business, if applicable. You agree that if any statute or court decision requires "good cause" (or any similar standard) for non-renewal, our compliance with the provisions of this clause will be deemed to be good cause.

5. OUR SERVICES

We will perform the following services for you at times and places we select as long as you are in Good Standing under this agreement, any other agreement with us and the Manual:

5.1. Initial Training Program

Before the opening of your Business, we will conduct an initial training program in the marketing and operating procedures of your Business under the WEBBY DANCE COMPANY® System for you or your Designated Owner.

5.2. Manual

We will lend you or make available to you on our intranet, if we establish one, a Manual containing explicit instructions for use of the Marks, specifications for goods that will be used in or sold by your Business, sample business forms, information on marketing, management, and administrative methods developed by us for use in your Business, names of approved suppliers, and other information that we believe may be necessary or helpful to you in your operation of your Business. We will revise the Manual periodically to meet the changing needs of the Franchise Network and will distribute updated pages containing these revisions to you, or, if the Manual has been placed on our intranet, will post revised pages there.

5.3. Approved or Designated Suppliers

We will advise you of sources and specifications for opening inventory and supplies you will need in your business. We will give you, in the Manual or otherwise in writing, names and addresses of approved or designated suppliers of certain goods and services. In approving or designating a particular supplier other than ourselves or our affiliate, **we expressly disclaim any warranties or representations as to the condition of the goods or services sold by the suppliers, including, without limitation, expressed or implied warranties as to**

merchantability or fitness for any intended purpose. You agree to look solely to the manufacturer or supplier for the remedy of any defect in the goods or services.

5.4. Marketing Fund

5.4.1 Administration

We will administer the marketing fund, which we will account for separately on the general ledger. The purpose of the fund is to pool our advertising money and that of our franchisees so as to achieve greater benefits for all in promoting the Trade Name and Marks. We may use the fund to pay for market research, advertising materials, media space and time for a national or regional advertising program, a promotional web site, online generation of leads to Host Organizations such as schools, recreation departments, and community centers, a referral program, social media use, community events and public relations activities. We may use the fund to create templates and forms that you may use to produce local marketing material. We may use up to fifteen percent (15%) of fund money to compensate ourselves for overhead and other expenses incurred in connection with our administration of the fund. We will distribute to our franchisees, once a year, upon request, a marketing fund report that will state the total amounts of money collected and spent by the Fund during the past year and list, by general category, the manner in which we spent the money.

5.4.2. Allocation of Expenditures

We will give strong preference to marketing fund projects that are system wide in scope, but we may allocate some fund money to regional groups of franchisees or individual franchisees when we reasonably consider it fair and desirable. We reserve the unqualified right to decide, in our sole discretion, where, when and how fund money will be spent.

5.4.3. Repayment of Advances

We have the right to lend money to the marketing fund, without interest, and to repay ourselves from fund money during the same or a subsequent fiscal year.

5.5. Proprietary Choreography Availability

We will choreograph the dances and routines that you teach in your classes and provide you with one set of videos of the dances and routines at no additional charge. We will use our commercially reasonable efforts to ensure that we or a designated supplier will at all times have a supply of extra copies of Proprietary Choreography for sale to you at below retail pricing.

5.6. Additional Training

We will provide additional training to you when we believe that additional training is needed.

5.7. Consultation

We will provide support related to the operation of your Business to help you comply with our quality standards and specifications. We will suggest tuition prices for your classes to the extent allowable under law. We will provide telephone, fax, email or on-line consultation and support services to you for no additional charge.

6. YOUR PAYMENTS

6.1. Initial Franchise Fee

When you sign this agreement, you will pay us in immediately accessible funds an initial franchise fee of twenty-five thousand dollars ($25,000). The initial franchise fee is not refundable.

6.2. Royalties

On the fifth (5th) day of each month, or on any other day that we designate in writing, you must submit a statement of **Gross Retail Sales** and **Gross Service Sales** on the form we designate. On the tenth (10th) day of each month, or on any other day that we designate in writing, you will pay us a monthly royalty of (a) four percent (4%) of Gross Retail Sales plus eight percent (8%) of Gross Service Sales, as defined in Article 3 of this agreement, or (b) a monthly minimum royalty, whichever is more. The monthly minimum royalty is two hundred fifty dollars ($250) and is only in effect for the full calendar months running from October through June of each year. We may increase the minimum royalty each year in an amount corresponding to the increase in the CPI for the immediately preceding year.

6.3. Marketing Fund Contributions

On the tenth (10th) day of each month during the term of this agreement, you will pay to the marketing fund a monthly contribution of one percent (1%) of the **Gross Service Sales** of your Business during the previous month. This amount may be adjusted upon notice to you but will not exceed two percent (2%) of your Gross Service Sales.

6.4. Payment of Royalties and Marketing Fund Contributions

Your obligation to pay ongoing monthly royalties and monthly marketing fund contributions begins on the Start Date of this agreement. If the Start Date is on any day other than the first (1st) day of a month, we will prorate the minimum royalties and minimum marketing fund contribution based on the number of days from the Start Date to the last day of the first month under this agreement.

You must sign the attached authorization agreement for prearranged payment, in the form of Attachment 3 to this agreement, or any other document necessary to enable us to initiate payment of royalties and marketing fund contributions by electronic funds transfer or pre-arranged draft, at our option. If we are unable to take payment by electronic funds transfer or pre-arranged draft because you have not submitted a statement of Gross Retail Sales and Gross Service Sales or for any other reason for which you are responsible, our inability to take payment will be considered to be your failure to make payment.

6.5. Audit

We have the right to audit your books and records, including your tax returns and financial and business data from fixed and removable drives of your business computer system, with respect to your Business during normal working hours with no advance notice. Alternatively, at our sole option, we may require you to send digital or paper copies of selected records to us for audit. The auditor may be our employee or an independent contractor and does not have to be an accountant. If an audit discloses an underpayment of royalties or marketing fund contributions payable under this agreement, you must immediately upon invoice pay these amounts to us together with accrued interest on the amount underpaid as provided in this Article. If you are

unable to produce the records you are required to maintain to explain any discrepancy disclosed by the audit, the discrepancy will be presumed to result from an underpayment.

If we performed the audit because you did not provide required financial statements at the times and in the format specified in the Manual or if the underpayment exceeds three percent (3%) of the total royalty or marketing fund contribution payable for any period covered by the audit, you must also reimburse us for our expenses in conducting the audit.

If you dispute our finding of an underpayment, we will retain, at your written request within ten (10) days of receiving our notification of underpayment, a certified public accountant to audit your books and records for the period under examination. If the certified public accountant's report shows an underpayment that equals or exceeds any underpayment we found or if the audit cannot be completed because you withhold requested records, you must reimburse us for our expenses in obtaining both audits, the amount of the underpayment and interest on past due amounts.

6.6. Training Fees and Costs

We do not charge a fee for the initial training program. For all training we offer, you must pay any costs of travel, lodging, meals, and other incidental expenses that you or your employees incur or that we incur in traveling to your location, at your request, to conduct training, including a reasonable *per diem* for any trainer who travels to your location.

6.7. Payment for Purchases from Us

When ordering an extra library or extra libraries of Proprietary Choreography, marketing materials, dance or other service recital tickets or other products and/or services we may designate from time to time from us, you must submit a check for the full purchase price, plus an additional amount to cover the costs of shipping, freight insurance, and any applicable duties, sales or use tax, as we specify, with each order. We have the right to require payment in cash, electronic funds transfer, cashier's check, or other means of making the funds immediately accessible to us if, in our reasonable discretion, your payment practices or financial status, the amount of the order, general economic conditions, or other business reasons make it advisable.

6.8. Reimbursement of Renewal Expenses

If we have incurred any attorney fees or other direct costs in connection with the renewal, you must reimburse us, in the maximum amount of five thousand dollars ($5,000), as a condition of renewing this franchise when you sign the franchise agreement for the first renewal term.

6.9. Transfer Fee

As a condition of Transfer of this franchise, you must pay, before the Transfer, a transfer fee of five thousand dollars ($5,000) if your transferee is a new WEBBY DANCE COMPANY® franchisee and two thousand five hundred dollars ($2,500) if your transferee is an existing WEBBY DANCE COMPANY® franchisee.

6.10. Declined Payment Charge

You must pay us, upon invoice, a declined payment charge of thirty-five dollars ($35) or our actual expense, whichever is more, to compensate us for the administrative expenses and bank charges we incur if your credit card payment to us is declined or your check or electronic payment to us is dishonored by the bank.

6.11. Administrative Processing Fee for Late Payment or Report

You must pay us, upon invoice, an administrative processing fee of fifty dollars ($50) for each payment or report that we do not receive from you when due. The purpose of the late payment charge is to compensate us for the administrative burden imposed upon us by your failure to comply with your obligation to pay or report in a timely manner.

6.12. Interest on Late Payments

Any payment that we do not receive from you when due will bear interest at one and a half percent (1.5%) per month or at the highest rate allowed by applicable law on the date when payment is due, whichever is less. We charge interest on late payments to partially compensate us for loss of use of the funds that would otherwise be difficult to measure precisely. The fact that we impose these charges is not a waiver of our right to be paid on time.

6.13. Application of Payments

We may apply any payment you make to us, at our option, to any past due debt you owe us regardless of how you say the payment should be applied. We do not have to accept payments after they are due or extend credit or otherwise finance your operations, except as specifically provided in this agreement. If you do not pay all amounts when due, we may suspend our services and support until you cure the failure. If you do not make the payment within any applicable cure period, we have the right, at our option, to terminate this agreement.

7. YOUR OBLIGATIONS

7.1. Use of Intellectual Property

7.1.1. Context

You may use our Proprietary Choreography, Trade Name and Marks only in the operation of a WEBBY DANCE COMPANY® Business for services to customers located within your Territory. You may not use any other trade name or marks in connection with your Business. You must sign an Assignment of Telephone Numbers, Email Addresses and Website Addresses in the form of Attachment 5 to this agreement when you sign this agreement. You will not use any Mark, or modified version or derivative of a Mark, as part of your franchise entity legal name or any other business entity name. You shall give such trademark registration and other notices, including notices of independent ownership, as we direct and shall obtain fictitious or assumed name registrations as may be required under law.

7.1.2. Changes in Trade Name and Marks

We have the right to change our Trade Name and Marks and the specifications for each when we believe, in our reasonable discretion, that the changes will benefit the Franchise Network. You must promptly conform, at our expense, to any such changes.

7.1.3. Advertising Materials

All advertising and promotion that you undertake must be completely truthful, conform to the highest standard of ethical advertising and comply with any applicable laws and regulations. You may not establish a web site or social media account that uses our Trade Name, Marks and/or Proprietary Choreography in its name or content. You may not use images of WEBBY DANCE COMPANY® students or classes on your personal web site or social media account. You must submit to us copies of all promotional and advertising materials that you propose to use at least two weeks before the proof approval deadline. We will review the materials within a

reasonable time and will promptly notify you whether we approve or reject them. We may not withhold our approval unreasonably. Even if we approve specified materials, we may later withdraw our approval if we reasonably believe it is necessary to make the advertising conform to changes in the System or to correct unacceptable features of the advertising.

7.1.4. Legal Protection

You must notify us immediately in writing if you become aware of any unauthorized use of our Trade Name, Marks, or System. You must promptly notify us in writing of any claim, demand, or suit against you or against your principals in connection with your use of the Trade Name, Marks, or System. In any action or proceeding arising from or in connection with any such claim, demand, or suit, we may select legal counsel and have the right to control the proceedings.

7.2. Quality Assurance

7.2.1. Initial Training Program

You or your Designated Owner must attend and successfully complete all phases of the initial training program and complete it to our satisfaction. Your Business must always be directly or indirectly supervised by a person who has successfully completed our initial training program and who is certified by us in writing to act as Designated Owner. Failure to successfully complete any aspect of the training program, as we determine in our reasonable discretion, constitutes grounds for immediate termination of your franchise.

7.2.2. Attendance at Additional Training

If we advise you that attendance at an additional training program is mandatory, you must attend and complete the program, at your own expense, to our reasonable satisfaction.

7.2.3. Opening

You may not open your Business to the public until we certify in writing that, in the view of our management, you and your employees are prepared to begin operation.

7.2.4. Compliance with Manual

You must operate your Business in total compliance with the standards and specifications stated in the Manual. We may make changes in our standards and specifications, when, in our reasonable discretion, change is needed for the continued success and development of the Franchise Network. Such changes may require the purchase of dance equipment and supplies or other goods, completion of additional training, or other cost to you. You must promptly conform to the modified standards and specifications at your own expense. You must at all times keep your copy of the Manual current by inserting in it any revised pages we give you and deleting superseded pages. If there is any dispute as to the requirements of the Manual at any point in time, the terms of our master copy of the Manual will control.

7.2.5. Goods and Services Offered

You must use and sell all the goods and services and only the goods and services that we have authorized you to provide. You must offer children's classes in dance using our Proprietary Choreography. You may also offer children's classes in yoga, gymnastics and cheerleading and dance classes using your own choreography that we have approved. If, from time to time, we decide to make changes in the goods and services you are authorized to provide or in the specifications for the goods and services, you must comply with the changed requirements at your own expense.

If we have designated a particular supplier as the source for goods or services you use or sell in your Business, you may buy only from that supplier. If we tell you that you must obtain our approval of your supplier of a certain type of goods or services and you would like to buy these goods or services from a supplier that we have not previously approved, you must notify us in writing and, upon our request, give us product specifications, sample products, and/or information about the supplier. We will promptly give you our written approval or our reasons for withholding our approval. If you ask us to approve a supplier, you must reimburse us for any expenses we reasonably incur in inspecting the supplier's premises, checking the supplier's credentials, or testing the product. As a condition of approving a supplier of any product that bears the Trade Name or Marks, the supplier must sign our license agreement to enable us to control the quality. We may withdraw our approval of a supplier if the supplier no longer meets our standards.

For each dance recital to which you charge admission, you must provide each attendee with a dance recital ticket from a block of tickets that you have purchased from us. Before the end of the month in which the recital is held, you must return the unused recital tickets to us. If you do not, we are entitled to assess royalties on the assumption that you sold all the tickets in the block of tickets.

You must accept the credit cards that we designate. You must participate in any gift card program that we establish according to the terms of the program.

You must use any software or hardware that we specify and must update your system to maintain compatibility with our requirements for your computer system.

7.2.6. Host Organization Satisfaction Program

We may use various techniques to obtain feedback from School Administrators concerning your services. If the feedback indicates that your performance does not meet our currently effective standards, as described in the Manual, or if we receive unusual numbers of Host Organization complaints about your Business, we may suggest ways in which you can improve your performance. If you do not take immediate, effective steps to bring your operation up to our standards, your failure to do so will be a material breach of this agreement.

7.2.7. Maintenance and Upgrades

You agree to keep your Business equipment and accessories clean and in excellent repair. Periodically, we will ask you to replace or remodel display items and to upgrade the equipment, including your instructor equipment, such as props, music media and mats, computer system and marketing materials, to meet our currently effective standards. You must promptly comply with any such request.

7.2.8. Professional Conduct

In all your dealings with us, your students, your employees, your suppliers and others, you and your staff must adhere to the highest possible standards of professional conduct, courtesy, honesty, integrity, ethical behavior, dependability, good faith and fair dealing. You must respond promptly and courteously to any communications we direct to you. Neither you nor your staff may engage in any conduct that, in our reasonable opinion, may injure the goodwill associated with the Trade Name and Marks. You must do everything you can to promote and maintain the excellent reputation of the WEBBY DANCE COMPANY® Franchise Network. Breach of this clause is a breach of this agreement and, if material, is grounds for immediate termination without opportunity to cure.

7.2.9. Field Visits

We may conduct periodic quality assurance field visits to your Business, on reasonable advance notice, during your normal business hours. You must cooperate with our representatives during field visits and must obtain required approvals from School Administrators for our representatives to observe any of the classes you or your instructors teach. Subject to Host Organization and parent approval, you must permit us to photograph and/or videotape your classes. The purpose of field visits is to maintain System standards and to assist and encourage you in your professional development. You must promptly correct any deficiencies in your operation of which we advise you.

7.2.10. Proprietary Choreography

The Proprietary Choreography used in your Business is unique and central to the success of the Franchise Network. You must use the Proprietary Choreography in your Business. You may obtain extra libraries of training videos, music and dance notes used in connection with the Proprietary Choreography only from us or our designated supplier. Use or sale of unauthorized copies of any part of the Proprietary Choreography without our prior written consent, which we may withhold in our sole discretion, is a material breach of this agreement.

7.2.11. Notification of Complaints

You must notify us promptly if you are served with a complaint in any legal or administrative proceeding that is in any way related to your Business or if you become aware that you are the subject of any complaint to or investigation by a governmental licensing authority or consumer protection agency.

7.3. Attendance at Annual Meeting

We may, at our sole discretion, arrange an annual meeting to provide updates, offer continuing education, and encourage discussion of topics of importance to the Franchise Network. If we designate attendance at the annual meeting as mandatory, you or your Designated Owner must attend at your own expense. Currently, we do not charge a fee for attendance at the annual meeting.

7.4. Personnel

7.4.1. Management

Your Designated Owner (you or the majority owner whom you have appointed and we have certified as the person who has day-to-day control of your Business and overall responsibility for its operation) must devote full time and best efforts to the management and operation of your Business and must directly or indirectly supervise all financial and operational aspects of your Business. We are entitled to address all communications to you to your Designated Owner and your Designated Owner may make agreements with us on your behalf. You must keep us informed of the identity of your Designated Owner(s). If we, in our reasonable discretion, determine that a Designated Owner is not properly performing his or her duties, we will advise you and you must immediately take steps to correct the situation.

7.4.2. Employees

You must employ a sufficient number of qualified employees who have been properly trained to teach the WEBBY DANCE COMPANY® routines, conduct classes and deal with students according to our System and in the manner in which you were trained. You must see

that your employees preserve excellent student, parent and school relations, conform to our dress code, and otherwise comply with this agreement and the Manual.

7.5. Advertising Obligations

7.5.1. Start-up Marketing Program

You must spend at least five hundred dollars ($500) on a start-up marketing program conducted in accordance with the general guidelines for the program that we provide in writing.

7.5.2. Student Recruitment

You must spend at least $500 each year on student recruitment, marketing, and/or promotion of your Business in a manner that conforms with our written guidelines. You must submit, on or before the fifteenth (15th) day after receipt of written request from us, copies of invoices or other written substantiation evidencing that you have complied with the provisions of this paragraph during the timeframes specified in our request.

7.6. Information

7.6.1. Records

You must establish a record-keeping system that complies with our written requirements. We have the right to access and copy the data on your computer system upon reasonable advance notice. You must keep financial records of your business in the form prescribed by the Manual for at least three (3) years.

7.6.2. Reports

You must submit to us a list of your Host Organizations once a year, by the date we specify, that includes the organization name, name of the School Administrator, address and telephone number of each institution. You must also submit to us a profit and loss statement and balance sheet for your Business annually within ninety (90) days after each calendar year end. You must submit to us a profit and loss statement and balance sheet for your Business monthly within fifteen (15) days after the month end. You must prepare and submit to us any other reports, including financial analysis reports that we require on an ongoing basis at the times that we specify. You must have computer and communications equipment and software that meet specifications stated in the Manual to create financial reports, transmit them to us electronically, receive e-mail communications and enable you to participate in our intranet, if we establish one.

You must submit to us copies of all federal and state income tax returns related to your Business within seven (7) days after filing. We may use this data to confirm that you are complying with your obligations under this agreement, to formulate earnings and expense information to show to prospective franchisees, and to advise you on Business operations.

7.7. Insurance

You must purchase and maintain a policy or policies of comprehensive public liability insurance covering all Business assets, personnel, and activities on an occurrence basis with a combined single limit for bodily injury, death, or property damage of not less than five hundred thousand dollars ($500,000). We may increase the minimum coverage requirement annually to reflect inflation or other changes in circumstances. You must also carry casualty insurance in a minimum amount equal to the replacement value of your Business property, including inventory and equipment. Each of these insurance policies must contain a provision that the policy cannot be canceled or amended without thirty (30) days' written notice to us. It must be issued by an insurance company with a rating of at least "AXII" by A.M. Best & Co., designate us as an

additional named insured and be satisfactory to us in form, substance, and coverage. You must deliver a certificate of the issuing insurance company evidencing each policy to us in any manner we specify as soon as the policy is issued or renewed.

In addition, you must maintain policies of workers' compensation insurance, unemployment, disability insurance, and any other types of employment insurance required by applicable law.

7.8. Financial and Legal Responsibility

7.8.1. Compliance with Law

You must comply with all federal, state, and local laws and regulations pertaining, directly or indirectly, to your Business. You must keep current all licenses, permits, bonds, and deposits made to or required by any government agency in connection with your operation of your Business. You must obtain professional advice about and strictly follow all applicable laws and regulations relating to unemployment insurance, workers' compensation insurance and withholding and payment of payroll taxes.

7.8.2. Payment of Indebtedness

You must pay promptly when due all taxes and debts that you incur in the conduct of your business, particularly debts to your approved or designated suppliers. You must remain completely current in meeting your financial responsibilities to us.

8. RELATIONSHIP OF PARTIES

8.1. Interest in Marks and System

You may not at any time do or cause to be done anything contesting or impairing our interest in our Trade Name, Marks or System or causing harm to the goodwill associated with the Trade Name and Marks. You are not granted any rights in our Trade Name, Marks or System except for your right to use them according to the express terms of this agreement. You must use your best efforts to enhance and protect the goodwill of the Franchise Network. In consideration of our obligations to you stated in this agreement, you grant and assign to us all of your rights, title and interest in any dances or routines that you create for use in your classes and these dances or routines, at our option, become part of the System. We retain the right to grant other franchises or licenses to use the Trade Name, Marks, and System on any terms that we would like, subject only to your rights described in Article 4 of this agreement.

8.2. Independent Status

You are an independent contractor and must make this fact clear in your dealings with suppliers, lessors, government agencies, employees, students, and others. You must rely on your own knowledge and judgment in making business decisions, subject only to the requirements of this agreement and the Manual. You may not, expressly or implicitly, hold yourself out as our employee, agent, partner, member, shareholder, joint venturer, or representative, nor may you state or suggest that you have the right or power to bind us or to incur any liability on our behalf. You may not use any part of the WEBBY DANCE COMPANY® Trade Name or Marks as part of your legal name (corporate, limited liability company, or partnership name), nor on your business or payroll checks, although you must use the Trade Name as your fictitious business name.

8.3. Display of Statement

Business cards, stationery, purchase order forms, invoices, leases, tax returns, and other documents you use in your business dealings with suppliers, lessors, government agencies, employees, schools, and parents must clearly identify you as an independently owned and operated business.

8.4. Confidentiality

The elements of our Proprietary Choreography and the information, ideas, forms, marketing plans, and other materials we disclose to you under this agreement, whether or not included in the Manual, are our confidential and proprietary information and trade secrets. You agree to maintain the confidentiality of all such material. You may not disclose any such information to any third party, except to your employees and agents as necessary in the operation of your Business and except as we authorize in writing. It is your responsibility to obtain compliance of your Related Parties with the provisions of this section. Each of your Related Parties must sign a written nondisclosure agreement, in the form of Attachment 4 to this agreement, when you sign this agreement. You must obtain a nondisclosure agreement from each new Related Party with whom you become affiliated during the term of this agreement and promptly send a copy of the nondisclosure agreement to us.

8.5. Indemnification

You must indemnify and hold us harmless from all expenses and liabilities of any kind arising from or in any way connected to any act or omission of yours other than the operation of your Business in strict compliance with this agreement. If we are made a party to a legal proceeding in connection with your act or omission, we may hire counsel to protect our interests and bill you for all expenses and fees we incur. You must promptly reimburse us.

We must indemnify and hold you harmless from all expenses and liabilities of any kind arising from or in any way connected to any third party claim that your operation of a WEBBY DANCE COMPANY® Business infringes its intellectual property rights or misappropriates its trade secrets. If you are made a party to a legal proceeding in connection with a claim of this type, we will hire counsel to protect our interests and will defend you at our own expense. Any settlement we negotiate will bind you, but we will reimburse you for your direct cost of compliance with the settlement agreement.

8.6. Covenant Not to Compete

You may not, during the term of this agreement, operate or own a beneficial interest in any business that offers dance, gymnastics, yoga or cheerleading instruction to children other than by, through or in connection with your WEBBY DANCE COMPANY® Business. You may not, for two (2) years after Termination of this agreement, operate or own a beneficial interest in any business that offers dance, gymnastics, yoga or cheer leading instruction to children that is located within the Territory of any WEBBY DANCE COMPANY® Business or of the WEBBY DANCE COMPANY® Business you formerly operated. You agree to obtain the individual written agreement of each of your Related Parties to the provisions of this section in the form of Attachment 4 to this agreement.

9. TRANSFER OF FRANCHISE

9.1. Purpose of Conditions for Approval of Transfer

We grant this franchise in reliance on your integrity, ability, experience, training, and financial resources. You may not sell the franchise, your Business operated under it or any interest in your franchisee entity or assets, unless you have first obtained our written consent, which may not be unreasonably withheld. To ensure that no Transfer jeopardizes the Trade Name, Marks, or our interest in the successful operation of your Business, we will consent to a Transfer only if you fully comply with the provisions of Sections 9.2 through 9.4 of this agreement.

9.2. Notice of Intention to Transfer

If you would like to transfer this franchise, you must submit to us: (a) the form of application for a prospective franchisee we currently use, completed by the prospective transferee and (b) a written notice, describing all the terms and conditions of the proposed Transfer or a copy of the purchase and sale agreement.

9.3. Consent and Right of First Refusal

We must respond in writing to your written notice within fifteen (15) days after receiving it, or, if we request additional information, within the latter of fifteen (15) days after receipt of the additional information or the final day of the original fifteen- (15-) day period. We may either approve the Transfer, state in writing our reason for refusing to approve it, or purchase your Business from you ourselves on the same terms and conditions as those offered by the third party. Silence is not consent. If we preliminarily approve the Transfer, then you may transfer the interest described in the notice only to the named transferee and only on the terms and conditions stated in the notice. Our final consent to the Transfer must be obtained in writing after all the conditions stated below have been fulfilled. Our consent to a particular Transfer may not be considered consent to any other or subsequent Transfer.

9.4. Conditions for Consent to Transfer

Our consent to your Transfer will not be unreasonably withheld, but will be subject to certain conditions, including, but not limited to:

(a) Our decision, based on the information that you submit and any other information available, that the proposed transferee meets all of the criteria of character, business experience, financial responsibility, net worth, and other standards that we customarily apply to new franchisees at the time of Transfer,

(b) Payment of all your outstanding debts to us,

(c) Cure of all defaults under the franchise agreement, any other agreement(s) between us and you or your Related Parties, and the Manual,

(d) Signing by the transferee of the then-current form of franchise agreement, and signing by the transferee's Related Parties of required supplemental agreements in the forms attached to the applicable franchise agreement,

(e) Unless the transferee is an existing franchisee, completion by the transferee or the transferee's Designated Owner of our initial training program to our satisfaction,

(f) Signing by you and your Related Parties of a special release of claims against us and our affiliates in the form of Attachment 2 of this agreement,

(g) Our decision, based on our review of the proposed purchase agreement or notice, that the agreement and any financing of the sale will give the buyer a reasonable chance to succeed as our franchisee, and

(h) Your payment of the applicable transfer fee described in Section 6.9 of this agreement.

9.5. Assignments Not Treated as Transfers

The Transfer provisions described above do not apply to an assignment to:

(a) Any Trustee, Guardian, Executor, or Conservator for the account and benefit of a spouse, ancestor, or descendent;

(b) Any of your employees under any employee stock option plan or stock purchase plan, if any share certificate distributed in connection with a plan of this type is marked with a legend describing the restrictions and conditions of Transfer required by this agreement;

(c) Any business entity if the controlling interest in the franchisee immediately after the assignment is the same and in the same proportions as the controlling interest immediately before the assignment. We will consent to an assignment of this type only if you fulfill all of the following conditions:

(i) You promptly advise us in writing of the assignment and send us a copy of the assignee's organizational documents and a list of names of the assignee's owners together with a statement of percentage of ownership;

(ii) You sign a guarantee, in the form attached as Attachment 6, of the obligations of the assignee; and

(iii) You and your transferee sign a consent to assignment of franchise in a form we approve and containing our written consent to the assignment and general release from you.

9.6. Change of Ownership Upon Inability to Manage

If you and/or your Designated Owner become unable for any reason to devote full time and best efforts to the management and operation of your Business and to directly or indirectly supervise all financial and operational aspects of your Business for a period of fourteen (14) days or more, we have the right to immediately assume temporary management of the Business upon written notice and may seek provisional relief to enforce this right. If this occurs, we may receive and retain all revenue generated by the Business from the date when we assume management and you or your Designated Owner may have ninety (90) days from our written notice within which to find and notify us of a proposed Transfer to a qualified transferee. If you or your Designated Owner do not propose a qualified transferee within the specified period and promptly proceed to fulfill the requirements for Transfer of the Business to that transferee, the franchise will automatically terminate at the end of that period unless we have granted a written extension of time.

9.7. Assignment by H & R

We may freely assign this agreement, any interest in us or our assets, or any rights or obligations created by this agreement without notice or your consent upon the following conditions: (a) we reasonably believe that the assignee can perform our obligations under this

agreement, and (b) the assignee expressly agrees in writing to assume our obligations under this agreement.

10. TERMINATION OF FRANCHISE

10.1. Termination by Consent of the Parties

The parties may terminate this agreement by mutual written consent.

10.2. Termination by H & R

10.2.1. Notice of Default

This agreement will terminate ninety (90) days after we give you written notice of either of the defaults described in subsections (a) and (b) below if you do not cure the default and have not presented us with a qualified prospective transferee within this period and then proceed to Transfer the franchise according to this agreement. This agreement will terminate thirty (30) days after we give you written notice of default if any of the defaults described in subsections (c) through (e) below has not been cured. This agreement will terminate five (5) days after we give you written notice of default if the default described in subsection (f) below has not been cured. This agreement will terminate immediately when we give you written notice if any of the defaults described in subsections (g) through (r) below occurs.

10.2.2. Events of Default

Subject to the notice provisions in the preceding section, upon the occurrence of any of the following defaults, at our option we may terminate this agreement:

(a) If you or your Designated Owner becomes unable for any reason to devote full time and best efforts to the management and operation of your Business and to directly or indirectly supervise all financial and operational aspects of your Business.

(b) If you do not meet the Minimum Performance Standard after notice that you did not meet it during the preceding Calendar Year

(c) If you do not submit to us in a timely manner any information or report we require you to submit under this agreement or the Manual, or if you do not deliver to us, in a timely manner, evidence of each insurance policy required by this agreement whenever the policy is amended or renewed,

(d) If you do not begin operation of your Business by the Start Date of this agreement or if you operate your Business in a manner that does not conform to this agreement and the Manual in any material respect, or if you do not devote full time and best efforts to the management and operation of your Business, except as described in subsection (a) above.

(e) If you default in the performance of any material obligation under this agreement not otherwise described in this list of defaults,

(f) If you do not make any payment when due under this agreement or any other agreement between you and us,

(g) If your Designated Owner does not successfully complete the initial training program and we conclude, in our reasonable discretion, that the Designated Owner is unable or unwilling to do so,

(h) If you intentionally or recklessly misuse the Trade Name, Marks or the System or engage in conduct that reflects materially and unfavorably on the goodwill associated with them, or if you use in your Business any names, marks, systems, logotypes, or symbols that we have not authorized you to use,

(i) If you or any of your Related Parties has any direct or indirect interest in the ownership or operation of any business that is confusingly similar to a Business or that uses the System or the Marks without authorization from us, or if you do not give us a signed copy of the Nondisclosure and Noncompetition Agreement of each of your Related Parties within ten (10) days after that party becomes a Related Party,

(j) If you or your Related Party attempt to assign your rights under this agreement or to transfer your Business in any manner not authorized by this agreement,

(k) If you or your Related Party has made any material misrepresentation in connection with the acquisition of Business or to induce us to enter into this agreement, or if you knowingly keep false books or intentionally make false royalty reports or make any other material misrepresentation to us in the operation of your Business,

(l) If any other agreement between you or your Related Party and us or our affiliate is terminated because of your material default,

(m) If you act without our prior written approval or consent in regard to a matter for which this agreement expressly requires our prior written approval or consent,

(n) If you stop operating your Business for a period of fourteen (14) days or more without our prior written consent or under circumstances that lead us to the reasonable conclusion that you do not intend to resume operation or if you fail, without reasonable explanation, to be present to teach or provide a qualified instructor to teach two (2) or more scheduled classes within a sixty- (60-) day period,

(o) If you commit a material default and we have twice previously given you written notice of the same type of default within the preceding twelve (12) months, whether or not you have cured the defaults,

(p) If we reasonably determine that the continued operation of your Business will pose a threat to public health or safety,

(q) If you become insolvent, or

(r) If you are convicted of criminal misconduct that involves abuse of or negligence in regard to a child, is violent in nature, is related to substance abuse, or any felony.

10.3. Rights and Obligations After Termination

Upon Termination of this agreement for any reason, the parties will have the following rights and obligations:

(a) We may stop performing our obligations under this agreement.

(b) You must give us a final accounting for your Business, pay us within thirty (30) days after Termination all payments due to us, and return the Manual, marketing materials, Proprietary Choreography, including DVD's, music and/or dance notes, and any other property belonging to us or our affiliate or containing proprietary information.

(c) Upon our written request, you must immediately and permanently stop using the Marks or any confusingly similar marks, the System, and any advertising, signs, stationery, or forms

that bear identifying marks or colors that might give others the impression that you are operating a Business.

(d) You must promptly sign any documents and take any steps that in our judgment are necessary to delete your listings from classified telephone directories, disconnect or, at our option, assign to us any telephone numbers that have been used in connection with your Business, and terminate all other references that suggest you are or ever were associated with us. By signing this agreement, you irrevocably appoint us your attorney-in-fact to take the actions described in this paragraph if you do not do so yourself within seven (7) days after this agreement is terminated.

(e) You must maintain all records we require you to maintain under this agreement for not less than three (3) years after final payment of any money you owe to us when this agreement is terminated.

(f) We have the right, at our sole option, to acquire sole rights in the Host Organization list of the Business from you, during the sixty- (60-) day period following the effective date of Termination, on the following terms:

i. We must send written notice to you within thirty- (30) days after Termination of this agreement if we elect to exercise the option to acquire the lists.

ii. We may pay five dollars ($5) per Host Organization to buy from you the exclusive right to the information on the list, including organization names, contact names, addresses, telephone numbers and email addresses. You must give us updated digital copies of the lists. We may offset any amounts that you owe us against the purchase price you receive for the lists.

iii. If there is any dispute between the parties regarding the purchase and the rights and obligations described in this subsection, the prevailing party will be entitled to attorney's fees and costs incurred in resolving the dispute, as determined by the arbitrator.

(g) We have the right to immediately assume management of the Business upon written notice and may seek provisional relief to enforce this right without the obligation to post a bond. If this occurs, we may receive and retain all revenue generated by the Business from the date when we assume management.

(h) If the franchise granted in this agreement is terminated because of either party's material default, the rights described in this section may not necessarily be the injured party's exclusive remedies, but will instead supplement any other equitable or legal remedies available. If this agreement is terminated because of either party's material default, the other party has the right to recover damages as compensation for lost future profits based on your reasonably anticipated future gross revenue.

(i) Termination of this agreement will not end any obligation of either party that existed before Termination. All obligations of the parties that by their terms or by reasonable implication may be performed in whole or in part after Termination will survive Termination.

11. MISCELLANEOUS PROVISIONS

11.1 Construction of Contract

Section headings in this agreement are for reference purposes only and will not in any way modify the statements contained in any section of this agreement. Each word in this

agreement may be considered to include any number or gender that the context requires. If there is any conflict between this agreement and the Manual, this agreement will control.

11.2 Governing Law

This agreement will be governed by and interpreted under the laws of the State in which your Territory is located, with the following exceptions: (a) the arbitration clause will be exclusively governed by and should be construed according to the Federal Arbitration Act, and (b) trademark rights will be governed by and construed according to the Lanham Act.

11.3 Notices

The parties to this agreement should direct any notices to the other party at the address below that party's name on the final page of this agreement or at another address if advised in writing that the address has been changed. Notice may be delivered by personal delivery, facsimile (with simultaneous mailing of a copy by first class mail), email (with simultaneous mailing of a copy by first class mail), business courier service or first class mail. Notice by facsimile or email will be considered delivered upon transmission, by business courier service, upon written confirmation of delivery or attempted delivery from the business courier service, and by first class mail, three days after posting. Notice of Termination or nonrenewal must be sent by a receipted form of delivery, but will be effective upon attempted delivery if sent to the address described in the first sentence of this section even if delivery is not accepted.

11.4 Amendments

This agreement may be amended only by a document signed by all of the parties to this agreement or by their authorized agents.

11.5 Waiver

Waiver of any breach of this agreement may not be interpreted as a waiver of any other or subsequent breach.

11.6 Integration

This agreement and any exhibits or attachments to it are the entire agreement between the parties concerning the franchise it grants. All other agreements and representations, other than the representations in the disclosure document, are superseded by it.

11.7 Negotiation and Mediation

The parties have reached this agreement in good faith and in the belief that it is mutually advantageous to them. In the same spirit of cooperation, they pledge to try to resolve any dispute without litigation or arbitration. They agree that, if any dispute arises between them, before beginning any legal action or arbitration to interpret or enforce this agreement, they will first attempt to negotiate a settlement and, if either party files a mediation proceeding, participate in the mediation. Good faith participation in these procedures to the greatest extent reasonably possible is a precondition to maintaining any legal action or arbitration to interpret or enforce this agreement.

11.7.1 Initiation of Procedures

The party that initiates these procedures must give written notice to the other party, describing in general terms the nature of the dispute, specifying the party's claim for relief, and identifying one or more people with authority to settle the dispute for him, her, or it. The party

receiving the notice has ten (10) days within which to designate by written notice one or more people with authority to settle the dispute on the responding party's behalf.

11.7.2 Direct Negotiations

The parties may investigate the dispute as they consider appropriate, but agree to meet in person or by prearranged teleconference within fourteen (14) days from the date of the initial notice to discuss resolution of the dispute. Each party agrees to consider the other party's point of view in considering the dispute and to negotiate in good faith, with an open mind to compromise, in a serious effort to finally resolve the dispute.

11.7.3 Mediation

If the dispute has not been resolved within thirty (30) days after the initial notice, either party may, at its option, begin mediation procedures. Mediation will be conducted by and under the rules of the American Arbitration Association (AAA) in Los Angeles County, California, unless the parties agree otherwise in writing. The mediator must have substantial experience as an attorney representing franchisors or franchisees or both.

11.8 Arbitration

Any dispute arising out of or in connection with this agreement must be determined by binding arbitration before a single arbitrator by the AAA in Los Angeles County, California, under the rules for commercial arbitration of the AAA, as varied by the express provisions of this agreement. Disputes regarding claims exceeding $150,000 must be decided by a panel of three (3) neutral arbitrators. The arbitrator(s) must have substantial experience as an attorney representing franchisors or franchisees or both. This arbitration clause does not deprive either party of any right it may otherwise have to seek interim injunctive relief from a court of competent jurisdiction. There will be no discovery other than an exchange of documents that will be introduced at the hearing, an exchange of lists of witnesses who will testify at the hearing, production of any signed agreements between the parties to the dispute and the taking of one deposition of up to three (3) hours by each party. If proper notice of any hearing has been given, the arbitrator will have full power to take evidence or to perform any other acts necessary to arbitrate the matter in the absence of any party who fails to appear. The arbitrator will have no power to make any award that modifies or suspends any lawful provision of this agreement and must provide a reasoned award. Any award must include interest from the date of any damages incurred for breach of contract and from the date of the award until judgment on the award is paid in full. Judgment on any award may be entered by any court of competent jurisdiction.

11.9 Individual Dispute Resolution

Any arbitration or litigation between or among the parties to this agreement and any of their affiliates or Related Parties will be conducted on an individual basis and not on a consolidated or class-wide basis.

11.10 Limitation of Actions

Neither party may maintain an arbitration petition or action against the other party unless (a) the party makes reasonable good faith efforts to follow the negotiation and mediation procedures described above, and (b) subject to applicable state law, files an arbitration petition within one (1) year after the party knows or should know the facts on which the arbitration petition is based.

11.11 No Attorney Fees

If legal action, including any action on appeal, or arbitration is necessary to enforce the terms and conditions of this agreement, neither party will be permitted to recover attorney fees from the other, unless either party is entitled to recover attorney fees under applicable law if it prevails. In that case, if the opposing party prevails, it has a reciprocal right to recover attorney fees. The reference to legal action in this section should not be construed as a waiver of the binding arbitration provision in Section 11.8 of this agreement.

11.12 Severability

Each provision of this agreement is severable. If any of its provisions is determined to be invalid or in conflict with any existing or future law or regulation, that provision will not impair the operation of the remaining provisions of this agreement. The invalid provisions will be considered not to be a part of this agreement. However, if we decide that the finding of illegality adversely affects the basic consideration for our performance under this agreement, we may, at our option, terminate it.

11.13 Approval and Guaranties

If you are a corporation, all officers and shareholders with a ten percent (10%) or greater interest in you, or, if you are a partnership, all your general partners, or, if you are a limited liability company, all your members must approve this agreement, permit you to give us the financial information we require, and agree to the restrictions placed on them, including restrictions on the transferability of their interests in the franchise and your Business and limitations on their rights to compete, and sign separately written guaranties of your payments and performance in the form of Attachment 6 to this agreement.

11.14 Acceptance by H & R

This agreement will not be binding on us unless and until it has been signed by our President, Rebecca E. Weber.

THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK

IN WITNESS TO THE FOREGOING, the parties have signed this agreement and warrant that their respective signatory whose signature appears below is duly authorized by all necessary and appropriate corporate action to sign this agreement.

FRANCHISOR
H & R DANCE, INC.

Date: _____ By: _____
Rebecca E. Weber
President

1369 East 28th Street
Signal Hill, California 90755

Sign here if Franchisee is an individual:*

FRANCHISEE

Date: _____ _____

Print Name: _____

**Multiple individuals wishing to enter into this agreement together must form a company to sign as a single franchisee in the signature block below.*

Sign here if Franchisee is a company:

FRANCHISEE

Company Name: _____

Date: _____ By: _____

Print Name: _____

Title: _____

Franchisee Address: _____

_____

CALIFORNIA STATE SPECIFIC ADDENDUM TO
WEBBY DANCE COMPANY®
FRANCHISE AGREEMENT

1. INTRODUCTION

This is the California Addendum to the WEBBY DANCE COMPANY® Franchise Agreement (the "Agreement") with an effective date of _____ by and between H & R DANCE, INC. ("Company"), an Ohio corporation, and _____ _____("Franchisee"), a California franchisee. The terms of this Addendum shall survive the termination or expiration of the Agreement.

1. To the extent that Sections 9 ("Assignment"), 10 ("Default and Termination" and "Rights and Obligations Upon Termination"), and 4 ("Term and Renewal") and any other terms of the Agreement are inconsistent with the California Franchise Relations Act (CA. Bus. & Prof. Code §20020, et. seq.), the terms of the statute will control and the applicable Section shall be modified only to the extent required to comply with such law. The parties agree that in no event shall a reasonable opportunity to cure to the extent required under such statute be greater than seventy five (75) days.

2. **Assignment**. Notwithstanding anything to the contrary contained in the Agreement, in the event that Franchisee desires to assign all or any part of its rights, privileges and interests under this Agreement, Franchisee shall first offer such Assignment to the Company by notifying the Company in writing of the material terms and conditions. Franchisee shall deliver to Franchisor by business courier or receipted U.S. mail, written notice of Franchisee's intent of Assignment, which notice shall include the proposed assignee(s)' name and address and shall be accompanied by a copy of all agreements and related documents pertaining to the proposed Assignment (including price). Franchisee shall also concurrently provide the Company with the estoppel certificate identified below and such other information as needed by the Company to enable the Company to evaluate the offer. The Company shall have the first right, but not the obligation, to acquire said rights, privileges and interests of Franchisee by accepting the offer in accordance with said terms and conditions. Within sixty (60) days of Company's receipt of the notice described above, and all requested information, Company shall notify Franchisee in writing by business courier or U.S. receipted mail of Company's consent or withholding of consent to the proposed Assignment, or in accordance with this Section, of its acceptance for itself or its nominee of the Assignment on the terms specified in Franchisee's notice. If Company elects not to exercise its right of first refusal and consents to the proposed Assignment, then Franchisee shall be authorized to complete the proposed transaction with the proposed assignee on the terms contained in the original notice to Company and subject to satisfaction of the conditions contained in Sections 9, as applicable. Any material change to any such terms of Assignment shall constitute a new proposal, which shall again require compliance with the procedures provided in this Section or as required under applicable state law. Should Company elect to exercise its right of first refusal, Franchisee agrees to promptly make the Assignment to the Company on the stated terms and conditions.

If, within sixty (60) days after receipt of Franchisee's notice, the Company does not indicate its acceptance of the offer as stated in the notice, Franchisee shall thereafter have the right, subject to the prior written consent of the Company, to make the Assignment to the proposed assignee on the same terms and conditions as stated in the notice. Franchisee acknowledges

and agrees that the Company shall be entitled, at its election and without liability to Franchisee, to provide assignee with information relating to the Business, including information in the Company's possession relating to operations and sales. The Company shall not unreasonably withhold its consent to an Assignment provided that the Franchisee and the assignee satisfy such reasonable terms and conditions which may be imposed by the Company as a condition to obtaining the Company's consent, which may include, without limitation, the following:

(Section 9 a. through h. remain as they originally appear in the Agreement.)

3. The following language is added as Section 9 i) of the Agreement.

i) Franchisee shall deliver to Company the assignee's completed application, which shall include all forms, financial disclosures, related documentation and such other information as then may be required to complete Company's evaluation of prospective new franchisees, and shall respond to any request from Company for additional information within fifteen (15) days of receipt of such request.

4. Notwithstanding anything to the contrary contained in the franchise agreement, in addition to all other available rights and remedies, the Company shall have the right to terminate this Agreement only for "cause." "**Cause**" is defined as a material breach of this Agreement, including but not limited to any of the facts or circumstances specified in Sections 10, each of which is a substantial failure to comply with this Agreement.

In addition to all other available rights and remedies, the Company shall have the right upon the occurrence of any of the following events to terminate this Agreement effective immediately upon giving written notice thereof to Franchisee:

a. Franchisee abandons and fails to operate the Business for fourteen (14) consecutive days or any shorter period of time after which the Company reasonably determines that Franchisee does not intend to continue to operate the business, unless such failure to operate or abandonment is due to fire, flood, earthquake or other similar cause beyond Franchisee's control, in which case Franchisee shall comply with the requirements set forth in in the agreement related to such casualty, as applicable;

b. Franchisee i) admits to an inability to pay its debts as they become due, ii) is declared bankrupt or judicially determined to be insolvent, iii) has a receiver appointed, or iv) has all of Franchisee's assets, or a substantial portion thereof, assigned to or for the benefit of any creditor;

c. A levy of execution is made upon the Business, the license granted by this Agreement or upon any property used in the Business, and it is not discharged within five (5) days of such levy;

d. The Business, equipment or premises are seized, taken over or foreclosed by a creditor, lienholder or lessor, provided that a final judgment rendered against Franchisee remains unsatisfied for at least thirty (30) days and a supersedeas or other appeal bond has not been filed;

e. Franchisee fails to pay any franchise fees or any other amounts due Company or any of Company's Affiliates within five (5) days of receiving written notice that such fees or other amounts are overdue;

f. Franchisee or any of its partners, officers, members, directors or principal shareholders is convicted of a felony or is convicted of any other criminal misconduct that is relevant to the operation of the Business;

g. Franchisee makes any material misrepresentation in connection with the acquisition of the Franchise herein;

h. Franchisee engages in conduct which reflects materially and unfavorably upon Franchisee's operation, the reputation of the Business, the System, or the goodwill associated with the Trade Names or Marks;

i. Franchisee or any Franchisee Affiliate repeatedly fails to comply with one (1) or more requirements of this Agreement, any Area Development Agreement, any other agreement between Franchisee and the Company or as specified in the Manual, whether or not corrected after notification thereof. A repetition within a one-year (1-year) period of any default shall justify the Company terminating this Agreement upon written notice to the Franchisee without allowance for any curative period;

j. Franchisee fails for a period of ten (10) days after notification of noncompliance to comply with all licensing, permitting or other government authorization requirements necessary to lawfully operate the Business or with any other federal, state or local laws or regulations applicable to the operation and maintenance of the Business, including, but not limited to, public health and safety and labor law requirements;

k. Company reasonably determines that continued operation of the Business by Franchisee will result in an imminent danger to public health or safety;

l. Except for non-compliance otherwise covered by Subparagraphs a. through k., above, Franchisee fails to correct a deficiency or unsatisfactory condition referred to in any Report which the Company reasonably determines may have a material adverse effect on the ownership or operation of the Business after having received sixty (60) days in which to cure such deficiency or unsatisfactory condition;

m. Franchisee or any Franchisee Affiliate commits a non-curable breach of any covenant, term, or condition of any note or other agreement between Franchisee and the Company (or an Affiliate of the Company), the effect of which is to allow the Company to terminate such agreement before its stated termination/expiration date, subject to applicable state law.

Except for any default by Franchisee under Section 4 above, or as otherwise expressly provided in this Agreement, Franchisee shall have sixty (60) days after the Company's written notice of a material default within which to remedy any material default under this Agreement, and to provide evidence of such remedy to the Company. If any such default is not cured within that time period, or such longer time period as applicable law may require or as the Company may specify in the notice of default, this Agreement

and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure. Franchisee shall be in material default for any failure to comply with any of the lawful requirements imposed by this Agreement. Such material defaults shall include, but are not limited to, the occurrence of any one or more of the following events, each of which shall be a substantial failure to comply with this Agreement:

a. Franchisee fails to pay when due any taxes or similar payments due for the Business;

b. Franchisee fails to cure any default by Franchisee under any loan, note or other obligation which is obtained to assist Franchisee in making any payment due the Company hereunder or which is secured by all or any part of Franchisee's interest in the Business, and/or the inventory or equipment thereof

c. The attachment of any involuntary lien in the sum of One Thousand Dollars ($1,000) or more upon any of the business assets or property of Franchisee, which lien is not removed, or for which Franchisee does not post a bond sufficient to satisfy such lien, within thirty (30) days of the filing of such lien;

d. Franchisee or any Franchisee Affiliate fails to cure any and all curable defaults under the terms and provisions of any other agreement with the Company, or any third party relating to this franchise or the operation or ownership of the Business, including any other Franchise Agreement or any other agreement or promissory note between the Company or its Affiliate and Franchisee or any Franchisee Affiliate within the time provided for the curing of any such defaults in any such other agreement or promissory note;

f. Franchisee’s misuse or unauthorized use of the Trade Names, Marks or System;

g. Franchisee’s failure to offer and sell any required product or service;

h. Franchisee’s failure to use Company’s Approved Suppliers or Designated Distributors;

i. Franchisee’s offer of products or services that fail to meet Company Specifications; or

j. Franchisee’s failure to comply with any mandatory standard or requirement of this Agreement or the Manual which is not otherwise addressed in this Section.

Notwithstanding anything to the contrary contained in this Section, in the event any valid, applicable law of a competent governmental authority having jurisdiction over this Agreement and the parties hereto shall limit the Company’s rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. The Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination thereof.

The Company shall be entitled to delay its delivery of any goods or services or performance of any obligation due to Franchisee under this Agreement for so long as Franchisee is in default under this Agreement, and no such delay in performance or delivery shall be deemed to be a breach of this Agreement.

5. Unless the termination is mutually agreed upon by Company and Franchisee in writing or as otherwise permitted by applicable law, the following apply and are hereby substituted for Sections 10.3(f)(i) and (ii):

10.3(f)(i). Company shall have the right upon termination or non-renewal of the Franchise to purchase from Franchisee at the value of price paid by Franchisee, minus depreciation, Franchisee's inventory, supplies, equipment, fixtures and furnishings (the "Items") purchased or paid for under the terms of this Agreement or an agreement ancillary hereto by Franchisee to Company or to its approved suppliers that are possessed or used by Franchisee in the Business at the time of termination or non-renewal. For the purposes of this provision and compliance under and construction of the California Franchise Relations Act (CFRA), the parties agree that such depreciation shall be calculated based on the last filed depreciation schedules included by Franchisee in an IRS income tax return for the Business filed for a calendar year preceding the calendar year in which the Franchise Agreement terminated or expired and was not renewed.

(ii) In the event a court or arbitrator finds that Company has terminated or failed to renew this Agreement in violation of the CFRA, the parties agree that the fair market value of the franchised business and franchise assets (the "FMV") for purposes of compliance with the CFRA shall be established in accordance with the following procedure: the mutual agreement of the parties as to FMV or if unable to mutually agree, Company and Franchisee shall mutually select an independent Certified Business Appraiser within thirty (30) days of such court/arbitrator finding. If unable to identify a mutually agreeable Certified Business Appraiser, Company and Franchisee within forty five (45) days of such court/arbitrator finding shall each identify an independent Certified Business Appraiser (the "Designees") and such Designees shall promptly and mutually agree to a third independent Certified Business Appraiser whose determination of the FMV shall be final and binding on the parties. This provision shall survive the termination or expiration of the Franchise Agreement.

6. Section 8.6 is removed and replaced with the following:

8.6 To further protect the Franchise Network while this Agreement is in effect and for a period of two (2) years thereafter, regardless of the cause of termination, Franchisee and each officer, director, shareholder, member, manager, partner, and other equity owner, as applicable, of Franchisee, if Franchisee is an Entity, shall neither directly nor indirectly own, operate, control, provide services to or have any financial interest in any other business which would constitute a "Competitive Business" (as hereinafter defined) if the fulfillment of such duties and responsibilities with respect to such Competitive Business would inherently call upon Franchisee or such individual to disclose and/or use Confidential Information, without the prior written consent of the Company; provided further, that the Company may, in its sole discretion, consent to the Franchisee's continued operation of any business already in existence and operating at the time of execution of this Agreement. The foregoing shall not apply to operation of a WEBBY DANCE COMPANY® Business by Franchisee pursuant to another Franchise Agreement with the Company or the ownership by Franchisee of less than five percent (5%) of the issued or outstanding stock of any company whose shares are listed for trading on any public

exchange or on the over-the-counter market, provided that Franchisee does not control or become involved in the operations of any such company. For purposes of this Section, a "Competitive Business" shall mean a business or enterprise that markets or sells choreography, dance, gymnastics, yoga or cheerleading classes to children and/or sells children's dance costumes, tights, dance DVDs, in which all such sales comprise more than twenty percent (20%) of sales for such business/enterprise, or any other business which offers, provides, or sells (or grants franchises or licenses to others to operate a business that offers, provides, or sells) products and/or services similar to those provided by a WEBBY DANCE COMPANY® franchised business.

8. INCORPORATION OF FRANCHISE AGREEMENT

The terms and conditions of the Agreement are incorporated into this Addendum by reference except to the extent that they conflict with the terms and conditions of this Addendum. If there is a conflict, the terms and conditions of this Addendum will govern.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the date first stated above.

FRANCHISOR
H & R DANCE, INC.

Date: _____ By: _____
Rebecca E. Weber
President

1369 East 28th Street
Signal Hill, California 90755

Sign here if Franchisee is an individual:*

FRANCHISEE

Date: _____ Sign: _____

Print Name: _____

**Multiple individuals wishing to enter into this agreement together must form a company to sign as a single franchisee entity in the signature block below.*

Sign here if Franchisee is a company:

FRANCHISEE ENTITY:

Date: _____ By _____

Print Name: _____

Title: _____

Washington

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

2. Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

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

4. General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

5. Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

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

7. Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

9. Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

10. Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

11. Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

12. Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

13. Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

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

15. Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the

franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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

17. Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____ 20_____.

_____
Signature of Franchisor Representative

_____
Title of Franchisor Representative

_____
Signature of Franchisee Representative

_____
Title of Franchisee Representative

IN WITNESS WHEREOF, the undersigned have executed and delivered this Agreement on the date first stated above.

FRANCHISOR
H & R DANCE, INC.

Date: _____ By: _____
Rebecca E. Weber
President

1369 East 28th Street
Signal Hill, California 90755

Sign here if Franchisee is an individual:*

FRANCHISEE

Date: _____ Sign: _____

Print Name: _____

**Multiple individuals wishing to enter into this agreement together must form a company to sign as a single franchisee entity in the signature block below.*

Sign here if Franchisee is a company:

FRANCHISEE ENTITY:

Date: _____ By _____

Print Name: _____

Title: _____

TERRITORY

ATTACHMENT 1

Subject to the terms and conditions of the franchise agreement, the Territory for your WEBBY DANCE COMPANY® Business is the following cities:

_____

_____

Note: Boundary lines of each city listed above include only the area within the boundary line. You have no rights under this agreement or otherwise with respect to any customer located outside of the boundary line, street or highway or otherwise, and no matter how close to such boundary a customer may be, regardless of the distance from, impact on, or vicinity of, your Business, other outlets or otherwise in any area or market. Should boundaries of any cities designated on this Attachment change due to political re-districting, or other such action, your Territory will be deemed to have the same geographic boundaries as those designated for that city on the Start Date of this agreement.

Initials _____ _____

ATTACHMENT 2 TO THE FRANCHISE AGREEMENT
CURRENT FORM OF RELEASING LANGUAGE
(SUBJECT TO CHANGE BY FRANCHISOR)

NOT TO BE SIGNED WITH THIS FRANCHISE AGREEMENT

Release - General Provisions. The Franchisee(s), together with any Owner of the Franchisee (if the Franchisee(s) are or become a Business Entity), on their own behalf and on behalf of each of their respective Affiliates, shareholders, members, managers, partners, officers, directors, employees, agents, representatives, successors and assigns (collectively, the "Franchisee Parties"), hereby release and forever discharge each and all of the Franchisor-Related Persons/Entities (as defined below) of and from any and all causes of action, in law or in equity, suits, debts, liens, defaults under contracts, leases, agreements or promises, liabilities, claims, demands, damages, losses, costs or expenses, of any nature whatsoever, howsoever arising, **known or unknown**, fixed or contingent, past or present, that the Franchisee Parties (or any of them) now has or may hereafter have against any or all of the Franchisor-Related Persons/Entities by reason of any matter, cause or thing whatsoever from the beginning of time to the date hereof (the "Claims"), it being the mutual intention of the parties that this release be unqualifiedly general in scope and effect and that any Claims against any of the Franchisor-Related Persons/Entities are hereby forever canceled and forgiven; provided that this Release shall not apply to any Claims arising from representations in any Franchise Disclosure Document received by Franchisee Parties, or any of them, in connection with the acquisition of a WEBBY DANCE COMPANY® Franchise, or any Claims for violations of federal and/or state franchise registration and disclosure laws or state franchise relationship laws, to the extent such a release is precluded by applicable law (individually and collectively, "Excluded Matters").

THE FRANCHISEE PARTIES ACKNOWLEDGE THAT THEY ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

> **"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS/HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, AND THAT IF KNOWN BY HIM/HER WOULD HAVE MATERIALLY AFFECTED HIS/HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."**

THE FRANCHISEE PARTIES, BEING AWARE OF THIS CODE SECTION, HEREBY EXPRESSLY WAIVE ALL OF THEIR RIGHTS THEREUNDER AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT OF ANY APPLICABLE JURISDICTION, INCLUDING, WITHOUT LIMITATION, CALIFORNIA AND/OR JURISDICTIONS OF FRANCHISEE PARTIES' RESIDENCE AND THE LOCATION OF FRANCHISED UNIT; EXCEPTING ONLY THOSE CLAIMS SOLELY RELATED TO EXCLUDED MATTERS.

The Franchisee Parties expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Franchisee Parties, and it is the Franchisee Parties intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may

or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Franchisee Parties are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Franchisee Parties represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Franchisee Parties, in the Franchisee Parties' independent judgment, believe necessary or appropriate. The Franchisee Parties have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else, not expressly set forth herein, in executing this document and/or the related releases.

Franchisee(s) Initials: _____N/A_____

Franchisee Owner(s) Initials: _____N/A_____

No Assignment or Transfer of Interest. The Franchisee Parties represent and warrant that there has been, and there will be, no assignment or other transfer of any interest in any Claims that the Franchisee Parties may have against any or all of the Franchisor-Related Persons/Entities, all Claims having been fully and finally extinguished, and the Franchisee Parties agree to forever indemnify and hold the Franchisor-Related Persons/Entities harmless from any liability, claims, demands, damages, losses, costs, expenses or Attorneys' Fees incurred by any of the Franchisor-Related Persons/Entities as a result of any person asserting any interest in any of the Claims and/or any voluntary, involuntary or other assignment or transfer, or any rights or claims under any assignment, transfer or otherwise. It is the intention of the parties that this indemnity does not require payment by any of the Franchisor-Related Persons/Entities as a condition precedent to recovery against the Franchisee Parties under this indemnity.

Attorneys' Fees. If the Franchisee Parties, or anyone acting for, or on behalf of, the Franchisee Parties or claiming to have received, by assignment or otherwise, any interest in any of the Claims, commence, join in, or in any manner seek relief through any suit (or otherwise) arising out of, based upon or relating to any of the Claims released hereunder or in any manner asserts against all or any of the Franchisor-Related Persons/Entities any of the Claims released hereunder, the Franchisee Parties agree to pay all Attorneys' Fees and other costs incurred by any of the Franchisor-Related Persons/Entities in defending or otherwise responding to said suit or assertion directly to the Franchisor-Related Persons/Entities incurring such costs.

"Franchisor-Related Persons/Entities." H &R Dance, Inc., Weber School of Dance, Inc. and their respective affiliates, and each of their respective predecessors, successors and assigns, and the shareholders, officers, directors, members, managers, partners, agents, employees, attorneys, heirs, executors and representatives of each of the foregoing, whether past, current or future.

Date of Releases, Joint and Several Liability. The releases granted hereunder will be deemed effective as of the date hereof. The liabilities and obligations of each of the Franchisee Parties (and any other person/entity providing releases to the Franchisor-Related Persons/Entities) will be joint and several.

The general release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

ATTACHMENT 3
AUTHORIZATION AGREEMENT FOR
PREARRANGED PAYMENT (DIRECT DEBIT)

The undersigned depositor (Depositor) authorizes H & R Dance, Inc. (H & R) to request debit entries and/or credit correction entries to the Depositor's checking and savings account(s) indicated below and the depository (Depository) to debit the account according to H & R's instructions.

Depository	Branch
Street Address, City, State, Zip Code	
Bank Transit/ABA Number	Account Number

This authorization is to remain in full force and effect until Depository has received joint written notification from H & R and Depositor of the Depositor's termination of the authorization in a time and manner that will give Depository a reasonable opportunity to act on it. In spite of this, Depository will give H & R and Depositor thirty (30) days' prior written notice of the termination of this authorization. If an incorrect debit entry is made to Depositor's account, Depositor will have the right to have the amount of the entry credited to the account by Depository, if within fifteen (15) calendar days following the date on which Depository sent to Depositor a statement of account or a written notice pertaining to the entry or forty-five (45) days after posting, whichever occurs first, Depositor has sent Depository a written notice identifying the entry, stating that the entry was in error, and requesting Depository to credit the amount to the account. These rights are in addition to any rights Depositor may have under federal and state banking laws.

Depositor	Depository
By	By
Title	Title
Date	Date

ATTACHMENT 4
NONDISCLOSURE AND
NONCOMPETITION AGREEMENT
(For Other Than California Franchisees)

Confidant is about to undergo training by H & R Dance, Inc. (H & R) or one of its franchisees. During this process, Confidant will learn a great deal about the WEBBY DANCE COMPANY® System, including information about its franchisees' business affairs, finances, management, marketing programs, philosophy, students and methods of doing business. Confidant will have access to H & R's Proprietary Choreography and to confidential information developed and maintained at substantial cost by H & R. This intellectual property and information is proprietary to H & R. Its use by third parties could cause substantial and irreparable damage H & R.

Therefore, in return for either (a) his or her training by H & R to operate a Business or (b) his or her employment by H & R or by one of its franchisees, the undersigned (Confidant) agrees as follows:

1. Nondisclosure of Trade Secrets and Confidential Information

Confidant agrees, during the term of the Franchise Agreement and following termination, expiration, or assignment of the Agreement, not to disclose, duplicate, sell, reveal, divulge, publish, furnish, or communicate, either directly or indirectly, any Trade Secret or other Confidential Information of H & R to any other person or company unless authorized in writing by H & R. Confidant agrees not to use any Trade Secret or Confidential Information for his or her personal gain or for purposes of others, whether or not the Trade Secret or Confidential Information has been conceived, originated, discovered, or developed, in whole or in part, by Confidant or represents Confidant's work product. If Confidant has assisted in the preparation of any information that we consider to be a Trade Secret or Confidential Information or has himself or herself prepared or created the information, Confidant assigns any rights that he or she may have in the information as its creator to H & R, including all ideas made or conceived by Confidant.

2. Definition of Trade Secrets and Confidential Information

For purposes of this Agreement, the terms "Trade Secret" and "Confidential Information" mean any knowledge, technique, processes, or information made known or available to Confidant that we treat as confidential, whether existing now or created in the future, including but not limited to information about the cost of materials and supplies, supplier lists or sources of supplies, sales and marketing information, pricing information, proprietary software, internal business forms, orders, student accounts, manuals and instructional materials describing our methods of operation, including our Operations Manual, audiotapes and video tapes, products, drawings, designs, plans, proposals, and marketing plans, all concepts or ideas in, or reasonably related to our business that have not previously been publicly released by H & R, and any other information or property of any kind of H & R that may be protected by law as a Trade Secret, confidential, or proprietary. The Trade Secrets and Confidential Information described in this agreement are the sole property of H & R.

3. Return of Proprietary Materials

On termination or expiration of franchise ownership or employment by H & R or a WEBBY DANCE COMPANY® franchisee, Confidant must surrender to H & R all materials considered proprietary by H & R, technical or nontechnical, whether or not copyrighted, that relate to the Proprietary Choreography or to a Trade Secret, Confidential Information, or conduct of the operations of H & R. Confidant expressly acknowledges that any such materials of any kind given to him or her are and will remain the sole property of H & R.

4. Noncompetition

Confidant agrees and covenants that because of the confidential and sensitive nature of the Confidential Information and because the use of the Confidential Information in certain circumstances may cause irrevocable damage to H & R, Confidant will not, until the expiration of two (2) years after the termination of the employment relationship between Confidant and H & R or the franchisee that employs him or her, or termination of the ownership interest of Confidant in a WEBBY DANCE COMPANY® franchise, engage in, own an interest in, or serve as an officer, director, employee, agent, independent contractor, partner, shareholder, member or principal, directly or indirectly, or through any organization or Related Party, in any business that offers dance, gymnastics, yoga or cheer leading classes to children that is located within franchisee's territory or the territory of any other Webby Dance Company franchisee.

5. Saving Provision

Confidant agrees and stipulates that the agreements and covenants not to compete contained in the preceding paragraph are fair and reasonable in light of all the facts and circumstances of the relationship between Confidant and H & R. However, Confidant and H & R are aware that in certain circumstances courts have refused to enforce certain agreements not to compete. Therefore, in furtherance of the provisions of the preceding paragraph, Confidant and H & R agree that if a court or arbitrator should decline to enforce the provisions of the preceding paragraph, that paragraph must be considered modified to restrict Confidant's competition with H & R to the maximum extent, in both time and geography, which the court or arbitrator finds enforceable.

6.Irreparable Harm to H & R

Confidant understands and agrees that H & R will suffer irreparable injury that cannot be precisely measured in monetary damages if Proprietary Choreography or Confidential Information or proprietary information is obtained by any person, firm, or corporation and is used in competition with H & R. Accordingly, Confidant agrees that it is reasonable and for the protection of the business and goodwill of H & R for Confidant to enter into this agreement. If there is a breach of this agreement by Confidant, Confidant consents to entry of a temporary restraining order or other injunctive relief and to any other relief that may be granted by a court having proper jurisdiction.

7. Binding Effect

This Agreement will bind Confidant's heirs, executors, successors, and assignees as though originally signed by them.

8. Applicable Law

The validity of this agreement will be governed by the laws of the State where Confidant lives. If any provision of this agreement is void or unenforceable in that State, the remainder of the Agreement will be fully enforceable according to its terms.

CONFIDANT

Date: _____ Signature: _____

Print Name: _____

OWNER NON-COMPETE, NON-DISCLOSURE AND CONFIDENTIALITY AGREEMENT
(For California Franchise Owners)

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement for the operation of a WEBBY DANCE COMPANY Business, and any revisions, modifications and amendments thereto, (hereinafter collectively the "Franchise Agreement") dated _____, 20___ by and between H & R Dance, Inc., (hereinafter "Franchisor") and _____ (hereinafter "Franchisee"), the undersigned ("Owner") agrees as follows:

1. Non-Solicitation and In Term Non-Competition Covenants. Owner acknowledges that as a result of Owner's equity position in Franchisee, Owner may receive valuable Confidential Information, as that term is defined below, and other proprietary information of Franchisor's or its Associates. Owner covenants that, during the term of the Franchise Agreement and subject to the post-termination provisions contained therein and any applicable addendum to the Agreement, and except as otherwise approved in writing by Franchisor, Owner will not, either directly or indirectly, for himself/herself or through, on behalf of or in conjunction with any Family Members or other person, persons, partners or entity:

i) have any direct or indirect interest anywhere in any Similar Business (as defined below) or in any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses; or

ii) provide any financial support or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business, or for any entity granting franchises or licenses or establishing joint ventures to operate Similar Businesses.

For purposes of this Agreement, i) a "Similar Business" is any business or enterprise that markets or sells choreography, dance, gymnastics, yoga or cheerleading classes to children and/or children's dance costumes, tights, dance DVDs in which such sales comprise more than twenty percent (20%) of sales for such business/enterprise; and ii) "Family Members" are deemed to include an individual and his/her spouse and/or domestic partner, and their respective mother, father, brother, sister, son, and daughter.

2. Post Term Covenants. Owner covenants that, except as otherwise approved in writing by Franchisor, for a continuous uninterrupted period commencing upon the expiration or termination of the Franchise Agreement, regardless of the cause for termination, and continuing for two (2) years thereafter, Owner will neither directly nor indirectly, for itself or through, on behalf of or in conjunction with any person, persons, partnership or corporation:

i) have any direct or indirect interest in any Similar Business within Franchisee's WEBBY DANCE COMPANY designated Territory if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets (as defined in the Franchise Agreement) or other proprietary information;

ii) provide any financial support or perform any services as an employee, agent, representative, consultant or in any capacity of any kind for any Similar Business within

Franchisee's WEBBY DANCE COMPANY Business designated Territory, if the fulfillment of Owner's duties and responsibilities with respect to such Similar Business would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets or other proprietary information; or

iii) have any direct or indirect interest anywhere in, or provide any financial support to, any entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses, or perform any services anywhere as an employee, agent, representative, consultant or in any capacity of any kind for any such entity, if the fulfillment of Owner's duties and responsibilities with respect to such entity granting franchises or licenses or establishing joint ventures for the operation of Similar Businesses would inherently call upon Owner to disclose and/or use Franchisor's or Franchisor's Associate's or Licensor's Trade Secrets or other proprietary information.

3. Non-Use and Non-disclosure Covenants. Owner agrees to protect as confidential, and not to disclose to any person or entity any Confidential Information, either directly or indirectly, except as may be required for the fulfillment of Owner's and/or Franchisee's obligations under the Franchise Agreement. For purposes of this Agreement, Confidential Information includes in any form current and future:

i) any manuals, techniques, processes, instructional materials and curricula, any proprietary recipes, policies, procedures, systems, data, and know how regarding the establishment, operation and franchising of WEBBY DANCE COMPANY Business;

ii) WEBBY DANCE COMPANY layouts and designs, specifications for any WEBBY DANCE COMPANY customized products and services, and supplier lists and related agreements, pricing and terms; and

iii) trade secrets and other non-public information regarding the System or WEBBY DANCE COMPANY Business, including potential location plans, System statistics, profits, financial data, marketing plans, business strategies, performance information, customer lists and related data for all WEBBY DANCE COMPANY Business, and other operating data/information.

Owner further agrees:

i) Not to utilize any Confidential Information other than for the benefit of the Franchisee and during the term of, and in accordance with the provisions of, the Franchise Agreement;

ii) To take all precautions necessary to ensure that the Confidential Information shall not be disclosed to third parties; and

iii) Acknowledges that all Confidential Information is and shall remain the property of Franchisor or Franchisor's licensor, as applicable, and nothing herein or any course of conduct between Franchisor, Franchisee and Owner shall be deemed to grant Owner any rights in or to all or any portion of the Confidential Information.

4. No Undue Hardship. Owner acknowledges and agrees that the covenants set forth above are fair and reasonable and will not impose any undue hardship on Owner since Owner has other considerable skills, experience and education which afford him/her the opportunity to derive income from other endeavors.

5. Inapplicability of Restrictions. The restrictions described in paragraphs 1 and 2 do not apply to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent less than three percent (3%) of the outstanding number of shares of that class issued by a Similar Business.

6. Independence of Covenants. Each of the above covenants shall be deemed independent of any other covenant or provision of this Agreement. If any of the restrictions in this Agreement are determined to be unenforceable to an extent because of excessive duration, geographic area, scope of business or otherwise, they will be reduced to the level that provides the greatest protection to Franchisor and the System, but which is still enforceable. If a court of competent jurisdiction deems any provision of this Agreement unreasonable, the court may declare a reasonable modification, and this Agreement shall be valid and enforceable as so modified.

7. Modification of Covenants. Owner understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any of the above covenants without Owner's consent, effective immediately upon receipt by Owner of written notice thereof, and Owner shall comply with any covenant as so modified.

8. Enforcement of Covenants. Owner expressly agrees that the existence of any claims Owner may have against Franchisor shall not act as a defense to the enforcement by Franchisor of the covenants contained in this Agreement. Owner agrees to pay all costs and expenses (including reasonable Attorneys' Fees) incurred by Franchisor in connection with the enforcement of the covenants set forth in this Agreement.

9. Specific Performance. Owner acknowledges that any breach of Owner's obligations herein may cause Franchisor great and irreparable injury that cannot be adequately compensated by the payment of damages in an action at law. Accordingly and notwithstanding any contrary or inconsistent term of the Franchise Agreement, Franchisor and any Franchisor licensor, as applicable, shall be entitled to the remedies of injunction, specific performance and other equitable relief to redress any breach, or to prevent any threatened breach (and Franchisor and any licensor shall not be required to post any bond or prove special damages) and Owner shall pay any and all costs and expenses (including reasonable Attorneys' Fees and expenses) incurred by Franchisor or any such licensor in enforcing its rights hereunder. Nothing contained in this Agreement shall, however, be construed as a waiver by Franchisor of any other right, including, without limitation, Franchisor's right to damages.

10. Binding. This Agreement shall be binding on and inure to the benefit of the parties and their successors and permitted assigns. Franchisor may assign its rights and obligations under this Agreement to anyone without the consent of Owner. Owner shall not assign any of Owner's rights or obligations under this Agreement.

11. Laws. This Agreement and the parties' respective rights and obligations hereunder will be governed by, and construed and enforced in accordance with, the laws of the state where a claimed breach occurs, PROVIDED, that the provisions of any statute, regulation or law regarding franchises shall not apply unless jurisdictional, definitional and other requirements thereof are met independently of this Section.

12. Survival. Owner's obligations shall survive termination of the Franchise Agreement. Any failure on the part of Franchisor to insist upon the performance of this Agreement in whole or in part shall not constitute a waiver of any right under this Agreement. No waiver of any provision of this Agreement shall be effective unless in writing and executed by the party waiving the right. The parties agree that the covenants included in this Agreement, taken as a whole, are reasonable in duration and scope and necessary to protect Franchisor and the System, and it is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. If in any judicial proceeding a court shall refuse to enforce any of the separate covenants included in this Agreement, then such unenforceable covenant shall be deemed modified so as to be enforceable (or if not subject to modification, then eliminated) to the extent necessary to permit the remaining covenants to be enforced.

13. Defined Terms. Capitalized terms used in this Agreement, unless otherwise defined herein, shall have the meanings ascribed to such terms in the Franchise Agreement. Owner acknowledges having received, reviewed and understood the terms of the Franchise Agreement and having had ample opportunity to consult with independent counsel of Owner's choosing prior to the execution of this Agreement.

IN WITNESS WHEREOF, the undersigned have set their hands as of this _____ day of _____, 20____.

FRANCHISOR:

H & R DANCE, INC.
An Ohio corporation

By: _____
Printed Name

Title: _____

Date: _____

OWNER:

_____
Signature

_____
Printed Name

ATTACHMENT 5
ASSIGNMENT OF TELEPHONE NUMBERS, EMAIL ADDRESSES AND WEB ADDRESSES AND POWER OF ATTORNEY

1. _____ *[Franchisee's legal name]* (Franchisee), to induce H & R Dance, Inc. (H & R) to grant Franchisee a franchise, assigns to H & R all telephone numbers, email addresses, web addresses and listings (collectively, Listings) that Franchisee advertises, publicizes, or otherwise makes known to students or the public in the operation of a WEBBY DANCE COMPANY® Business, both now and in the future, in the city where the Business is operated.

2. This assignment will automatically become effective immediately upon Termination (meaning "termination, expiration, or nonrenewal) of Franchisee's WEBBY DANCE COMPANY® franchise. When the franchise is terminated, Franchisee agrees to do whatever is necessary to cause the companies providing service to the Business to promptly transfer its Listings to H & R or its designee.

3. Franchisee agrees to pay these service providers, on or before the date when the franchise is Terminated, all amounts Franchisee owes it in connection with the Addresses, including payment for any advertisements or listings in a classified directory or directories. Franchisee further agrees to indemnify H & R for any money H & R must pay the service providers before the service providers will carry out this agreement.

4. Franchisee appoints H & R as attorney-in-fact to sign any documents and do any things necessary to carry out this agreement if Franchisee fails to sign or do them within three (3) business days after Termination of the Franchise Agreement. Franchisee further agrees to indemnify H & R for any expenses, including legal fees, that H & R incurs which would not have been incurred if Franchisee had performed as promised under this agreement.

Sign here if Franchisee is an individual:

FRANCHISEE

Date: _____ _____

Print Name: _____

Sign here if Franchisee is a company: FRANCHISEE

Print Company Name: _____

Date: _____

Print Name: _____

Print Title: _____

ATTACHMENT 6
PERSONAL GUARANTY AND
SUBORDINATION AGREEMENT

To induce H & R Dance, Inc. (Franchisor) to enter into or permit assignment of a WEBBY DANCE COMPANY® franchise agreement (Franchise Agreement) with _____ *[franchisee's full legal name]* (Franchisee), signed on the same date as the date of this Guaranty, the undersigned unconditionally, jointly and severally, personally guaranty to Franchisor, its successors, or its assignees, the prompt full payment and performance of all obligations of Franchisee that are or may become due and owing to Franchisor, including, but not limited to, all obligations arising out of the Franchise Agreement and any other agreement between the parties and all extensions or renewals of it or them in the same manner as if the Franchise Agreement were signed between Franchisor and the undersigned, as franchisee, directly.

The undersigned expressly waive notice of acceptance by Franchisor to or for the benefit of Franchisee, of the purchase of inventory and goods by Franchisee, the maturing of bills and the failure to pay the same, the incurring by Franchisee of any additional future obligations and liability to Franchisor, and any other notices and demands. This Personal Guaranty will not be affected by the modification, extension, or renewal of any agreement between Franchisor and Franchisee, the taking of a note or other obligation from Franchisee or others, the taking of security for payment, the granting of an extension of time for payment, the filing by or against Franchisee of bankruptcy, insolvency, reorganization, or other debtor relief afforded Franchisee under the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing, and this Personal Guaranty will cover the terms and obligations of any modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned will be unconditional in spite of any defect in the validity of the Franchisee's obligations or liability to Franchisor or any other circumstances whether or not referred to in this Guaranty that might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is an irrevocable, unconditional, and absolute guaranty of payment and performance and the undersigned agrees that the undersigned's liability under this guaranty will be immediate and will not be contingent upon the exercise or enforcement by Franchisor of whatever remedies it may have against the Franchisee or others, or the enforcement of any lien or realization upon any security Franchisor may at any time possess.

The undersigned agrees that any current or future indebtedness by the Franchisee to the undersigned will always be subordinate to any indebtedness owed by Franchisee to Franchisor. The undersigned will promptly modify any financing statements on file with state agencies to specify that Franchisor's rights are senior to those of Guarantor.

The undersigned further agrees that as long as the Franchisee owes any money to Franchisor (other than royalty and marketing fund payments that are not past due), the Franchisee will not pay and the undersigned will not accept payment of any part of any indebtedness owed by Franchisee to any of the undersigned, either directly or indirectly, without the consent of Franchisor.

In connection with any litigation or arbitration to determine the undersigned's liability under this Personal Guaranty, the undersigned expressly waives the undersigned's right to trial by jury, if any, and agrees to pay costs and reasonable attorney fees as fixed by the court or arbitrator.

If this Personal Guaranty is signed by more than one individual or if more than one Personal Guaranty has been signed, each person signing a Personal Guaranty will be jointly and severally liable for the obligations created in it.

This Personal Guaranty will remain in full force and effect until all obligations arising out of and under the Franchise Agreement, including all renewals and extensions, are fully paid and satisfied.

IN WITNESS TO THE FOREGOING, the undersigned signed this guaranty on _____ *[date].*

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Signature: _____

Print Name: _____

Complete if the franchisee or the franchisee's Designated Owner is a married individual whose spouse is not a signatory to the franchise agreement:

CONSENT OF SPOUSE

I have read the franchise agreement and guaranty and I am aware of their legal effect. Except as to financial obligations relating to any separate property I own on the date of this guaranty, I consent to all the obligations of the guaranty and I agree to be bound by it.

Date:_____ SPOUSE

Signature: _____

Print Name: _____

EXHIBIT C-2

FINANCING DOCUMENTS

PROMISSORY NOTE

$ _____

Date: _____

Long Beach, California

FOR VALUE RECEIVED, _____ (Maker) promises to pay to H & R Dance, Inc. (Holder), or order, the principal sum of _____ dollars ($_____), with interest from the date of this Note on unpaid principal owing monthly at the rate of five percent (5%) per year above the prime rate stated by the Western Edition of the Wall Street Journal on the date above until fully paid. Maker will make forty-eight (48) equal payments of principal and interest on the first day of each month from the date of this Note until _____ ("Maturity Date"). Principal plus all accrued but unpaid interest on the principal will be due and payable on the Maturity Date.

Maker will make payments in lawful money of the United States of America and in immediately available funds. Computations of interest will be based on a year of 360 days but will be calculated for the actual number of days in the period for which interest is charged.

All payments under this Note will be made to Holder at 190 Pomona Avenue, Long Beach, CA 90803, or at any other address as Holder will direct Maker in writing.

This Note may be prepaid in whole or in part, without penalty, at the option of Maker and without the consent of Holder. All payments will be applied first to accrued and unpaid interest and then to the principal balance outstanding.

Should Maker default in the payment of interest when due, the whole sum of principal and interest due under this Note will, at the option of Holder, be immediately due and payable without further demand or notice.

Maker waives presentment, protest, and demand, notice of protest, notice of demand, and dishonor, and notice of nonpayment of this Note. Maker expressly agrees that this Note or any payment under this Note may be extended by Holder from time to time without in any way affecting the liability of Maker.

If any provision or any word, term, clause, or part of any provision of this Note is invalid for any reason, the invalid portion will be ineffective, but the remainder of this Note and of the provision will not be affected and will remain in full force and effect.

Any of the terms or conditions of this Note may be waived by Holder, but no waiver will affect or impair the rights of Holder to require observance, performance, or satisfaction, either of that term or condition as it applies on a subsequent occasion or of any other term or condition of this Note.

The prevailing party in any proceeding (i) to collect payment on this Note, (ii) in connection with any dispute that arises as to its enforcement, validity, or interpretation, whether or not an arbitration or legal action is instituted or prosecuted to judgment, or (iii) to enforce any judgment obtained in any related legal proceeding, will be entitled to all costs and expenses incurred, including attorney fees. Any dispute regarding this Note will be resolved by arbitration according

to the rules of the American Arbitration Association. However, the requirement of arbitration will not prevent Holder from exercising any rights to marshal or foreclose on any collateral for this Note. This Note will be governed by the laws of the State of California, excluding its conflict of law rules. The exclusive jurisdiction and venue of any dispute resolution proceeding instituted by any party to this Note will be Los Angeles County, California.

This Note is secured by a security interest in certain assets of Maker more fully described in the Security Agreement dated the same date as this Note between Maker, as debtor, and Holder, as secured party.

MAKER

_____

_____

Print Maker's Name

SECURITY AGREEMENT

_____ (Debtor), and H & R Dance, Inc. (Secured Party) agree, effective on _____, as follows:

1. Background and Purpose

A. Debtor has signed a promissory note payable to Secured Party in the original principal amount ofdollars ($_____) (Note).

B. To secure Debtor's obligations under the Note, and Debtor's obligations under this Agreement, Debtor has agreed to grant to Secured Party a security interest as provided below.

C. The parties would like to describe more fully the terms of their agreement.

2. Grant of Security Interest

To secure Debtor's Obligations (as defined in Paragraph 3 below), Debtor grants to Secured Party a security interest in the Collateral (as defined in Paragraph 4 below).

3. Obligations

For purposes of this Agreement, Obligations means any and all debts, obligations and liabilities of Debtor to Secured Party arising out of, or relating in any way to the Note, and any obligations of Debtor to Secured Party under this Agreement, whether or not existing or arising after the date of this Agreement, voluntary or involuntary, jointly owned with others, direct or indirect, or absolute or contingent, and whether or not from time to time increased, decreased, extinguished, created, or incurred.

4. Collateral

For purposes of this Agreement, Collateral means:

a. All rights in the franchise agreement signed at the same time as this Agreement, and all accounts, accounts receivable, contract rights and general intangibles of the franchised business, including, without limitation, all forms of payment, all present and future incomes, rents, revenues, issues and profits, goodwill, licenses and license rights, bailment or leasehold interests, whether as lessor or lessee, all cases in action and recoveries for any loss in value of the items of property described in this Agreement, rights in and to security agreements and other contracts or assignments providing security to Debtor, book debts, credits, indemnities, warranties or guarantees payable to Debtor upon loss or damage of property, inventions, designs, design registrations, trademarks, trade styles, trade names, know-how, powers, privileges, logos, payments in kind, advertising and promotional materials, trade secrets, patents, patent rights, copyrights, patent applications, tax refunds, Host Organization and prospect lists, business and accounting records, including all ledger account cards, computer tapes and disks and other computer information, in all cases whether now owned or in the future created or acquired by Debtor or in which Debtor may now have or may after the date of this Agreement acquire an interest,

b. All inventory, including, without limitation, all goods held for sale or lease, finished goods, merchandise, parts and supplies, of every kind and description, whether now owned or

acquired by Debtor after the date of this Agreement, or in which Debtor may now have or may after the date of this Agreement acquire an interest, including, without limitation, inventory temporarily out of Debtor's custody or possession and any returns or repossessions upon any sales or accounts,

c. All goods, including, without limitation, equipment, machinery, materials, furniture, furnishings, engines, appliances, fixtures, tools, parts, supplies, and vehicles of every kind and description, whether now owned or acquired by Debtor after the date of this Agreement or delivered to the real property of Debtor, or in which Debtor may now have or may after the date of this Agreement acquire an interest, and all additions, accessions, replacements, substitutions, and improvements to these goods and wherever located,

d. All documents, documents of title, deposit accounts, negotiable and nonnegotiable instruments, shares, stocks, bonds, debentures, securities, moneys, sources of money, uncalled capital, letters of credit, investment property, and chattel paper whether now owned or acquired after the date of this Agreement by Debtor; and

e. All proceeds and products of any of the personal property described above, in any form, including, without limitation, proceeds of any insurance relating to these collateral or fire and builder's risk insurance and unrenewed insurance premiums, proceeds consisting of any of the above types of collateral, all awards made in eminent domain proceedings or purchased in lieu of these eminent domain proceedings, and proceeds of any tort cause of action in existence, now or after the date of this Agreement and all replacements, substitutions, renewals, returns, additions, accessions, rents, royalties, issues, documents of ownership, and receipts for any of the foregoing.

5. Representations and Warranties

As a material inducement to Secured Party under this Agreement, Debtor represents and warrants that the following are and will remain true and correct:

5.1. Title

Debtor is the owner of all right, title, and interest in the Collateral free and clear of all liens, encumbrances, and security interests, except the security interest created by this Agreement.

5.2. Truth

All information that Debtor has provided to Secured Party concerning the Collateral is true and correct.

5.3. No Defenses

No defenses, offsets, claims, or counterclaims exist against Debtor that may be asserted against Secured Party in any proceeding to enforce Secured Party's rights in the Collateral.

5.4. No Conflict

The signing, delivery, and performance of this Agreement by Debtor is not in violation of any applicable law or regulation or contractual obligation of Debtor.

5.5. First Priority Lien

The liens granted to Secured Party under this Agreement will constitute a first priority lien on the Collateral upon the filing of a UCC -1 Financing Statement and Debtor's grant of these lien to Secured Party does not constitute a fraudulent conveyance under any applicable law.

5.6. Good Standing

Debtor is Corporation duly organized, validly existing, and in good standing under the laws of California.

5.7. Due Authorization

Debtor has been duly authorized to sign and deliver this Agreement, which is a valid and binding obligation of Debtor.

6. Covenants of Debtor

6.1. Protection of Security Interest

Contemporaneously with the signing of this Agreement, Debtor will properly sign and deliver to Secured Party UCC -1 Financing Statements to enable Secured Party to perfect Secured Party's security interest in the Collateral. Debtor agrees also to sign, file, and record these other statements, notices, and agreements, take these action and obtain these certificates and documents, in accordance with all applicable laws, statutes, and regulations as may be necessary or advisable to perfect, evidence, and continue Secured Party's security interest in the Collateral.

6.2. Transactions Involving Collateral

Debtor will not, without the prior written consent of Secured Party, (a) sell, offer to sell, or otherwise transfer the Collateral except in the ordinary course of business, or (b) pledge, mortgage, encumber, or otherwise permit the Collateral to be subject to any lien, security interest, or charge, other than the security interest created by this Agreement.

6.3. Compliance with Laws

Debtor will comply with all laws, statutes, and regulations pertaining to the Collateral.

6.4. Taxes, Assessments, and Liens

Debtor will pay when due all taxes, assessments, and liens with regard to the Collateral. Debtor may withhold any these payment or may elect to contest any lien if Debtor is conducting appropriate proceedings in good faith to contest the obligation to pay and so long as Secured Party's interest is not jeopardized.

6.5. Authorized Action by Secured Party

Debtor irrevocably appoints Secured Party as Debtor's attorney in fact to do any act that Debtor is obligated to do under this Agreement to preserve or protect the Collateral and to preserve, protect, or establish Secured Party's lien on the Collateral. Debtor further irrevocably appoints Secured Party to exercise these rights and powers as Debtor might exercise with respect to the Collateral following an Event of Default, as defined below. These powers will include without limitation the right to (a) collect by legal proceeding or otherwise, and endorse, receive, and receipt all dividends, interest, payments, proceeds, and other sums and property now or after the date of this Agreement payable on account of the Collateral, (b) transfer the Collateral to Secured Party's own or Secured Party's nominee's name, and (c) make any compromise or settlement and take any action Secured Party considers advisable with respect to the Collateral. Debtor agrees to reimburse Secured Party on demand for any costs and expenses, including without limitation attorney fees, which Secured Party may incur while acting as Debtor's attorney in fact under this Agreement, all of which costs and expenses are included in the Obligations secured

by this Agreement. Secured Party will have no obligation to act under this paragraph and will not be required to make any presentment, demand, or protest, or give any notice or take any action to preserve any rights against any other person in the Collateral.

7. Defaults and Remedies

7.1. Event of Default

Any of the following events or conditions will constitute an Event of Default by Debtor under this Agreement:

Default in payment of the Obligations in accordance with the terms of the Note;

a. Default in the performance of any Obligations or breach of any agreement, representation, or warranty contained in this Agreement or of the franchise agreement signed at the same time as this agreement,

b. Any levy or proceeding against the Collateral or Debtor's interest in the Collateral, except if Debtor is conducting appropriate proceedings in good faith to contest the levy or proceeding, or

c. Insolvency of the Debtor.

7.2. Remedies

Upon the occurrence of an Event of Default, Secured Party:

a. Will have and may exercise all rights and remedies accorded to Secured Party by the California Uniform Commercial Code,

b. May declare all unperformed Obligations, in whole or in part, of Debtor immediately due and payable without demand or notice,

c. May terminate the franchise agreement subject to any cure period specified in the franchise agreement and to applicable state law, and

d. May require Debtor to take any and all action necessary to make the Collateral available to Secured Party.

7.3. Remedies Cumulative

All of Secured Party's rights and remedies, whether evidenced by this Agreement or by any other writing, will be cumulative and may be exercised singularly or concurrently. Election by Secured Party to pursue any remedy will not exclude pursuit of any other remedy.

7.4. Waiver of Hearing

Debtor expressly waives any constitutional or other right to a judicial hearing prior to the time Secured Party takes possession or disposes of the Collateral upon an Event of Default as provided in Paragraph 7.1 above.

7.5. Waiver

Secured Party will not be considered to have waived any rights under this Agreement unless the waiver is in writing and signed by Secured Party. No delay or omission on the part of Secured Party in exercising any right will operate as a waiver of this right or any other right.

7.6. Additional Documentation; Cooperation

Each party will, upon the request of the other, sign, acknowledge, and deliver to the other any instrument that may be required to accomplish the intent of this Agreement. Each party agrees to cooperate to carry out the intent of this Agreement and will take all appropriate action necessary or useful in doing so.

8. Miscellaneous

8.1. Successors and Assigns

Subject to the provisions otherwise contained in this Agreement, this Agreement will benefit and be binding on the successors and assigns of the respective parties.

8.2. Notices

Any notice under this Agreement will be in writing, and any written notice or other document will be considered to have been duly given (a) on the date of personal service on the parties, (b) on the third (3') business day after mailing, if the document is mailed by registered or certified mail, (c) one (1) day after being sent by professional or overnight courier or messenger service guaranteeing 1-day delivery, with receipt confirmed by the courier, or (d) on the date of transmission if sent by telegram, telex, telecopy, or other means of electronic transmission resulting in written copies, with receipt confirmed. Any of these notices will be delivered or addressed to the parties at the addresses describe below or at the most recent address specified by the addressee through written notice under this provision. Failure to conform to the requirement that mailings be done according to this section will not defeat the effectiveness of notice actually received by the addressee.

8.3. Amendment

The provisions of this Agreement may be modified at any time by written agreement of the parties. Any of these agreements made after the date of this Agreement will be ineffective to modify this Agreement in any respect unless in writing and signed by Debtor and Secured Party.

8.4. Attorney Fees and Prejudgment Interest

If the services of an attorney are required by Secured Party to secure the performance of this Agreement or otherwise upon the breach or default of this Agreement, or if any judicial remedy or arbitration is necessary to enforce or interpret any provision of this Agreement or the rights and duties of any person in relation to this Agreement, Secured Party will be entitled to reasonable attorney fees, costs, and other expenses, in addition to any other relief to which Secured Party may be entitled. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions will include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.

8.5. Post-Judgment Attorney Fees

If the services of an attorney are required by any party to enforce a judgment rendered in this Agreement, the judgment creditor will be entitled to reasonable attorney fees, costs, and other expenses, and these fees, costs, and expenses will be recoverable as a separate item. This provision will be severable from all other provisions of this Agreement, will survive any judgment, and will not be considered merged into the judgment.

8.6. Captions

All paragraph captions are for reference only and will not be considered in construing this Agreement.

8.7. Severability

If any provision of this Agreement is held to be invalid or unenforceable, the remainder of the Agreement that can be given effect without the invalid provision will continue in full force and effect and will in no way be impaired or invalidated.

8.8. Governing Law

The rights and obligations of the parties and the interpretation and performance of this Agreement will be governed by the law of California, excluding its conflict of laws rules.

8.9. Entire Agreement

This document and its exhibits constitute the entire agreement between the parties, all oral agreements being merged in this Agreement, and supersede all prior representations. There are no representations, agreements, arrangements, or understandings, oral or written, between or among the parties relating to the subject matter of this Agreement that are not fully expressed in this Agreement or its exhibits.

8.10. Venue

Any actions or arbitrations arising under this Agreement will be heard and resolved in Los Angeles County, California.

SECURED PARTY
H & R DANCE, INC.

By: _____

DEBTOR

_____

_____
Print Name

CONTINUING GUARANTY

1. Guaranty of Indebtedness.

At the solicitation of _____(Borrower), a_____ *[Borrower's State]* _____ *[Borrower's Type of Entity],* the undersigned requests H & R Dance, Inc., an Ohio corporation (Holder), to extend credit or provide other financial accommodations to Maker, and in consideration of that request, the undersigned unconditionally, absolutely, and irrevocably guarantees and promises to pay to Holder, or order, on demand, in lawful money of the United States, as and when they become due (by demand, acceleration, or otherwise), all present and future Indebtedness, as defined in this agreement, of Maker to Holder. The word "Indebtedness" is used in this agreement in its most comprehensive sense and includes any and all obligations of Maker to Holder under the certain Loan and Security Agreement, of the same date of this agreement, between Maker and Holder and any and all other loans, advances, credit, and other financial accommodations extended by Holder to Maker, and all debts, obligations, and liabilities of Maker to Holder, of any kind and nature, whenever made, incurred, or created, whether voluntary or involuntary, and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, secured or unsecured, whether Maker may be liable individually or jointly with others, and whether recovery upon the Indebtedness may be or in the future becomes barred by any statute of limitations, or whether the Indebtedness may be or in the future becomes otherwise unenforceable.

2. Independent Obligations and Subrogation.

The obligations of the undersigned are independent of and separate from the obligations of Maker and any other guarantor, maker, or endorser of the Indebtedness and will not be reduced by, but will survive as if they had not been made, any and all payments by Maker or any other guarantor, maker, or endorser of the Indebtedness or the application of any proceeds from any collateral security for the Indebtedness until the Indebtedness is fully paid and finally discharged. To the maximum extent permitted by law, the undersigned by this agreement waives any claim, right, or remedy that the undersigned may now have or later acquire against Maker that arises under this agreement or from the performance by any guarantor under this agreement, including, but not limited to, any claim, remedy, or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Holder against Maker or any security that Holder now has or later acquires, whether or not the claim, right, or remedy arises in equity, under contract, by statute, under common law, or otherwise, until the Indebtedness is fully paid and finally discharged. In addition, the undersigned by this agreement waives any right to proceed against Maker, now or later, for contribution, indemnity, reimbursement, and any other suretyship rights and claims, whether direct or indirect, liquidated or contingent, whether arising under express or implied contract or by operation of law, which the undersigned may now have or later have as against the Maker with respect to the Indebtedness, until the Indebtedness is fully paid and finally discharged. The undersigned also waives any rights to recourse to or with respect to any asset of Maker, until the Indebtedness is fully paid and finally discharged.

3. Authority to Modify Obligations and Security.

The undersigned authorizes Holder, without notice or demand and without affecting the liability under this agreement, from time to time, whether before or after any notice of termination of this agreement or before or after any default in respect of the Indebtedness, to: (a) renew,

extend, accelerate, or otherwise change the time for payment of, or otherwise change any other term or condition of, any document or agreement evidencing or relating to any Indebtedness, including, but not limited to, increase or decrease of the rate of interest on the Indebtedness, (b) accept, substitute, waive, decrease, increase, release, exchange, or otherwise alter any collateral security, in whole or in part, securing the Indebtedness or any other guaranty of the Indebtedness, (c) apply any and all collateral security and direct the order or manner of sale of the collateral security as Holder, in its sole discretion, may determine, (d) add, release, or substitute any one or more other guarantors, makers, or endorsers of the Indebtedness, and otherwise deal with Maker or any other guarantor, maker, or endorser as Holder may elect, (e) in Holder's sole discretion, settle, release on terms satisfactory to Holder, or by operation of law or otherwise, compound, compromise, collect, or otherwise liquidate any Indebtedness or any collateral security for the Indebtedness in any manner, and bid and purchase any collateral security at any sale of the collateral security, (f) apply any and all payments or recoveries from Maker, from any other guarantor, maker, or endorser, or from the undersigned to any part of the Indebtedness that Holder, in its sole discretion, may determine, whether the Indebtedness is secured or unsecured or guaranteed or not guaranteed by others, (g) apply any and all payments or recoveries from any other guarantor, maker, or endorser of the Indebtedness or sums realized from collateral security furnished by any of them upon any of their indebtedness or obligations to Holder as Holder, in its sole discretion, may determine, whether or not the indebtedness or obligations relate to the Indebtedness, and (h) refund at any time, at Holder's sole discretion, any payment received by Holder in respect of any Indebtedness, and payment to Holder of the amount so refunded will be fully guaranteed even though before payment this Continuing Guaranty may have been canceled or surrendered by Holder, all without in any way diminishing, releasing, or discharging the liability of the undersigned under this agreement.

4. Waiver of Defenses.

Upon default of Maker in respect of any Indebtedness, Holder may, at its option and without notice to the undersigned, proceed directly against the undersigned to collect and recover the full amount of the liability under this agreement, or any portion of it, and the undersigned waives any right to require Holder to: (a) proceed against Maker, or any other guarantor, endorser, or other person whomsoever, (b) proceed against or exhaust any collateral security given to or held by Holder in connection with the Indebtedness, (c) give notice of the terms, time, and place of any public or private sale of any real or personal property security for the Indebtedness or any other guaranty of the Indebtedness, or (d) pursue any other remedy in Holder's power whatsoever. A separate action or actions may be brought and prosecuted against the undersigned whether or not action is brought against Maker or any other guarantor, maker, or endorser of the Indebtedness and whether Maker or any other guarantor, maker, or endorser is joined in any such action or actions, and the undersigned waives the benefit of any statute of limitations affecting the liability under this agreement or the enforcement of it, and agrees that any payment of any Indebtedness or other act that tolls any applicable statute of limitations will similarly operate to toll the statute of limitations applicable to the liability under this agreement. Without limiting the generality of the foregoing, the undersigned expressly waives any right, defense, or benefit under California Civil Code sections 2809, 2810, 2819, 2845, 2849, 2850, and 2855, and California Code of Civil Procedure sections 337, 580a, 580b, and 580d and any amendments to those statutes.

5. Right to Dispose of Security and Impairment of Rights.

The undersigned authorizes and empowers Holder in its sole discretion, without any notice or demand to the undersigned whatsoever and without affecting the liability of the undersigned

under this agreement, to exercise any right or remedy that Holder may have available to it, including, but not limited to, judicial foreclosure, exercise of rights of power of sale without judicial action, or taking a deed or an assignment in lieu of foreclosure as to any collateral security for the Indebtedness, whether real, personal, or intangible property, and the undersigned waives any defense to the recovery by Holder against the undersigned of any deficiency after the action in spite of any impairment or loss of any right of reimbursement or subrogation or other right or remedy against Maker, or any other guarantor, maker, or endorser, or against any collateral security for the Indebtedness or for any guaranty of the Indebtedness. The undersigned acknowledges that the undersigned may have a defense, based on estoppel, that arises out of the operation of California Code of Civil Procedure section 580d in the event that Holder conducts a nonjudicial foreclosure under any deed of trust securing any Indebtedness of Maker. The undersigned expressly waives all rights and defenses arising out of an election of remedies by the Holder, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the undersigned's rights of subrogation and of reimbursement against the Maker by operation of California Code of Civil Procedure section 580 and its subdivisions or California Code of Civil Procedure section 726, or comparable provisions of the laws of any other state, as well as all suretyship defenses the undersigned would otherwise have under California law or the laws of any other state. Without limiting the foregoing and without waiving the benefits of California Uniform Commercial Code section 9501, the undersigned specifically agrees that an action maintained by Holder for the appointment of any receiver, trustee, or custodian to collect rents, issues, or profits or to obtain possession of any property will not constitute an "action" within the meaning of California Code of Civil Procedure section 726.

6. Additional Waivers.

The undersigned waives any defense arising by reason of any disability or other defense of Maker or by reason of the cessation from any cause whatsoever of the liability of Maker or by reason of any act or omission of Holder or others that directly or indirectly results in or aids the discharge or release of Maker or any Indebtedness or any security in respect of the Indebtedness by operation of law or otherwise. The obligations under this agreement are enforceable without regard to the validity, regularity, or enforceability of any of the Indebtedness or any of the documents related to the Indebtedness, any other guaranty of the Indebtedness, or any collateral security documents securing any of the Indebtedness or securing any other guaranty of the Indebtedness. No exercise by Holder of, and no omission of Holder to exercise, any power or authority recognized in this agreement and no impairment or suspension of any right or remedy of Holder against Maker, any other guarantor, maker, or endorser or any collateral security will in any way suspend, discharge, release, exonerate, or otherwise affect any of the undersigned's obligations under this agreement or any collateral security furnished by the undersigned or give to the undersigned any right of recourse against Holder. The undersigned specifically agrees that the failure of Holder: (a) to perfect any lien on or security interest in any property given by Maker or any guarantor, maker, or endorser to secure payment of the Indebtedness or of any guaranty of the Indebtedness, or to record or file any document relating to it or (b) to file or enforce a claim against the estate (either in administration, bankruptcy, or other proceeding) of Maker, any guarantor, maker, or endorser, will not in any manner whatsoever terminate, diminish, exonerate, or otherwise affect the liability of the undersigned under this agreement.

7. Additional Indebtedness and Duty of Undersigned.

Additional Indebtedness may be created from time to time at the request of Maker and without further authorization from or notice to the undersigned even though Maker's financial

condition may deteriorate after the date of this agreement. In giving Holder this Continuing Guaranty, the undersigned is not concerned with Maker's financial condition and waives the right, if any, to require Holder to disclose to the undersigned any information it may now have or later acquire concerning Maker's character, credit, collateral, financial condition, or other matters. The undersigned has established adequate means to obtain from Maker on a continuing basis financial and other information pertaining to Maker's business and affairs, and assumes the responsibility for being and keeping informed of the financial and other conditions of Maker and of all circumstances bearing upon the risk of nonpayment of the Indebtedness under this agreement that diligent inquiry would reveal. If Maker is a corporation or a partnership, Holder need not inquire into the powers of Maker or the authority of its officers, directors, partners, or agents acting or purporting to act in its behalf, and any Indebtedness created in reliance on the purported exercise of that power or authority is guaranteed by this agreement. All Indebtedness of Maker to Holder created before, now, or later is to be considered to have been granted at the undersigned's special insistence and request and in consideration of and in reliance on this Continuing Guaranty.

8. Notices, Demands, Etc.

Holder is under no obligation whatsoever to make or give to the undersigned, and the undersigned waives, notice of acceptance of this Continuing Guaranty, diligence, all rights of setoff and counterclaim against Holder, all demands, presentments, protests, notices of protests, notices of nonperformance, notices of dishonor, and all other notices of every kind or nature, including notice of the existence, creation, or incurring of any new or additional Indebtedness.

9. Subordination.

Except as otherwise provided in this paragraph, any indebtedness of Maker now or later owing to the undersigned is by this agreement subordinated to all Indebtedness of Maker to Holder whenever created, whether before or after notice of termination of this agreement, and without the prior consent of Holder may not be paid in whole or in part nor will the undersigned accept any payment of or on account of any such indebtedness at any time while the undersigned remains liable under this Continuing Guaranty. At the request of Holder, Maker must pay to Holder all or any part of the subordinated indebtedness and any amount so paid to Holder at its request is to be applied to payment of the Indebtedness. Each payment on the indebtedness of Maker to the undersigned received in violation of any of the provisions of this agreement will be considered to have been received by the undersigned as trustee for Holder and must be paid over to Holder immediately on account of the Indebtedness, but without otherwise affecting in any manner the undersigned's liability under any of the provisions of this Continuing Guaranty. The undersigned agrees to file all claims against Maker in any bankruptcy or other proceeding in which the filing of claims is required by law in respect of any indebtedness of Maker to the undersigned, and Holder will be entitled to all of the undersigned's rights under those claims. If for any reason the undersigned fails to file a required claim at least thirty (30) days before the last date on which the claim should be filed, Holder, as the undersigned's attorney-in-fact, is authorized by this agreement to do so in the undersigned's name or, in Holder's discretion, to assign the claim to and cause proof of claim to be filed in the name of Holder's nominee. In all such cases, whether in administration, bankruptcy, or otherwise, the person or persons authorized to pay the claim will pay to Holder the full amount payable on the claim in the proceeding, and to the full extent necessary for that purpose the undersigned assigns to Holder all the undersigned's rights to any payments or distributions to which the undersigned otherwise would be entitled. If the amount so paid is greater than the undersigned's liability under this Continuing Guaranty, Holder will pay the excess amount to the party entitled to it. In spite of the provisions of this paragraph, if the

undersigned is a natural person, he or she reserves the right to collect and accept payment of salary for any personal services that the undersigned may become entitled to receive from Maker in good faith, provided the salary in no event exceeds an amount equal to the average monthly rate that the undersigned has been paid by Maker during the immediately preceding twelve (12) months before the date of this Continuing Guaranty, unless Holder consents in writing to a greater amount. The undersigned's salary up to, but not exceeding, that amount will not be subordinated to the Indebtedness of Maker to Holder.

10. Delivery of Financial Statements and Tax Returns.

The undersigned agrees to deliver to Holder, within ninety (90) days after the end of each calendar year, a statement of the financial condition of the undersigned for each such calendar year prepared by independent certified public accountants acceptable to Holder, including, but not limited to, a balance sheet and profit and loss statement and any other report requested by Holder relating to the financial condition of the undersigned. The undersigned agrees to deliver to Holder a copy of each of the undersigned's future federal income tax returns, and any amendments to them, within thirty (30) days after their filing with the Internal Revenue Service.

11. Revival of Guaranty.

If any payments of money or transfers of property made to Holder by Maker, or any other guarantor, maker, or endorser, should for any reason subsequently be declared to be, or in Holder's counsel's good faith opinion be determined to be, fraudulent (within the meaning of any state or federal law relating to fraudulent conveyances), preferential, or otherwise voidable or recoverable in whole or in part for any reason (collectively referred to below as "voidable transfers") under the Bankruptcy Code (11 U.S.C.A. §§1 et seq.) or any other federal or state law, and Holder is required to repay or restore, or in Holder's counsel's opinion may be so liable to repay or restore, any such voidable transfer, or the amount or any portion of a voidable transfer, then as to any such voidable transfer or the amount repaid or restored and all costs and expenses (including attorney fees) of Holder related to it, the undersigned's liability under this agreement will automatically be revived, reinstated, and restored and will exist as though the voidable transfer had never been made to Holder. In the event Holder has returned this Continuing Guaranty to the undersigned and subsequently is required or advised by counsel to restore or repay any voidable transfer, the amount of the voidable transfer, or any portion of it, the undersigned will remain liable as provided in this Continuing Guaranty to the same extent as if this Continuing Guaranty had not been returned to the undersigned.

12. Delays and Cumulative Remedies.

No failure or delay by Holder in exercising any right, power, or privilege under this Continuing Guaranty will operate as a waiver of that right, power, or privilege, nor will any single or partial exercise of any right, power, or privilege under this Continuing Guaranty preclude any other or further exercise of any other right, power, or privilege. All rights and remedies of Holder in respect of the Indebtedness, the collateral security for the Indebtedness, or for this or any other guaranty, or under any document in respect of any of the foregoing, are cumulative and may be exercised singly or concurrently, and are not exclusive of any other right or remedy permitted by law or in equity.

13. Complete Agreement, Modification and Termination.

This Continuing Guaranty contains all the terms and conditions of the agreement between Holder and the undersigned and is an integrated agreement. No evidence of any term or

agreement not stated in this Continuing Guaranty is admissible in any dispute involving this Continuing Guaranty. None of the terms or provisions of this Continuing Guaranty may be waived, altered, modified, or amended, except by an instrument in writing duly signed and delivered by the party to be charged by it. This Continuing Guaranty may be terminated on receipt by Holder of written notice of its termination. However, termination will not apply to any Indebtedness created before the time the notice of termination becomes effective as provided in this Continuing Guaranty. Notice of termination must be personally delivered to an officer of Holder at the originating office of Holder or sent by private delivery service, adult signature required, and addressed to Holder at the originating office. In any event, notice of termination will not be effective until twelve o'clock noon, Pacific Standard or Daylight Savings time, as the case may be, on the Holder business day succeeding the date the notice is actually received by Holder as above provided. If the originating office of Holder is not in existence at the time notice of termination is desired to be given, then the notice must be given in the manner above provided by delivering the notice to an officer of any other office of Holder. This Continuing Guaranty will not terminate or be revoked on the death of the undersigned, in spite of any knowledge by Holder of the undersigned's death, unless a notice of termination has been delivered to Holder as above provided by the duly appointed representative, executor, or administrator of the estate of the undersigned.] Upon receipt of notice of termination as above provided, this Continuing Guaranty will terminate as and to the extent provided in this Continuing Guaranty.

14. Understanding of Waivers.

The undersigned warrants and agrees that the waivers stated in this Continuing Guaranty are made with full knowledge of their significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of the waivers are determined to be contrary to any applicable law or public policy, the waivers will be effective only to the maximum extent permitted by law. Should any one or more provisions of this Continuing Guaranty be determined to be illegal or unenforceable, all other provisions will nevertheless remain effective.

15. Binding Effect.

This Continuing Guaranty will remain in full force and effect and be binding in accordance with its terms on the undersigned, and the representatives, executors, administrators, heirs, successors, and assigns of the undersigned, and inure to the benefit of Holder, its successors, endorsees, transferees, and assigns, until the obligations and liabilities of the undersigned under this Continuing Guaranty have been finally satisfied by payment in full.

16. Attorney Fees.

The undersigned agrees without demand to pay to Holder and reimburse Holder for all costs, attorney fees, and other expenses that Holder expends or incurs in the enforcement of any right relating to any Indebtedness, including their collection, or in the enforcement of this Continuing Guaranty.

17. Unlimited Liability.

The obligations of the undersigned under this Continuing Guaranty are in addition to any obligations of the undersigned under any other guaranties of Indebtedness of Maker to Holder or of any other person to Holder previously given or at some future time to be given to Holder unless those other guaranties are expressly modified or terminated in writing. The liability of the

undersigned to Holder will at all times be considered to be the aggregate liability of the undersigned under the terms of this Continuing Guaranty and of any other guaranties given by the undersigned to Holder and not expressly terminated or modified in writing.

18. Governing Law, Jurisdiction, Waiver of Jury Trial and Venue.

This Continuing Guaranty and the rights, obligations, and liabilities under it are to be governed by, and are to be construed and interpreted in accordance with, the laws of the State of California. The undersigned agrees that any legal action or proceeding arising out of or relating to this Continuing Guaranty may be instituted in the United States District Court for the Central District of California, at Holder's discretion. THE UNDERSIGNED AND HOLDER MUTUALLY WAIVE THE RIGHT TO A JURY TRIAL. By the signing and delivery and delivery of this Continuing Guaranty, the undersigned irrevocably and unconditionally submits to the jurisdiction of such courts in any such action or proceeding and waives any objection relating to the basis for personal or in rem jurisdiction or to venue that it may now or later have in any such suit, action, or proceeding.

19. Captions.

The captions or titles of the paragraphs of this Continuing Guaranty are for convenience of reference only and do not define or limit any of the provisions of this Continuing Guaranty.

20. Security.

This Continuing Guaranty is secured by all of Maker's rights in the franchise agreement and all of the assets of the franchised Unit.

RECEIPT OF A TRUE COPY OF THIS CONTINUING GUARANTY IS ACKNOWLEDGED BY THE UNDERSIGNED.

This Continuing Guaranty is made on _____.

GUARANTOR(S) (Individual(s))

_____

EXHIBIT D-1

CURRENT FRANCHISEES (As of December 31, 2024)

Franchisee Name	Address	City/State/Zip	Phone	Territories Owned
Carrie Lindholm**	9154 E. Kayenta Dr.	Tucson, AZ 85749		East Valley and Tucson
Alexandra Seigel	PO Box 18685 Main St.	Huntington Beach, CA 92648	714-580-6501	Beach Cities
NIME, Inc. Melissa Quigley**	4200 Chino Hills Pkwy., Ste. 135-117	Chino Hills, CA 91709	(714) 990-6222	Chino, Riverside and San Dimas
McKinlee O'Dell	55 Dover Pl.	Laguna Niguel, CA 92677	(801) 430-1128	South Orange County
Barbie Olsen	1895 Stow St., Unit B	Simi Valley, CA 93063	(805) 624-7175	Simi Valley
Vel Green	2014 Fossil Creek Pkwy.	Fort Collins, CO 80528	(970) 305-0803	Colorado
Lindsay Burton	6425 Magnolia Lane	Lakeland, FL 33810	(863) 661-7592	Tampa
Shannon Cheatham	P.O. Box 551	Hebron, KY 41048	(859) 206-2021	Hebron
Heather Wiley	P.O. Box 194	Crownsville, MD 21032-0194	(410) 424-9886	Maryland
Arianna Murphy**	P.O. Box 24284	Cleveland, OH 44124	(440) 454-5662	Cleveland (3) and Indiana
Happy Dancing, LLC Elizabeth Kolp-Glenn	P.O. Box 41153 64 Davis Road	Dayton, OH 45441-0513 Dayton, Ohio 45459	(937) 781-0969	Dayton
Berlynn DeLuna***	P.O. Box 82886	Portland, OR 97282	(714) 910-8589	Portland, Oregon (2), Vancouver, WA, Tacoma WA, Houston, TX, and Dallas, TX
Celina Lozano	P.O. Box 592778	San Antonio, TX 78259	(210) 816-1857	Houston, San Antonio

Missy Teran*	P.O. Box 711	West Chester, OH 45071	(513) 289-3862

**This is a relative of our President who does not operate her Ohio locations under franchise agreements.*
***These franchisees own multiple territories*
****This franchisee owns/operates 2 territories in Oregon, 2 territories in Washington and 2 territories in Texas.*

EXHIBIT D-2

FORMER FRANCHISEES AND
TRANSFERRED FRANCHISES
(As of December 31, 2024)

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

Franchisees That Were Terminated, Did Not Renew at Expiration, or Otherwise Voluntarily Ceased to Do Business as a Webby Dance Company Franchisee in 2024

Jocelyn Adams
San Gabriel Valley, CA
951-205-5535
(franchisee signed agreement but never paid for territory)

EXHIBIT E

State Effective Dates

The following state 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, 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	Renewal Pending
Indiana	Renewal Pending
Washington	May 30, 2025

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

RECEIPT
EXHIBIT F-1 (Your Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is H & R Dance, Inc., located at 1369 East 28th Street, Signal Hill, California 90755, Telephone (562) 438-4466.

If we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the signing and delivery of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

Michigan requires that we give you this disclosure document at least 10 business days before the signing and delivery of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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 state agency listed in Exhibit A-1.

We authorize the agents listed in Exhibit A-2 to this disclosure document to receive service of process for us.

Issuance Date: April 9, 2025

The seller of this franchise is [*Name, address and telephone number of each seller*]*:*

☒ Rebecca E. Weber, 1369 East 28th Street, Signal Hill, CA 90755, (562) 438-4466

On _____, I received a disclosure document dated April 9, 2025, that included the following exhibits:

ADDENDUM: SPECIFIC STATE DISCLOSURES
EXHIBITS:
A-1: State Administrators
A-2: Agents for Service of Process
B: Financial Statements
C-1: Franchise Agreement
State Specific Addenda to the Franchise Agreement
Attachments
1. Territory
2. General Release of Claims Form
3. Authorization Agreement for Prearranged Payment
4. Nondisclosure and Noncompetition Agreements
5. Assignment of Telephone Numbers, Email Addresses and Web Address and Special Power of Attorney
6. Personal Guaranty and Subordination Agreement

C-2: Financing Documents (Promissory Note, Security Agreement and Continuing Guaranty)
D-1: Current Franchisees
D-2: Former Franchisees and Transferred Franchises
E.: State Effective Dates
F-1: Receipt (Your copy)
F-2: Receipt (Our copy)

_____ _____
Signature of Prospective Franchisee *Print Name of Prospective Franchisee*

RECEIPT
EXHIBIT F-2 (Our Copy)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

The franchisor is H & R Dance, Inc., located at 1369 East 28th Street, Signal Hill, California 90755, Telephone (562) 438-4466.

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C-2: Financing Documents (Promissory Note, Security Agreement and Continuing Guaranty)
D-1: Current Franchisees
D-2: Former Franchisees and Transferred Franchises
E: State Effective Dates
F-1: Receipt (Your copy)
F-2: Receipt (Our copy)

_____ _____
Signature of Prospective Franchisee *Print Name of Prospective Franchisee*