

FRANCHISE DISCLOSURE DOCUMENT

Tippi Toes, Inc.
An Oklahoma corporation
3373 Eslin Court
Murfreesboro, Tennessee 37130
(386) 631-6079
franchise@tippitoesdance.com
www.tippitoesdance.com



The franchisee will conduct lessons and courses in dance for children eighteen months to twelve years of age.

The total investment necessary to begin operation of a Tippi Toes franchise ranges from \$67,100 to \$166,500. This includes the \$49,500-\$129,500 that must be paid to the franchisor.

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

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 Tippi Toes, Inc. at 3373 Eslin Court, Murfreesboro, TN 37130 or (386) 631-6079. The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: April 19, 2025

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D 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 Tippi Toes 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 Tippi Toes franchisee?	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This Franchise*

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

Out-of-State Dispute Resolution. The franchise agreement requires you to resolve disputes by mediation, arbitration and/or litigation in Oklahoma. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Oklahoma than in your own state.

Mandatory minimum payments. Beginning in the second month of operation you must make minimum royalty payments, and other payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

Supplier Control. You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business for the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

TIPPI TOES, INC.
Franchise Disclosure Document

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LIST OF EXHIBITS

- A: List of State Franchise Administrators/Agents for Service of Process
- B: Franchise Agreement
- C: Financial Statements
- D: Operations Manual Table of Contents
- E: Franchised Outlets
- F: General Release
- G: State Addenda
- H: Franchisee Acknowledgement Statement
- I: State Effective Dates
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ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means Tippi Toes, Inc., the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Tippi Toes franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers, and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a corporation in Oklahoma on October 31, 2002. Our principal business address is 3373 Eslin Ct., Murfreesboro, TN 37130. We do business under our company name, “Tippi Toes” and the associated designs (the “Marks”). We currently own and operate three corporate locations: one in Coral Springs, FL since November 2024, one in Scottsdale, AZ since October 2022, and one in Wichita, KS since February 2024. We have not offered franchises in any other line of business. We only offer franchises which operate under the “Tippi Toes” Marks. We began offering franchises in 2009.

The principal business addresses of our agents for service of process are shown on Exhibit A.

Our Parents, Predecessors and Affiliates

We have no parent or predecessor company.

We have an affiliated company, TTAG, LLC, a Texas limited liability company with its principal place of business at 3373 Eslin Ct Murfreesboro, TN 37130. TTAG, LLC, was formed on June 1, 2018, and is the owner of the Marks and has licensed use of the Marks to us. TTAG, LLC has not offered franchises in this or any other lines of business previously.

We may operate other Tippi Toes concepts, including additional Tippi Toes outlets, in the future.

The Franchise Offered:

We offer franchises for the right to market, offer and provide dance lessons, classes and programs for children with the objective of creating an experience for them to build self-confidence and create a love of dancing under the “Tippi Toes” Marks, using our distinctive operating procedures and standards within a territory (the “Franchised Business”). Tippi Toes franchisees conduct dance courses and lessons for children aged 18 months to 12 years of age. Our courses are intended to create an experience that teaches the students to love dancing while building self-confidence and teaching them to connect with each other in a positive way. These classes are provided at churches, schools, daycare centers, community centers and other similar locations.

Market and Competition:

The market for your Franchised Business consists of the general public and parents seeking dance training activities in a family-friendly environment for their children. Our business is seasonal. It is sensitive to the school year, with the period from September through June of each year being busier than the summer months (July and August) in most cases.

The market for dance training schools is competitive. There are a number of dance training schools which may serve clients with products and services similar to those offered by you. Competition ranges from fairly large and sophisticated companies to small individual dance studios that teach dancing for children. Most of our competitors operate out of a studio, which is either rented or built to suit the owner. Our competitors focus on

technique and dance performance, while Tippi Toes will focus on improving a child's self-esteem, building self-confidence and enhancing the love for the art of dance which tends to make the dance experience fun for the children.

Industry Specific Regulations:

You must comply with all local, state and federal laws and regulations that apply to the operation of your Tippi Toes Franchised Business, including, among others, business operations, land use, insurance, discrimination, employment and workplace safety laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state, and local laws which affect your Franchised Business in addition to those listed here.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

ITEM 2: BUSINESS EXPERIENCE

Sarah Nuse – President and Chief Executive Officer (CEO):

President and Chief Executive Officer (CEO): Sarah founded and created Tippi Toes in Oklahoma in 1999. She has served as the President and CEO of Tippi Toes since October 2002. She currently resides in Murfreesboro, Tennessee.

Adam Nuse, Chief Financial Officer (CFO):

Adam began serving as the CFO of Tippi Toes in October 2002 and continues to serve in that capacity as of the issuance date of this Franchise Disclosure Document. Adam Nuse, husband to Sarah, serves as the Chief Revenue Officer for the Tennessee Titans. A role he took on in April 2021 and holds responsibility for all day-to-day operations related to Nissan Stadium. From 2016-2021, Adam Nuse had served as the Nashville Sounds General Manager Chief Operating Officer and oversees all day-to-day operations related to the baseball club. Adam currently resides in Murfreesboro, Tennessee.

Maria Fesler, Chief Operating Officer:

Maria Fesler is an accomplished operational executive specializing in growing and scaling small to medium sized businesses. She began working with Tippi Toes in June 2022. From June 2021 to March 2022 she was the VP of Retail for Mayvenn. From January 2018 to July 2020 she was the SVP of Operations for Regent Private Equity. Maria currently resides in Phoenix, AZ.

Carrie Sienkiewicz – Training & Content Manager

Tippi Toes Franchise Training Coordinator has a background in both Fine Arts and Education. Carrie seamlessly transitioned into traditional education in 2020. Carrie has taught both Performing Arts and Kindergarten and cultivated an expertise in early childhood education and classroom management. After working at Uncommon Schools in Camden, New Jersey as a performing arts teacher from August 2020 to November 2022, and then at Academies of Math and Science in Phoenix, Arizona as a kindergarten teacher from December 2022 to June 2023, Carrie joined Tippi Toes in June 2023, and resides in Phoenix, Arizona

Morgan Rowe – Brand & Event Manager

Tippi Toes Corporate Planning Coordinator. She started with the company in October of 2022 as a dance teacher and was quickly promoted to the corporate team. She has a bachelors degree in Film and Media Studies with a minor in Design Studies from Arizona State University. She resides in Gilbert, Arizona

Erica Ford - Franchise Business Consultant

Over the past five years, Erica worked as a franchise business consultant at Sylvan Learning from 2016-2024. She provided strategic guidance to franchisees, focusing on improving operational efficiency and profitability. Since October 2024, she continues her franchise consulting career at Tippi Toes Inc. Erica resides in Grand Junction, Colorado.

Tera Niedens, CPA - Controller

Tera Niedens is a licensed CPA with expertise in corporate accounting. She earned her Masters of Accountancy at Montana State University in 2012. She worked as a Controller at American Dental Companies from 2017-2024. Tera joined the Tippi Toes team in May 2024 and resides in Phoenix, Arizona.

ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4: BANKRUPTCY

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

ITEM 5: INITIAL FEES

We will charge you an initial franchise fee (“Initial Franchise Fee”) based on the approximate population of your proposed territory when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is non-refundable.

For franchisees awarded multiple units or existing franchisees in good standing who decide to purchase additional territories, the Initial Franchise Fee will be as follows:

Territory Population	Initial Franchise Fee	Territory Population	Initial Franchise Fee
300,000 people (Tier 1)	\$49,500	800,000 people (Tier 6)	\$117,000
400,000 people (Tier 2)	\$63,500	900,000 people (Tier 7)	\$129,500
500,000 people (Tier 4)	\$77,500	Additional 50,000 people	\$8,250
600,000 people (Tier 4)	\$91,500	Additional 100,000 people	\$12,500
700,000 people (Tier 5)	\$104,500		

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

currently discount the Initial Franchise Fee by five percent (5%) for honorably discharged veterans for their initial franchise.

ITEM 6: OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty ¹	An amount equal to the greater of 7% your Gross Revenue or Minimum Royalty outlined in footnote 1.	Monthly on the 15th of each month, based on revenues received during the previous month.	Payable to us. See note 1.
Brand Fund Contribution	Currently 1% of Gross Revenue but can be increased to 2% during your term with advanced notice.	Payable together with Royalty Fee.	Payable directly to the Brand Fund. See note 2.
Renewal Fee	\$10,000	Upon renewal of your Franchise Agreement.	Your Franchise Agreement is renewable if you have not violated any terms of the Franchise Agreement and you meet the other renewal requirements under the Franchise Agreement.
Transfer Fee	\$10,000, plus any applicable commission	Due upon transfer of the franchise agreement.	Due upon transfer of the franchise agreement.
Training Fee for Additional Personnel	\$250/day plus travel expenses	At the time training of the additional personnel begins	Training of additional personnel members (after the initial training) at your request
Conference Fee	Up to \$600 for each attending individual.	Prior to attending conference	You must pay travel expenses for conference attendees.
Uniforms and other Tippi Toes branded items	Cost varies (approximately \$150 per teacher)	Upon receipt of invoice	You and your teachers must wear approved Tippi Toes uniforms and use Tippi Toes-branded gear.
Product or Supplier Evaluation	Reimbursement of our actual costs	If incurred	If you request to use a product or supplier that we have not previously approved for the System
Centerstage Fees ³	Currently \$199 per month for first territory, \$149 for additional territories (subject to increase upon 30 days' written notice)	15 th day of each month beginning upon the set-up of your account.	We reserve the right to increase this fee upon 30 days' prior written notice to you. In addition to Centerstage fees payable to us, you may be required to pay third party vendors who

Type of Fee	Amount	Due Date	Remarks
	<p>Includes: backstage website, financial tracking software, and 2 hosted email addresses.</p> <p>Additional email addresses are available at \$35/month per email.</p>		provide certain Centerstage related products or services.
Accounting Software and CRM system	\$135-200 per month	As incurred	We require you to use QuickBooks Online for your accounting system. We also require you to use Lead Flip or other approved CRM vendors to track your school leads, progress, and growth.
Dancer Management Software Fee	<p>\$100 per month</p> <p>Subject to increase.</p>	15th day of each month beginning upon the set-up of your account.	We currently require you to use the Studio Pro online system to manage all of your customer accounts. You must set up an account directly with Studio Pro (“DSP”) and your account will be under the Tippi Toes Corporate account. A new software platform may be used in the future.
Marketing Cooperative Fund	Currently \$0, but if implemented then up to 2% of your Gross Revenue at our option	15th day of each month, based on revenues received during the previous month	If implemented, the Marketing Fund contributions will be paid to us in addition to any local advertising you choose to conduct in your local market. We reserve the right to implement this Marketing Fund upon 30 days’ prior written notice to you.
Late fee	\$50 for each late payment or the maximum allowed by law, whichever is less (plus \$35 for each payment by check, draft or electronic transfer that is returned for lack of sufficient funds)	Upon demand	These fees will apply to any payment owed to us which is more than ten (10) days late. In addition, if your monthly financial report (including Gross Revenue figures) required by us is not timely received by us, then the royalty payment owed to us will be equal to

Type of Fee	Amount	Due Date	Remarks
			120% of your average royalty payment during the past 12 months (or shorter payment period as applicable if you have not paid royalties for each of the last 12 months).
Bookkeeper Fee	Approximately \$300-\$500 per month	Payable monthly to 3rd party vendor	You will pay a monthly fee to the vendor to send your monthly financial statements to us.
Non-Compliance Fee	\$250 per incident per day	Upon demand	The Non-Compliance Fee shall be assessed if Franchisee violates the terms of the Franchise Agreement or operates out of compliance with Brand Standards.
Inspection/Audit Fee	Actual cost	Upon demand	Payable if an inspection or audit shows you have understated any amount owed to us by 2% or more.
Indemnification	Varies according to loss	Upon demand	You must indemnify us when certain of your actions result in loss to us.
Interest on Late Payment	18% per annum, or the maximum allowed by law, whichever is less	Upon demand	These fees will apply to any payment owed to us which is more than thirty (30) days late.
Non-sufficient Funds Fee	\$50 per occurrence	As incurred	If your check is returned or an electronic funds transfer from your bank account is denied for non-sufficient funds, for each occurrence, we may charge you a Non-sufficient Funds Fee.
ASCAP (License Fee) ⁴	\$99 to \$1,000 Annually	Upon receipt of Invoice	See details in Training Manual .
Liquidated Damages	Liquidated damages an amount equal to royalty fees and brand fund contributions for the lesser of (i) 24 months or (ii) the remaining months of the franchise term.	Upon demand	Payable if we terminate your franchise agreement because of your default, or if you terminate the franchise agreement without the right to do so.

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

¹ You must pay us a Royalty Fee equal to seven percent (7%) of the Gross Revenue generated monthly by your Franchise. “Gross Revenue” includes all sales of every kind and nature at or from your Tippi Toes Franchised Business or made pursuant to the rights granted to you by the Franchise Agreement, regardless of whether you have collected the amount of the sales. “Gross Revenue” does not include (i) receipts from any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, or (iii) properly documented promotional discounts (i.e., coupons). If you do not report any sales in a month then we will collect 120% of the last Royalty Fee collected and settle the balance the next month in which you report revenue. We must receive your payments on or before the fifteenth (15th) of each month for the previous calendar month. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. Franchisor reserves the right to collect the Royalty Fee on all invoiced amounts upon thirty (30) days notice to Franchisee.

The Minimum Royalty payable is based upon the approximate population of your territory when you sign your agreement and is set forth in the chart below:

Territory Population	Minimum Royalties Months 1-6	Minimum Royalties Months 7-12	Minimum Royalties Months 13-24	Minimum Royalties Months 25+
300,000 people (Tier 1)	\$250	\$500	\$750	\$1,000
400,000 people (Tier 2)	\$333	\$666	\$1,000	\$1,333
500,000 people (Tier 4)	\$416	\$832	\$1,250	\$1,666
600,000 people (Tier 4)	\$500	\$1,000	\$1,500	\$2,000
700,000 people (Tier 5)	\$583	\$1,166	\$1,750	\$2,333
800,000 people (Tier 6)	\$666	\$1,332	\$2,000	\$2,666
900,000 people (Tier 7)	\$750	\$1,500	\$2,250	\$3,000
Additional 50,000 people	+\$42	+\$83	+\$125	+\$166
Additional 100,000 people	+\$83	+\$166	+\$250	+\$333

² You must contribute to our Brand Fund, one percent (1%) of monthly Gross Revenue generated by your Tippi Toes outlet. Franchisor reserves the right to increase the Brand Fund Contribution to an amount not to exceed two percent (2%) of Gross Revenue. Payments are due on the fifteenth (15th) of each month for the previous calendar month. You are required to set up authorization at your bank to allow the Brand Fund to electronically transfer funds from your bank account to the Brand Fund’s bank account. Interest and late

fees will apply to any late payments or electronic funds transfer requests denied due to insufficient funds. If you do not report any sales in a month then the Brand Fund will collect 120% of the last Brand Fund Contribution collected and settle the balance the next month in which you report sales.

³ You are required to use our technology services are called “Centerstage” and include an Intranet system for franchise owners, Intranet system for all Tippi Toes staff members, website management and your Tippi Toes e-mail address. The cost to use the Centerstage System is currently \$199 per month. All fees are payable directly to us via Quickbooks. We require that you use the Centerstage System to manage all of your customer accounts. The Centerstage System is used for online enrollment, online payments, mass & individual emails, reports, management of customer information and the online merchandise store. Tippi Toes has modeled the system to work well with your needs and we have a model created within the system so a framework is already prepared for you to simply modify with your specific class information. We have access to the information that is processed by the Centerstage System.

⁴ We require that you are licensed with ASCAP (American Society of Composers, Authors and Publishers) as well as BMI. Since music is a vital part of dance classes, it is important that you be protected from any claim of copyright infringement. An ASCAP license authorizes performances of many millions of copyrighted musical works, and protects you from such claims. The annual fee is based on the number of students enrolled. We provide ASCAP enrollment numbers annually for each location; the fee is paid directly to ASCAP upon receipt of their invoice.

ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee ¹	\$49,500 - \$129,500	Lump sum or Finance. See Item 10	Upon signing the Franchise Agreement	Us
Uniforms	\$100 - \$500	Lump Sum	As incurred	Suppliers
Training Travel Costs and Expenses ²	\$1,500 - \$3,000	Lump Sum	As incurred	Suppliers
Insurance ³	\$1,000 - \$1,500	As incurred	As incurred	Insurance provider
Miscellaneous Opening Costs, Deposits, Licenses, and Professional Fees ⁴	\$1,000 - \$2,500	As incurred	As incurred	Suppliers

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Equipment & Computer Systems ⁵	\$2,000 - \$3,500	As incurred	As incurred	Suppliers
Teacher wages ⁶	\$1,500-3,000	As incurred	As incurred	Employees
Rent ⁷	\$0 - \$3,000	As incurred	As incurred	Suppliers
Additional funds (for first 3 months) ⁸	\$12,000 - \$20,000	As incurred	As incurred	Suppliers
TOTAL	\$68,600 - \$166,500			

¹ The Initial Franchise Fee is discussed in Item 5. The Initial Franchise Fee is nonrefundable under the terms of the Franchise Agreement.

² This is an estimate of travel expenses you will incur for training.

³ Your lease security deposit and utility deposits will usually be refundable unless you owe money to the landlord or utility provider. None of the other expenditures in this table will be refundable. Neither we nor any affiliate finances any part of your initial investment.

³ This estimate includes the first three months. The minimum insurance requirements are outlined in Item 8. Before you open for business, you must purchase and maintain at your sole cost and expense the insurance coverage that we specify. Each policy must be written by carriers acceptable to us and must name us and our respective officers, directors, partners, agents, and employees as additional insured parties, as their interests may appear. Insurance costs and requirements may vary widely in different localities. The estimate is for the first quarterly premium for required minimum insurance coverage. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

⁴ Miscellaneous opening costs may include deposits, incorporation fees, advertising costs, etc., which are relative to the start up of your business. You may incur professional fees depending on the scope of work performed, which may include, legal and accounting fees to review franchise documents and costs of forming a separate legal entity and/or obtaining zoning approval. This list is not exhaustive. This amount will vary greatly depending on your specific needs and location. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this disclosure document, and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting your Tippi Toes franchise.

⁵ You must at all times maintain a high-speed Internet connection and use such connection to operate your Tippi Toes business. If you do not already own a computer and printer, you are required to purchase a laptop or desktop computer that meets specifications for data management, on-line enrollment, collections, etc. in order to connect with the Centerstage System. You must also purchase and maintain a sound system/speakers meeting our standards and specifications for your Tippi Toes business. You will also be required to purchase music approved by us from iTunes or other on-line provider approved by us.

⁶ One to two teachers calculated at \$25/class working between 5-10 hours per week. This is an estimate for the first 3 months of operation.

⁷ You conduct dance classes at churches, schools, day care centers, community centers, etc. Most of the places where dance classes are conducted are rent free; however, based on our experience, some facilities do charge rent and we estimate that rent for your first 3 months of operation could be up to \$3,000.

⁸ This is an estimate of the amount of additional operating capital that you may need to operate your Franchised Business during the first three months after commencing operations. We cannot guarantee that you will not incur additional expenses in starting the business that may exceed this estimate. This estimate includes such items as utilities, internet service, initial payroll and payroll taxes, Royalties (as described in this disclosure document), repairs and maintenance, bank charges, miscellaneous supplies and equipment, initial staff recruiting expenses, and other miscellaneous items. These estimates do not include any compensation to you, nor do they include debt service. These items are by no means all-inclusive of the extent of possible expenses.

These figures are estimates, and we cannot guarantee that you will not have additional, or higher, expenses. You should review these figures carefully with a business advisor before making any decision to purchase a franchise.

We relied upon the experience of our corporate-owned and franchised Tippi Toes outlets to compile these estimates. You should review these figures carefully with a business advisor before making any decision to invest in the franchise. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Franchised Business. Your additional costs will depend on factors such as how closely you follow our methods and procedures; your management skill, experience, and business acumen; local economic conditions; the local market for our service; competition; and the sales level reached during your initial period.

We do not offer direct or indirect financing to franchisees for any items included in this section.

All fees and payments are non-refundable, unless otherwise stated or permitted by payee.

ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

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

Computer Systems – you must purchase the POS system and CRM system (online enrollment system) meeting our standards and specifications from our designated vendor, Studio Pro, which is based in Alabama. We also require a CRM system that will manage your schools, leads, progress, and growth.

Branded Items – we require that you purchase all Tippi Toes branded items (including, but not limited to, teacher/student shirts, teacher bags, etc.) only from our approved supplier, Darter.

Marketing Materials – We reserve the right to require you to use our designated marketing vendor for the purchase of all marketing materials.

Website – You must use only our Centerstage website in connection with your franchised business, which includes our Backstage intranet system. Unless authorized in writing by us, you may not use an individual website to offer or sell any services or products related to Tippi Toes.

Insurance – You are required to obtain and maintain certain minimum insurance policies as further described in the Franchise Agreement, and we must be named as an additional insured on each of these policies. You must obtain and maintain the required insurance policies protecting you, us, our affiliates, successors and assigns, and the officers, directors, shareholders, partners, members, agents, representatives, independent contractors and employees of each of them, against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense related to or connected with the operation of the Tippi Toes dance studio.

You are required to carry the following insurance at all times at the below minimums:

Minimum General Liability Limits

General Aggregate	\$2,000,000
Products/Completed Operations Aggregate:	\$1,000,000
Personal & Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000
Damage to Premises Rented to You:	\$500,000
Medical Expense (any one person)	\$10,000
Sexual Abuse and Molestation	\$1,000,000 per occurrence/\$2,000,000 aggregate
Accident Medical	\$25,000 per occurrence

You are required to procure the above minimum Commercial General Liability limits for your organization from an insurance company with an AM Best financial strength rating of “A-“ or better . The policy shall be endorsed to name Franchisor, it’s officers, directors, employee, volunteers, agents, representatives , shareholders, partners, members, agents, representatives , successors, and assigns as an Additional Insured on a Primary and Non-Contributory basis to include Waiver of Subrogation. A certificate of insurance shall be furnished to Franchisor, clearly evidencing the aforementioned are Additional Insured annually up renewal of the insurance contract or at any other time as request by Franchisor.

You are required to secure a sales tax resale certificate from your state and submit it to us within sixty (60) days following the full execution of this franchise agreement. Your sales tax resale certificate is required to be continued and effective for the life of this franchise agreement. Failure to comply with this requirement within the time-period specified and/or to continue the effectiveness of the sales tax resale certificate in your state will constitute a material default under your Franchise Agreement and could result, at our option, in the termination of your Franchise Agreement without any refund of any deposits/fees paid.

Except for the list of designated and approved suppliers listed above in this item 8, there are currently no alternative or approved suppliers, but we reserve the right to establish and amend a list of approved suppliers from time to time that must be used for purchases of products and services by our franchisees. If we establish approved suppliers (including manufacturers, distributors and other sources) for any equipment, supplies, materials, fixtures, furnishings, computer systems and other products used or offered for sale at the franchised business, you must obtain these items from those suppliers. Approved suppliers are those who demonstrate on a continuing basis the ability to meet our then-current standards and specifications, who have adequate quality controls and the capacity to supply the needs of the Tippi Toes franchise network promptly and reliably, whom we have approved in writing and whom we have not later disapproved. We may designate ourselves or our affiliates as approved or designated suppliers of any item. Before opening your franchised business (and from time to time as needed during operation of your franchised business),

you must purchase from designated or approved suppliers certain items required for the operation of a your franchised business.

If we require that an item be purchased from an approved or designated supplier and you wish to purchase it from a supplier we have not approved, you must submit to us a written request for approval. You must not purchase or lease the item from the supplier until and unless we have approved the supplier in writing. We have the right to require you to submit information, specifications and samples to us to enable us to determine whether the item complies with our standards and specifications and that the supplier meets our criteria. We will notify you whether we approve or disapprove of the proposed item or supplier within 14 days after we receive all required information to evaluate the product or service. We also have the right to inspect the supplier's facilities, and to have samples from the supplier delivered to us or to an independent laboratory we designate for testing. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial compatibility, labor relations, client relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints) or other criteria. We may re-inspect the facilities and products of any approved supplier, and may revoke our approval upon the supplier's failure to continue to meet any of our then-current criteria. If we revoke our approval of any supplier, you must promptly discontinue use of that supplier. You must reimburse us for the costs that we incur in the supplier approval process. Nothing requires us to approve any particular supplier and we are not required to notify you of our approval or disapproval within any specified period of time. Our specifications for products and criteria for supplier approval are generally issued through written communications and, if requested, will be made available to franchisees.

There are currently no criteria describing how the franchisor grants or revokes approval of alternative suppliers.

You are required to comply with all the Franchisor's standards and specifications relating to the products and services used or sold at the franchised business or at any Tippi Toes on location dance classes. These standards are listed in our Training and Operations Manual.

It is estimated that 100% of the franchisee's purchased products are required to be purchased from our approved suppliers for the establishment and ongoing operation of the franchised business.

During the fiscal year ended December 31, 2024, we derived \$38,572.80 from franchisee-required purchases, which comprised 1.61% of our total revenue of \$2,403,946.

During the fiscal year ended December 31, 2024, our affiliate, Lyric by Tippi Toes LLC, received revenues of \$21,491.50 from purchases by our franchisees. Lyric by Tippi Toes LLC is owned by Sarah Nuse and Adam Nuse, the owners of Tippi Toes, Inc. As of May 2024, Franchisees are no longer required to purchase uniforms from Lyric by Tippi Toes LLC.

Other than interests in the Franchisor, none of our officers own any interest in any approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

We do not receive any other revenue, rebates, discounts, or other material consideration from any other supplies based on your required purchases of products, supplies or equipment; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

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

From time to time, we negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of all franchisees.

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

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 or Article in Franchise Agreement	Item in Franchise Disclosure Document
a. Site Selection and Acquisition/Lease	8.1	11
b. Pre-Opening Purchase/Leases	8.3, 12.3.1	7, 11
c. Site Development & other Pre-Opening Requirements	8.2, 8.3, 12.1.1, 12.1.3	11
d. Initial and Ongoing Training	Article 7	11
e. Opening	8.2.3, 8.3, 8.4	11
f. Fees	5.1, 5.2.7, Article 6, 8.4, 12.3.7, 12.6, 15.6, 16.4, 18.1.4, 18.1.5, 19.1.5	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	Article 9, 12.1, 12.1.7, 19.1.1	8, 11
h. Trademarks and Proprietary Information	9.4, Article 14, 19.2, 19.3, 19.4	13, 14
i. Restrictions on Products/Services Offered	12.1.1, 12.1.4, 12.6	8
j. Warranty and Customer Service Requirements	Not Applicable	Not Applicable
k. Territorial Development and Sales Quotas	13.2	12
l. Ongoing Product/Service Purchases	12.1.4, 12.3.5	8

Obligation	Section or Article in Franchise Agreement	Item in Franchise Disclosure Document
m. Maintenance, Appearance and Remodeling Requirements	Article 9, 12.1.2, 12.1.5, 12.1.9	Item 11
n. Insurance	Article 15	7
o. Advertising	Article 13	6, 11
p. Indemnification	15.4, 15.6, 16.3.6, 21.1	14
q. Owner's Participation, Management, Staffing	11.1, 11.3, 12.1.6	11, 15
r. Records /Reports	12.2	6
s. Inspections and Audits	9.2, 12.1.7, 12.2.5	6, 11
t. Transfer	Article 16	17
u. Renewal	Article 5	17
v. Post-Termination Obligations	Article 18	17
w. Non-Competition Covenants	19.5	17
x. Dispute Resolution	Article 20	17
y. Guaranty	11.2.6	15

ITEM 10: FINANCING

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

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

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

1. Pre-Opening Obligations

Before you begin your business, we will:

- a. Designate your protected territory (Franchise Agreement Section 3.1)
- b. Provide you access to our operations manuals (Franchise Agreement Section 10.3), including a training manual. Such access may be limited to electronic copies, in our sole discretion.

- c. There are no site, location, or premises requirements. Most franchisees set up a space in their homes to act as an office for their business (approximately 100 square feet). Factors that may affect this time period include your ability to acquire financing or permits and completion of required training.
- d. Provide initial training during the first 30 days and ongoing training thereafter. (See Section 7.1 of the Franchise Agreement).

Provide a written list of the equipment, fixtures, furnishings, signage, supplies and products that will be required to open the Franchised Business. You must purchase Tippi Toes branded items. We do not deliver or install any items.

2. **Time to Open**

The typical length of time between the signing of the Franchise Agreement, or the first payment of consideration for the franchise and the opening of the franchisee's business is approximately one to three months. The franchisee should be able to complete all initial training, establish contracts with organizations to facilitate classes and begin registering children within this time frame. The ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures and signs, are factors which may affect the time period of the opening. You must operate the Tippi Toes studio in accordance with the Franchise Agreement throughout the entire term of the Franchise Agreement, provided that your initial activities during the first month after signing the agreement may not actually involve conducting dance classes.

3. **Obligations After Opening**

During the operation of your franchise, we will:

- a. We will conduct training sessions in Scottsdale, AZ for all new franchise owners. This designated time will be used to educate and train our franchise owners to have the tools to build their business at their established franchise location. We host regular training sessions, and you will be assigned to the one that fits with your location start-up date. This initial training field trip will not be provided if you have previously opened or operated another Tippi Toes franchised businesses. (Franchise Agreement Section 10) We will work with you in the areas of marketing, advertising ideas, selling, operations, and helping you develop your Business and Marketing plan.
- b. We will send you updated information on training, products, services, announcements, and meetings via mail, email, or conference call.
- c. We will hold monthly phone training conferences for all Franchise Owners and managers. Also, our Backstage online community is there to answer questions and provide current information will be provided by e-mail.
- d. We will advise on the advertised selling price for products and services for your Tippi Toes business.

See Section 10 of the Franchise Agreement for Franchisor's Obligations.

4. **Advertising**

Local Advertising

We currently do not have a Marketing Cooperative Fund. Tippi Toes reserves the right to implement a marketing fund (the “Marketing Cooperative Fund” or “Fund”) upon 30 days’ prior notice to you. If implemented, you will be required to make monthly contributions to the Marketing Cooperative Fund of up to 2%, of your monthly Gross Revenue. We do not require you to spend any amount on advertising outside of the Fund.

We or someone we designate will separately administer the Fund. The Fund is not a trust or escrow account, and we do not have any fiduciary obligations with respect to the Fund. We will direct all programs financed by the Fund, including the creative concepts, materials, endorsements, and the geographic market and media placement and allocation thereof. We may use the Fund to satisfy the costs of producing video, audio and written advertising materials; administering regional and multi-regional advertising programs; developing and maintaining an Internet website; developing and maintaining gift card, membership and other customer loyalty programs; and supporting public relations, market research and other advertising, promotion and marketing activities. We are not required to make expenditures for you that are equivalent or proportionate to your Fund contributions or to ensure that any particular franchisee benefits directly or in proportion to its contributions to the Fund. Except for any portion of the Fund spent on website development and maintenance (a portion of which may include soliciting the sale of franchises using our website or websites primarily focused on franchise growth), the Fund is not used to solicit the sale of franchises. Any Tippi Toes businesses owned by us and our affiliates may, but are not required to, contribute to the Fund on the same basis as a franchisee under the terms of a standard Tippi Toes franchise agreement.

Presently, we anticipate that Fund advertising will be conducted primarily through electronic or print media on a regional basis, and that the majority of our advertising will initially be developed in-house. We may use the Fund to directly place advertising in your local or regional market; however, we also intend to use the Fund to create and prepare marketing materials or advertising programs that will be provided to you so that you may directly place or implement such materials or programs in your local or regional market.

We will not use your Fund contributions to defray any of our operating expenses, except for any reasonable salaries, administrative costs, travel expenses and overhead that we may incur in administering the Fund and its programs. We will prepare an annual statement of the Fund’s operations and will make it available to you if you request it. Any amounts in the Fund that are not spent in the fiscal year in which they accrue will be applied toward advertising activities or our expenses incurred in administering the Fund and its programs in the following fiscal year. We are not required to have the Fund’s statements audited.

We may terminate the Fund at any time on 30 days prior written notice to you. If we terminate the Fund, all unspent monies will be distributed to the contributors in proportion to their respective contributions during the preceding 12-month period. (Franchise Agreement, Article XIII)

The Fund has not been established, so no amounts were contributed to the Fund in the last fiscal year.

You may use your own advertising material if it meets our brand standards and specifications; however, all advertising must be approved in writing by Tippi Toes before you use it.

There is no advertising council composed of franchisees that advises Tippi Toes on advertising policies.

There is no local or regional advertising cooperative that franchisees must participate in.

We do not currently spend any minimum amount on local advertising in any market.

System-Wide Brand Fund (Franchise Agreement, Section 13.3)

You are required to contribute to the Brand Fund one percent (1%) of monthly Gross Revenue generated by your Franchised Business. We reserve the right to increase the Brand Fund Contribution to an amount not to exceed two percent (2%) of Gross Revenue. Your Brand Fund contribution is collected at the same time and in the same manner as your Royalty. Each Tippi Toes outlet operated by our affiliate or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so.

The Brand Fund is administered by us. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Brand Fund contributions to pay our costs (including salaries of our personnel and other administrative costs) for advertising that is administered by us or prepared by us, as well as for administration and direction of the Brand Fund.

The Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions. The Brand Fund and its earnings shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

The Brand Fund collects and expends the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print, or other media) and to conduct marketing campaigns through any channel, in our discretion, including but not limited to, internet and direct-mail campaigns. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the territory where your Franchised Business is located.

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

An annual unaudited financial statement of the Brand Fund is available to any franchisee upon written request.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry-forward any surplus or deficit to the next fiscal year.

In our last fiscal year ended December 31, 2024, \$21,219.10 of Brand Fund contributions were collected. In our last fiscal year ended December 31, 2024 14.7% of Brand Fund expenditures were used to update the Tippi Toes website, and 85.3% was used on product/podcast development. Although the Brand Fund is intended to be of perpetual duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

Regional Advertising (Franchise Agreement, Section 13.4)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole

discretion. A regional cooperative will be comprised of all franchised Tippi Toes outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. Each Tippi Toes outlet will have one vote in the cooperative. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents.

If we establish a regional advertising fund or cooperative, you must contribute amounts we require. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Fund; however, contributions made by you to a regional advertising fund or cooperative will be credited against your required expenditures for local advertising.

Advertising Council

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance, and profitability. We reserve the right to change or dissolve the council at any time.

5. Computer Systems (Franchise Agreement, Section 12.3)

We require that you have or purchase a computer, smartphone and printer meeting our minimum standards and specifications, and you must maintain a high-speed Internet connection for your computer and smartphone at all times. If you do not already own a computer and printer, you are required to purchase a laptop or desktop computer in order to connect with the Centerstage System. (Franchise Agreement Section VI paragraph C) The estimated cost of a computer, smartphone and printer is approximately \$2,000 to \$3,500.

You must purchase, install and at all times use the required computer systems at your Tippi Toes franchised business. If the computer system is updated or modified from time to time you may be required to purchase the modified or upgraded version. You must also install and maintain at least one point-of-sale terminal that is capable of running the required software. The software is used to generate, compile, store and manage sales and other information. You must purchase this software and the related hardware from a supplier approved by us. We reserve the right to require you to pay a periodic helpdesk/maintenance services fee to an approved maintenance and support vendor in connection with maintaining and updating your POS system, but we currently do not require you to spend any minimum amount on helpdesk/maintenance services. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by Tippi Toes businesses.

Except as stated above, neither we, our affiliates, nor any third parties are required to provide ongoing maintenance, repairs, upgrades or updates to your hardware or software. Except as stated above, there are currently no optional or required maintenance/upgrade contracts for the point of sale or computer system. The software programs and hardware used at Tippi Toes businesses are designed to enable us to have independent access to the information generated and stored by the system, and there is no contractual limitation on our access to or use of the information we obtain.

We may revise our specifications for the hardware and any software used in the Tippi Toes businesses as we deem necessary, including the designation of specific brands or models of accounting software or other software used for word processing, spreadsheets and other office functions, that you must use in the

operation of your Tippi Toes businesses. In addition, you must update and upgrade the hardware and software from time to time as we require, and you must install any other hardware or software for the operation of the Tippi Toes businesses that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. The licensors of the required software may develop enhancements and upgrades for their programs that you may be required to obtain. We cannot estimate how often those licensors may develop updates, upgrades or enhancements, or whether we will require you to obtain them, or their cost to you. There are, however, no limitations on the frequency and cost of the updates, upgrades or enhancements.

6. **Table of Contents of Operations Manual**

The Table of Contents of our Operations Manual is attached as Exhibit E. The Operations Manual has a total of 12 pages.

7. **Training** (Franchise Agreement, Article 7)

You and all of your owners who will be actively engaged in the operation of the Franchised Business must also complete our Initial Training Program to our satisfaction before opening your franchise. We conduct training in Scottsdale, Arizona.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Brand Immersion – People and Culture	3	0	Scottsdale, Arizona
Building Your Business	2	0	Scottsdale, Arizona
Operations	5	0	Scottsdale, Arizona
Class Demonstration	2	0	Scottsdale, Arizona
Sales and Marketing	2	2	Scottsdale, Arizona
Business Management	2	0	Scottsdale, Arizona
TOTALS:	16	2	

Tippi Toes initial training is scheduled as needed. You must schedule your training prior to opening your Tippi Toes business. We do not charge a fee for the initial training of the Franchisee owners. The initial training program is included in the franchise fee. If additional staff attend the training, an additional fee of \$250/day will be charged. Your successful completion of the Tippi Toes training program (to our satisfaction) is mandatory before beginning operation of your Tippi Toes business.

The cost of our instructors, training materials, pre- and post-course training modules, and in-studio is included in the Initial Franchise Fee. You must pay for all of your travel and personal expenses, including, but not limited to, all costs for your transportation, meals, and lodging for yourself and your personnel.

If you do not complete our Initial Training Program to our satisfaction, we reserve the right to terminate the Franchise Agreement.

Monthly virtual learning opportunities are available to franchisees, managers, teachers and any other of the Franchisee's employees.

Additional training: At your request, Tippi Toes may provide training to additional members of your personnel (after the initial training) for a fee of \$250 per person, per day plus reimbursement for our travel, lodging, meals and other expenses related to such additional training. Each onsite training session will be 2 days and needs to be requested and planned at least 30 days in advance.

Training is subject to modification at any time at the discretion of Tippi Toes.

ITEM 12: TERRITORY

Under the Franchise Agreement, you have the right to establish and operate one Tippi Toes outlet within an exclusive territory (the "Protected Area"). Your Protected Area includes a population of up to 300,000 people. The boundaries of your protected territory may be defined by zip codes or and/or a territory map we provide. There would be a \$0.165 per additional person overage to any population greater than 300,000 according to the mapping technology software. Additional population must be purchased in 50,000 people increments (on average, zip codes will not be split). Your Protected Area will be defined and attached to your Franchise Agreement as Attachment 2.

You may not solicit or accept orders from consumers outside of your protected territory unless you have express written consent from our corporate office. You may not use other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales inside or outside of your protected territory.

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another Tippi Toes premises or grant the right to anyone else to open a Tippi Toes premises within the Territory.

There is no minimum sales requirement, market penetration or other contingency that will affect your protected right to operate in the Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we or you may terminate the Franchise Agreement. While you are closed for relocation, you must continue to pay us a minimum Royalty and Marketing Fund contribution equal to the average paid during the four calendar quarters immediately preceding the loss of your premises.

We may, but have no obligation to, consider granting to you the right to establish additional Tippi Toes outlets under other franchise agreements if you are successful and in compliance with the Franchise Agreement and propose to open another Tippi Toes outlet in an area and at a location we approve. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

We and our affiliates may sell products and services under the Marks within or outside the Territory through any method of distribution other than a dedicated Tippi Toes outlet location, including, licensing our designs for use in other formats, and sales through such channels of distribution as schools, camps,

institutional/professional campuses, and conferences; distribution through retail outlets, including but not limited to, arts and crafts, home goods and department stores; and the Internet (“Alternative Distribution Channels”). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory.

You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will include a listing on our website with a link to your Tippi Toes outlet location. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may collaterally extend beyond your Territory, and you may accept orders from customers outside of your Territory.

The Franchise Agreement does not grant you any right to participate in franchises, licensing programs or other business proposals for the sale and distribution of Tippi Toes products or services through Alternate Distribution Channels.

ITEM 13: TRADEMARKS

Our affiliate, TTAG, LLC (“Licensor”) is the owner of the Marks and has granted us the exclusive right to use the Marks and license to others the right to use the Marks in the operation of a Tippi Toes outlet in accordance with the System. The Franchise Agreement will license to you the right to operate your Franchised Business under Tippi Toes service marks, as described below (“Principal Marks”):

Mark	Register	Registration Number	Registration Date
TIPPI TOES	Principal	3426225	5/13/2008
	Principal	5906510	11/12/2019

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

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

You must not directly or indirectly contest Licensor’s right, or our right, to the Principal Mark or other Marks.

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

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

There are no currently effective agreements that significantly limit Licensor's or our rights to use or license the use of the Principal Mark or other Marks in a manner material to the franchise. Tippi Toes, Inc., our affiliate, owns the trademarks described in this Item. Under an Intercompany License Agreement between us and Tippi Toes, Inc., we have been granted the exclusive right to sublicense the trademarks to franchisees throughout the United States. The agreement is of perpetual duration. It may be modified only by mutual consent of the parties. It may be canceled by our affiliate only if (a) we materially misuse the trademarks and fail to correct the misuse, or (b) we discontinue commercial use of the trademarks for a continuous period of more than one year. The Intercompany License Agreement specifies that if it is ever terminated, your franchise rights will remain unaffected.

As of the date of this Disclosure Document, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark.

ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We hold no patents and have no pending patent applications that are material to the franchise. We claim copyrights in all artwork and designs used by the System.

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

We have obtained the following copyrights issued by the U.S. Copyright office:

U.S. Copyright Registration No. 408-677 for "Tippi Toes" effective as of July 6, 2007. The copyright extends to July 6, 2102.

U.S. Copyright Registration No. 6-594-703 for "PINK BALLET SHOES" effective date of July 2, 2007. The copyright extends to July 2, 2102.

U.S. Copyright Registration No. VA 1-419-480 for "TIPPI THE TURTLE" effective July 3, 2007. The copyright extends to July 3, 2102.

We intend to renew all of the above copyrights.

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

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to, methods, processes, customer lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and

applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of your Franchised Business; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as "confidential" or "proprietary", and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the "Confidential Information"). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Any and all of your personnel who have access to our Confidential Information must sign our Confidentiality and Non-Compete Agreement (Franchise Agreement, Attachment 9).

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

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

You must at all times directly supervise the operation of the business or you may employ a manager for this purpose who will serve as the Operating Principal under the Franchise Agreement.

The person designated as the Operating Principal must meet the standards set forth by us for this position, as provided in the Manuals or other written instructions. The Operating Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement.

The person designated must comply with all of our standards and specifications relating to the services and products used or sold at the Tippi Toes business.

The person designated as the Operating Principal must sell or offer all products and services in the manner and style required by us and must supervise and oversee all employees and their training. You may not deviate from our standards and specifications without first obtaining written consent from us.

The Operating Principal must maintain and protect our trade secrets and confidential information and abide by the covenants not to compete set forth in the Franchise Agreement. The Operating Principal shall ensure compliance with all requirements of federal, state and local laws, rules, regulations, and orders.

Each of your owners (whether partners, shareholders, members, etc.) must sign a personal guaranty in the form attached as Exhibit A to the Franchise Agreement. If applicable, your spouse must also personally guaranty your performance under the Franchise Agreement. Each of your owners (whether partners, shareholders, members, etc.) will also be required to enter into a confidentiality agreement and a non-competition agreement.

ITEM 16: RESTRICTION ON WHAT FRANCHISEE MAY SELL

You must offer and sell all products and services that are part of Tippi Toes business. You may only offer products and services that we have previously approved. We may modify, add, or remove products or services from the products and services that you must offer. Franchisee must conform to any of these changes as long as it does not materially change the obligations of the Franchise Agreement. Any sale of products or services must comply with Item 12.

You may not use our Marks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business that competes with your Franchised Business, with us or our affiliates, or with Tippi Toes outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from, or modify the products and services that you can and must offer. You must abide by any additions, deletions, and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are no other limits on our rights to make these changes.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may collaterally extend beyond your Territory, and you may accept orders from customers outside of your Territory. See Item 12 for restrictions on sales within and outside the Territory.

ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

	Provision	Section in Franchise Agreement	Summary
a.	Length of the franchise term	Art. 4	Term is Ten (10) years
b.	Renewal or extension of the Term	Section 3.2	If you are in good standing as defined below, you can enter into a successor franchise agreement for up to two (2) additional terms of five (5) years each, unless we have determined, in our sole discretion, to withdraw from the geographical area where your Franchise is located.
c.	Requirements for franchisee to renew or extend	Section 3.2	Be in full compliance, have no more than three (3) events of default during current term, provide written notice to us at least six months before the end of the term, execute a new franchise agreement, pay us the Successor Agreement Fee of \$10,000, continue to have the right to occupy the

	Provision	Section in Franchise Agreement	Summary
			<p>premises or have received approval from us to relocate, remodel your Franchised Business location, execute a general release, comply with then-current qualifications and training requirements, including completion of additional training.</p> <p>You will be asked to sign a new Franchise Agreement which may contain materially different terms and conditions than your original Franchise Agreement.</p>
d.	Termination by franchisee	Section 14.1	The Franchise Agreement does not give you any right to terminate the Franchise Agreement. You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	Not Applicable	
f.	Termination by franchisor with cause	Section 14.2	We may terminate only if you default. The Franchise Agreement describes defaults throughout. Please read it carefully.
g.	“Cause” defined – curable defaults	Section 14.2	You violate franchise agreement other than non-curable default (30 days to cure).
h.	“Cause” defined - non-curable defaults	Sections 14.2	<p>The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days.</p> <p>We may terminate the Franchise Agreement upon notice to you if you: falsify any report to us; fail to comply with applicable laws; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or</p>

	Provision	Section in Franchise Agreement	Summary
i.	Franchisee’s obligations on termination/ non-renewal	Sections 14.3-14.6	<p>permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime or otherwise cause damage to the goodwill or reputation of the Marks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of the Marks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use the Marks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate; have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-month period; or terminate the Franchise Agreement without cause.</p> <p>Upon termination, you must: cease operations; cease to identify yourself as a Tippi Toes franchisee; cease to use the Marks; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys’ fees; deliver to us all Confidential Information, the Operations Manual, completed project</p>

	Provision	Section in Franchise Agreement	Summary
			signs, and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; pay liquidated damages; and assign, at our option, your telephone numbers, directory and internet listings, and social media and software accounts and the lease for the location.
j.	Assignment of contract by franchisor	Section 15.1	No restrictions on our right to assign.
k.	“Transfer” by franchisee defined	Article 1	For you (or any owner of your business) to voluntarily or involuntarily transfer, sell, or dispose of, in any single or series of transactions, (i) substantially all of the assets of the business, (ii) the franchise agreement, (iii) direct or indirect ownership interest of more than 25% of the business, or (iv) control of the business.
l.	Franchisor approval of transfer by franchisee	Section 15.2	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	Section 15.2	Pay transfer fee; buyer meets our standards; buyer is not a competitor of ours; buyer and its owners sign our then-current franchise agreement and related documents (including personal guaranty); you’ve made all payments to us and are in compliance with all contractual requirements; buyer completes training program; you sign a general release; business complies with then-current system specifications (including remodel, if applicable).
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 15.5	If you want to transfer your business, we have a right of first refusal.
o.	Franchisor’s option to purchase franchisee’s business	Not Applicable	

	Provision	Section in Franchise Agreement	Summary
p.	Death or disability of franchisee	Sections 2.4 and 15.4	If you die or become incapacitated, a new principal operator acceptable to us must be designated to operate the business, and your executor must transfer the business to a third party within nine months.
q.	Non-competition covenants during the term of the franchise	Section 13.2	You may not: divert, or attempt to divert, customers of any Tippi Toes outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business, induce any person employed by us to leave their employment; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
r.	Non-competition covenants after the franchise is terminated or expires	Section 13.2	For 24 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Tippi Toes outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within 25 miles of your former Tippi Toes outlet location or any other Tippi Toes outlet location, do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees.
s.	Modification of the agreement	Section 18.4	No oral modifications, but we may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you, and to reduce the scope of any restrictive covenant.
t.	Integration/merger clause	Section 18.3	Only the terms of the agreement are binding (subject to state law). Any representations or promises outside of

	Provision	Section in Franchise Agreement	Summary
			the disclosure document and franchise agreement may not be enforceable. However, no claim made in any franchise agreement is intended to disclaim the express representations made in this Disclosure Document.
u.	Dispute resolution by mediation	FA: Section 13.2	<p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes, and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>
v.	Choice of forum	FA: Sections 17.1 and 17.5	Arbitration will take place where our headquarters is located (currently, Oklahoma) (subject to applicable state law). Any legal proceedings not subject to arbitration will take place in the District Court of the United States, in the district where our headquarters is then located, or if this court lacks jurisdiction, the state courts of the state and county where our headquarters is then located (subject to applicable state law).
w.	Choice of law	FA: Section 18.8	Oklahoma law applies, subject to applicable state law.

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement for special state disclosures.

ITEM 18: PUBLIC FIGURES

We do not currently 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.

Chart 1	
Tippi Toes Reporting Franchisee Revenue per Franchise Outlet	
Calendar Year	2024
High	608,589
Low	62,855
Median	278,707
Average	288,266
Franchise Outlets	21
Franchise Outlets Exceeding Average	10
Percentage of Franchise Outlets Exceeding Average	48%

Chart 2	
Total Student Enrollment Per Month per Franchise Outlet	
Calendar Year	2024
High	723
Low	68
Median	251
Average	286
Franchise Outlets	21
Franchise Outlets Exceeding Average	8
Percentage of Franchise Outlets Exceeding Average	38%

As of December 31, 2024, we had 61 total franchised outlets in operation. For chart 1 and 2, in 2024, we excluded 40 outlets due to one or more of the following reasons: 27 outlets did not generate sales for the full twelve-month period, 2 outlets transferred ownership, 2 outlets are owned by relatives of the principals of Franchisor, 9 outlets had unreliable reporting.

Franchisee	Average	A		B	
Outlet		1	1	2	3
Year Opened		2010	2013	2015	2019
Revenue	\$ 288,266	\$ 500,616	\$ 608,589	\$ 507,521	\$ 150,819
Annual Student Tuition billed	3,373	5,676	7,213	5,733	2,087
Costume Income	23,400.08	74,724	-	-	-
Registration	6,252.23	-	-	-	-
Tuition	244,047.08	411,406	608,589	507,521	149,114
Special Events and Recitals	14,566.24	14,486	-	-	1,705
COGS	\$ 131,213	\$ 235,184	\$ 323,050	\$ 210,853	\$ 70,740
Teacher Wages	76,815	131,680	214,810	125,208	59,165
Class Rent & Supplies	19,814	50,218	26,322	20,136	3,107
Event Rent & Supplies	514	-	621	926	-
Recital Expenses	31,589	42,382	81,298	63,273	8,468
Retail Merchandise	2,481	10,904	-	1,310	-
<i>COGS (% of revenue)</i>	46%	47%	53%	42%	47%
<i>Gross Margin</i>	54%	53%	47%	58%	53%
SG&A	\$ 56,025	\$ 90,817	\$ 49,446	\$ 77,624	\$ 11,891
Payroll Expenses and Taxes	21,915	38,371	8,477	4,324	3,576
Technology	4,048	1,970	1,529	434	809
Marketing and Advertising	2,425	1,011	1,158	337	422
Meals & Entertainment	2,700	750	1,969	1,139	993
Professional Fees	2,899	4,923	3,572	3,053	1,350
Administrative & Insurance	18,520	41,064	24,275	65,785	4,445
Travel and Automobile Expense	3,519	2,729	8,467	2,552	297
<i>SGA (% of Revenue)</i>	19%	18%	8%	15%	8%
Implied Royalty Fee (7%)	\$ 20,179	\$ 35,043	\$ 42,601	\$ 35,526	\$ 10,557
Implied Brand Fund Fee (1%)	\$ 2,883	\$ 5,006	\$ 6,086	\$ 5,075	\$ 1,508
Net Income/Owner Profit	\$ 77,966	\$ 134,565	\$ 187,407	\$ 178,442	\$ 56,123
<i>Owner Profit %</i>	27%	27%	31%	35%	37%

Franchisee	C	D	E	F	G
Outlet	1	1	1	1	1
Year Opened	2013	2023	2016	2016	2018
Revenue	\$ 199,642	\$ 316,940	\$ 245,940	\$ 412,367	\$ 396,852
Annual Student Tuition billed	2,124	3,016	2,779	4,294	4,766
Costume Income	36,320	-	38,360	63,615	56,241
Registration	9,090	-	8,808	-	-
Tuition	135,098	299,904	187,744	332,189	337,852
Special Events and Recitals	19,134	17,037	11,030	16,563	2,759
COGS	\$ 77,458	\$ 116,012	\$ 110,458	\$ 251,082	\$ 224,146
Teacher Wages	48,014	85,332	55,604	140,171	123,996
Class Rent & Supplies	6,030	13,551	24,402	51,576	51,503
Event Rent & Supplies	1,185	-	114	-	-
Recital Expenses	19,937	17,129	25,388	51,148	44,536
Retail Merchandise	2,292	-	4,951	8,187	4,111
<i>COGS (% of revenue)</i>	<i>39%</i>	<i>37%</i>	<i>45%</i>	<i>61%</i>	<i>56%</i>
<i>Gross Margin</i>	<i>61%</i>	<i>63%</i>	<i>55%</i>	<i>39%</i>	<i>44%</i>
SG&A	\$ 37,685	\$ 74,841	\$ 36,265	\$ 50,961	\$ 59,255
Payroll Expenses and Taxes	10,369	13,764	1,404	7,333	5,797
Technology	9,828	1,840	3,427	1,548	5,815
Marketing and Advertising	1,323	2,171	3,785	1,459	6,174
Meals & Entertainment	229	7,015	4,139	4,633	4,044
Professional Fees	695	3,740	3,468	1,287	3,914
Administrative & Insurance	14,233	32,589	17,601	28,135	32,623
Travel and Automobile Expense	1,008	13,722	2,442	6,567	889
<i>SGA (% of Revenue)</i>	<i>19%</i>	<i>24%</i>	<i>15%</i>	<i>12%</i>	<i>15%</i>
Implied Royalty Fee (7%)	\$ 13,975	\$ 22,186	\$ 17,216	\$ 28,866	\$ 27,780
Implied Brand Fund Fee (1%)	\$ 1,996	\$ 3,169	\$ 2,459	\$ 4,124	\$ 3,969
Net Income/Owner Profit	\$ 68,528	\$ 100,732	\$ 79,542	\$ 77,334	\$ 81,703
<i>Owner Profit %</i>	<i>34%</i>	<i>32%</i>	<i>32%</i>	<i>19%</i>	<i>21%</i>

Franchisee	H	I	J	K	L
Outlet	1	1	1	1	1
Year Opened	2016	2017	2017	2020	2020
Revenue	\$ 354,320	\$ 278,707	\$ 185,033	\$ 426,154	\$ 465,091
Annual Student Tuition billed	3,382	3,181	2,603	6,415	5,519
Costume Income	120	-	17,742	62,994	92,430
Registration	30,598	14,580	-	22,113	29,803
Tuition	265,868	224,469	146,457	335,723	320,484
Special Events and Recitals	57,734	39,659	20,834	5,324	22,374
COGS	\$ 132,336	\$ 148,967	\$ 89,775	\$ 159,400	\$ 153,543
Teacher Wages	66,931	67,895	35,648	95,247	95,751
Class Rent & Supplies	22,052	25,246	22,928	34,489	7,270
Event Rent & Supplies	759	1,353	1,633	463	-
Recital Expenses	37,985	52,563	25,043	29,201	44,247
Retail Merchandise	4,608	1,911	4,522	-	6,275
<i>COGS (% of revenue)</i>	<i>37%</i>	<i>53%</i>	<i>49%</i>	<i>37%</i>	<i>33%</i>
<i>Gross Margin</i>	<i>63%</i>	<i>47%</i>	<i>51%</i>	<i>63%</i>	<i>67%</i>
SG&A	\$ 105,169	\$ 33,710	\$ 13,375	\$ 170,356	\$ 32,426
Payroll Expenses and Taxes	65,903	2,961	474	123,802	698
Technology	8,448	4,629	1,918	11,764	2,105
Marketing and Advertising	2,950	1,460	2,306	11,854	214
Meals & Entertainment	4,591	2,142	1,604	7,259	-
Professional Fees	3,366	5,305	1,777	4,125	2,922
Administrative & Insurance	18,113	16,675	3,567	9,335	24,931
Travel and Automobile Expense	1,798	538	1,729	2,217	1,556
<i>SGA (% of Revenue)</i>	<i>30%</i>	<i>12%</i>	<i>7%</i>	<i>40%</i>	<i>7%</i>
Implied Royalty Fee (7%)	\$ 24,802	\$ 19,509	\$ 12,952	\$ 29,831	\$ 32,556
Implied Brand Fund Fee (1%)	\$ 3,543	\$ 2,787	\$ 1,850	\$ 4,262	\$ 4,651
Net Income/Owner Profit	\$ 88,469	\$ 73,733	\$ 67,080	\$ 62,307	\$ 241,914
<i>Owner Profit %</i>	<i>25%</i>	<i>26%</i>	<i>36%</i>	<i>15%</i>	<i>52%</i>

Franchisee	M	N	O	P	Q	R	
Outlet	1	1	2	1	1	1	
Year Opened	2021	Sept 2023'	Sept 2023'	Oct 2023'	Nov 2023'	Nov 2023'	Jan 2024'
Revenue	\$ 349,106	\$ 73,332	\$ 160,668	\$ 92,558	\$ 62,855	\$ 112,271	\$ 154,196
Annual Student Tuition billed	4,634	821	1,736	1,149	1,033	1,321	1,355
Costume Income	6,821	11,357	22,569	8,109	-	-	-
Registration	648	-	147	-	-	-	15,510
Tuition	330,380	51,919	115,422	79,379	61,564	111,389	112,519
Special Events and Recitals	11,257	10,056	22,530	5,069	1,292	882	26,167
COGS	\$ 157,167	\$ 29,766	\$ 61,170	\$ 37,641	\$ 47,658	\$ 70,225	\$ 48,839
Teacher Wages	90,515	15,335	38,650	20,036	33,334	41,267	28,532
Class Rent & Supplies	17,102	3,529	4,795	1,645	4,683	17,271	8,246
Event Rent & Supplies	1,556	-	538	-	1,315	295	34
Recital Expenses	46,994	10,901	16,134	15,814	7,623	11,377	11,917
Retail Merchandise	1,000	-	1,052	147	703	15	110
<i>COGS (% of revenue)</i>	<i>45%</i>	<i>41%</i>	<i>38%</i>	<i>41%</i>	<i>76%</i>	<i>63%</i>	<i>32%</i>
<i>Gross Margin</i>	<i>55%</i>	<i>59%</i>	<i>62%</i>	<i>59%</i>	<i>24%</i>	<i>37%</i>	<i>68%</i>
SG&A	\$ 113,494	\$ 13,474	\$ 59,907	\$ 35,683	\$ 16,821	\$ 23,738	\$ 69,594
Payroll Expenses and Taxes	74,652	289	47,824	1,092	1,300	4,762	43,050
Technology	2,510	3,712	2,438	3,612	4,396	5,527	6,758
Marketing and Advertising	2,114	79	-	1,207	2,626	5,374	2,895
Meals & Entertainment	7,842	166	-	5,097	1,135	963	986
Professional Fees	155	3,823	3,554	2,074	1,783	436	5,552
Administrative & Insurance	19,942	2,941	4,995	10,090	4,070	6,675	6,833
Travel and Automobile Expense	6,278	2,465	1,095	12,511	1,511	-	3,520
<i>SGA (% of Revenue)</i>	<i>33%</i>	<i>18%</i>	<i>37%</i>	<i>39%</i>	<i>27%</i>	<i>21%</i>	<i>45%</i>
Implied Royalty Fee (7%)	\$ 24,437	\$ 5,133	\$ 11,247	\$ 6,479	\$ 4,400	\$ 7,859	\$ 10,794
Implied Brand Fund Fee (1%)	\$ 3,491	\$ 733	\$ 1,607	\$ 926	\$ 629	\$ 1,123	\$ 1,542
Net Income/Owner Profit	\$ 50,517	\$ 24,225	\$ 26,738	\$ 11,830	\$ (6,652)	\$ 9,327	\$ 23,427
<i>Owner Profit %</i>	<i>14%</i>	<i>33%</i>	<i>17%</i>	<i>13%</i>	<i>-11%</i>	<i>8%</i>	<i>15%</i>

Note: The above Profit and Loss statements represent the performance of twenty-one (21) franchise outlets and do not represent all Tippi Toes locations.

Forty (40) Profit and Loss statements have been excluded due to one or more of the following reasons:

- 1) Outlets which are company or relative owned.
- 2) Outlets not in operation all 12 months.
- 3) Outlets which have changed ownership.
- 4) Outlets with incomplete or unreliable financial reporting.

Other than the preceding financial performance representation, Tippi Toes, Inc. does not make any financial performance representations. 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 Sarah Nuse, 3373 Eslin Court, Murfreesboro, Tennessee 37130 at (270) 779-0228, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
System-wide Outlet Summary
For Years 2022 to 2024**

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2022	32	33	+1
	2023	33	47	+14
	2024	47	74	+27
Company – Owned*	2022	0	1	+1
	2023	1	1	0
	2024	1	3	+2
Total Outlets	2022	32	34	+2
	2023	34	48	+14
	2024	48	77	+29

**Table No. 2
Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)
For Years 2022 to 2024**

Column 1 State	Column 2 Year	Column 3 Number of Transfers
California	2022	0
	2023	0
	2024	1
Kentucky	2022	0
	2023	1
	2024	0
Texas	2022	0
	2023	2
	2024	0
Total	2022	0
	2023	3
	2024	1

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

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
Alabama	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arizona	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Arkansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
California	2022	2	0	0	0	0	0	2
	2023	2	4	0	0	0	0	6
	2024	6	0	0	0	0	0	6
Colorado	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	5	0	0	0	0	6
District of Columbia	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	2	0	0	0	0	0	2
	2023	2	2	0	0	0	0	4
	2024	4	10	0	0	1	0	13
Georgia	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Idaho	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Illinois	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Iowa	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Kansas	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	1	0	0
Kentucky	2022	3	0	0	0	0	0	3

	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Maryland	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Minnesota	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Missouri	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
New York	2022	0	0	0	0	0	0	0
	2023	0	4	0	0	0	0	4
	2024	4	1	0	0	0	0	5
North Carolina	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Ohio	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	1	1	0	0	0	2
Oklahoma	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Oregon	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Pennsylvania	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	1	0
Tennessee	2022	1	0	0	0	0	0	1
	2023	1	1	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Texas	2022	10	0	1	0	0	0	9
	2023	9	0	0	0	0	0	9
	2024	9	9	0	0	0	0	18
Virginia	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	1	0	0	0	0	2
Total	2022	33	1	1	0	0	0	33
	2023	33	18	0	0	0	0	51
	2024	51	30	1	0	2	2	76

Table No. 4
Status of Company Owned* Outlets
For Years 2022 to 2024

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisees	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisees	Column 8 Outlets at End of the Year
Arizona	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Florida	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
Kansas	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	0	1	0	0	1
Total	2022	0	1	0	0	0	1
	2023	1	0	0	0	0	1
	2024	1	0	2	0	0	3

Table No. 5
Projected Openings as of December 31, 2024

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Next Fiscal Year
Colorado	0	1	0
Florida	0	1	0
New Jersey	1	0	0
Tennessee	0	0	1
Texas	0	1	0
Wisconsin	1	0	0
Total	2	3	1

Exhibit F lists the location of each franchised Tippi Toes outlet in our System.

The name, city, state, and current business telephone number (or if unknown, the last known home telephone number) of every franchisee or multi-unit developer who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document are listed on Exhibit F to this Disclosure Document. **If you**

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

Some of our franchisees have signed confidentiality agreements during the past 3 years. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Tippi Toes franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21: FINANCIAL STATEMENTS

Included in Exhibit D to this Franchise Disclosure Document are our audited financial statements for the years ended December 31, 2024, December 31, 2023, and December 31, 2022.

Our fiscal year end is December 31.

ITEM 22: CONTRACTS

Attached as Exhibits to this Disclosure Document are all proposed agreements regarding the franchise offering:

- | | | |
|----|-------------------------------------|-----------|
| 1. | Franchise Agreement | Exhibit B |
| 2. | Franchisee Acknowledgment Statement | Exhibit H |
| 3. | General Release | Exhibit F |

ITEM 23: RECEIPT

A receipt in duplicate appears at the end of this Disclosure Document. Please return one signed copy to us and retain the other for your records.

EXHIBIT A

LIST OF STATE FRANCHISE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

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

State	State Agency	Agent for Service of Process
CALIFORNIA	Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce

State	State Agency	Agent for Service of Process
NEW YORK	NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 (212) 416-8222 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard State Capitol, 14th Floor, Dept. 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166	Legalinc Corporate Services Inc. 1591 Savannah Highway Suite 201 Charleston, SC 29407
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-0448	Commissioner of Securities of Wisconsin

EXHIBIT B
FRANCHISE AGREEMENT

TIPPI TOES INC.
FRANCHISE AGREEMENT
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List of Attachments:

- 1 – Trademarks
- 2 – Territory Description and Franchised Business Location
- 3 – Initial Fee and Minimum Royalty
- 3 – ACH Authorization
- 4 - Conditional Assignment of Lease
- 5 - Statement of Ownership Interests in Franchisee
- 6 – Spouse Guaranty
- 7 - Internet Advertising, Social Media, Software, and Telephone Listing Agreement
- 8 - Confidentiality and Non-Compete Agreement

THIS FRANCHISE AGREEMENT (this “Agreement”) is being entered into this day of _____, (the “Effective Date”) by and between Tippi Toes Inc., an Oklahoma corporation with its principal place of business at 3373 Eslin Court, Murfreesboro, Tennessee 37130 (herein “Franchisor”) and _____, a(n) _____, with its principal place of business located at _____ and _____’s principals _____, an individual residing at _____ and _____, an individual residing at _____ (“Principal(s)”). _____ and Principal(s) shall be individually and collectively referred to as, and each is, the “Franchisee”.

RECITATIONS

Through the expenditure of considerable time, effort and money, Franchisor has developed and established unique and distinctive business in which franchisees will operate a children’s dance lesson business which offers off-site classes and special events using Franchisor’s designs, and using Franchisor’s confidential operations manual (“Manual”) of business practices and policies, and Franchisor’s distinctive operations methods, sales techniques, procedures for management control and training, assistance, advertising, and promotional programs, all of which may be changed, improved or further developed by Franchisor at any time (taken together herein the “System”). Training will occur at Franchisor’s headquarters and/or other affiliated outlet, currently located in Tennessee, and will be provided consistent with Franchisor’s training manuals.

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

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

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

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

1. RECITATIONS.

The Recitations set out above form part of this Agreement.

2. GRANT OF FRANCHISE.

Franchisor hereby grants to Franchisee and Franchisee accepts, upon the terms and conditions contained in this Agreement, the license to operate a Tippi Toes franchise (the “Franchised Business”), using only the Marks licensed hereunder, in strict conformity with the System, which may be changed, improved and further developed by Franchisor from time to time. This grant applies only within a territory that is designated in Attachment 2 attached hereto and incorporated herein (the “Territory”).

3. TERRITORY.

3.1 Territory. This agreement grants Franchisee the right to operate the Franchise Business within the territory only. Subject to Sections 3.2, Franchisor agrees that during the Term of this Agreement, Franchisor will not permit any other Tippi Toes franchisees, to operate a Tippi Toes business in the territory using the same Marks as licensed to Franchisee in this Agreement. Franchisee acknowledges that the foregoing Territory protection grants no rights to Franchisee of any exclusive customer base. Except as otherwise specified in this Agreement, Franchisor reserves the right to open, operate or franchise Tippi Toes franchises around, bordering, and adjacent to the Territory. Franchisee is prohibited from selling and soliciting customers through alternative distribution channels as more fully specified herein.

3.2 Reservation of Rights. Franchisee understands and agrees that all rights to any businesses, other than as specified in this Agreement, are fully reserved to Franchisor within or outside of the Territory. By way of example only, Franchisor reserves the rights to offer (i) other products or services not offered under the Marks, (ii) other children’s dance concepts under the Marks or other trademarks, including licensing Franchisor’s designs for use in other formats and (iii) services through other channels of distribution in the Territory including, but not limited to, co-branding with other children’s dance businesses, and products offered through retail stores, the Internet or direct marketing (“Alternate Channels of Distribution”). (“Alternate Distribution Channels”). Franchisee will receive no compensation for Franchisor’s sales through Alternate Distribution Channels made within the Territory. Franchisee agrees that such implementation of Franchisor’s rights pursuant to this Section 3.2 is deemed not to impair or injure Franchisee’s rights pursuant to Section 2 hereof.

4. TERM.

Unless terminated earlier in accordance with the terms set forth in this Agreement, this Agreement and the Franchise granted hereunder shall commence upon the Effective Date set forth above, and terminate on the date that is ten (10) years following the Opening Date, as defined in Section 8 hereof (the “Term”).

5. SUCCESSOR OPTIONS.

Subject to the terms and conditions of this Agreement, Franchisee shall have the right, following the expiration of the Term hereof, to enter into a new franchise agreement and other agreements then customarily employed by Franchisor and in the form then generally being offered to prospective franchisees in the state in which the Territory is located (the "Successor Franchise Agreement") for two (2) additional terms equal to five (5) years each. The term of each such Successor Franchise Agreement shall commence upon the date of expiration of the immediately preceding term. Franchisee shall be charged a successor agreement fee equal to Five Thousand Dollars (\$5,000.00) ("Successor Agreement Fee").

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

5.1.1 Not less than six (6) months prior to the expiration of the Term of this Agreement, Franchisee shall request from Franchisor in writing, a copy of Franchisor's then current Disclosure Document (including Franchisor's then current franchise agreement).

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

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

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

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

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

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

- 5.2.2 Franchisee shall not have committed three (3) or more events constituting default during the Term of this Agreement, whether or not such defaults were cured.
- 5.2.3 Franchisee will have completed any required additional training to Franchisor's reasonable satisfaction.
- 5.2.4 Franchisee shall have obtained the right to continue to occupy the premises of the Franchised Business following the expiration of the Term hereof for the full term of the Successor Franchise Agreement and/or have received Franchisor's approval regarding locating the Franchised Business at a new location.
- 5.2.5 Franchisee shall execute a general release of all claims Franchisee may have against Tippi Toes Inc., its parent, subsidiaries and affiliates, its officers, directors, shareholders, agents, and employees, whether in their corporate and/or individual capacities, in the form attached as an Exhibit to the Franchise Disclosure Document. This release will include all claims arising under any federal, state, or local law, rule, or ordinance.
- 5.2.6 Franchisee performs such remodeling, repairs, replacements, and redecoration as Franchisor may require in order to cause the Franchised Business premises, vehicle, equipment, fixtures, furnishings, and furniture to conform to the plans and specifications being used for new or remodeled franchised businesses on the renewal date.
- 5.2.7 Franchisee shall pay the required Successor Agreement Fee and sign the Successor Franchise Agreement.
- 5.3 Notice Required by Law. If applicable law requires Franchisor to give notice to Franchisee prior to the expiration of the Term, this Agreement shall remain in effect on a month-to-month basis until Franchisor has given the notice required by such applicable law. If Franchisor is not offering new Tippi Toes franchises, is in the process of revising, amending or renewing Franchisor's form of franchise agreement or disclosure document, or Franchisor is not lawfully able to offer Franchisee the then current form of Successor Franchise Agreement at the time Franchisee advises Franchisor pursuant to Paragraph 5.2 hereof that Franchisee desires to renew, Franchisor may, in Franchisor's sole discretion, (i) offer to renew this Agreement upon the same terms set forth herein for the appropriate successor term or (ii) offer to extend the Term hereof on a month-to-month basis following the expiration of the Term for as long as Franchisor deems necessary or appropriate so that Franchisor may lawfully offer the then current form of Successor Franchise Agreement. Any timeframes specified in this Paragraph 5 shall be inclusive of any state mandated notice periods.
- 5.4 Additional Reservation of Rights. Notwithstanding anything herein to the contrary, Franchisor reserves the right not to enter into a successor franchise agreement for this Franchise as a result of a decision to withdraw from the Territory in which Franchisee's Franchised Business is located.

6. FEES.

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

6.1.1 Initial Franchise Fee. Franchisee acknowledges and agrees that the grant of this Franchise and the rights and obligations of the parties under this Agreement constitute the sole and only consideration for the initial franchise fee in the amount set forth on Attachment 3 (the “Initial Fee”). **The Initial Fee is fully earned at the time this Franchise Agreement is signed and is not refundable under any circumstances.** Franchisee shall pay the full amount of the Initial Fee to Franchisor upon Franchisee’s execution of this Agreement.

6.1.2 Royalty Fee. Franchisee agrees to pay Franchisor, throughout the Term, a royalty fee equal to the greater of seven percent (7%) of the Gross Revenue, as hereinafter defined, realized from the Franchised Business and from any other revenues received using Franchisor’s methods, operations and/or trade secrets, or the minimum royalty set forth on Attachment 3 (the “Minimum Royalty”), whichever is greater (the “Royalty Fee”).

The term “Gross Revenue” includes all revenues and income from any source derived or received by Franchisee from, through, by or on account of the operation of the Franchised Business or made pursuant to the rights granted hereunder, including but not limited, any and all other revenues received using Franchisor’s methods, operations, designs and/or trade secrets whether received in cash, in services, in kind, from barter and/or exchange, on credit (whether or not payment is actually received) or otherwise. Gross Sales does not include (i) bona fide refunds to customers, (ii) sales taxes collected, or (iii) sales of prepaid cards or similar products (but the redemption of any such card or product will be included in Gross Sales). Franchisee agrees to participate in any System-wide gift card program Franchisor currently utilizes, or that Franchisor may institute in the future, including any reasonable revenue recognition policies associated therewith.

6.1.3 Gross Revenue Reports. Franchisee shall, every Tuesday, furnish Franchisor with a report verifying Franchisee’s Gross Revenue at or from the Franchised Business and/or made pursuant to the rights granted hereunder during the preceding week (the “Gross Revenue Report”). The Gross Revenue Report shall be in such form and shall contain such information as Franchisor may from time to time prescribe. Franchisor reserves the right to establish point of sale systems (“POS System”) that Franchisor may require Franchisee to use from time to time in the operation of the Franchised Business. At Franchisor’s option, Franchisee shall submit the Gross Revenue Report by an electronic transfer of data via the POS System at the times and interims then specified by Franchisor.

6.1.4 Method of Payment. Franchisee shall, together with the submission of the Gross Revenue Report, pay Franchisor the Royalty Fee and the Brand Fund Contribution, as defined, and more particularly described in Article 13, then due. At Franchisor’s request,

Franchisee must execute documents, including but not limited to, the Authorization attached as Attachment 4, that allow Franchisor to automatically take the Royalty Fee and Brand Fund Contribution due as well as other sums due Franchisor, from business bank accounts via electronic funds transfers or Automated Clearing House (“ACH”) payments. Franchisee’s failure to allow electronic funds transfers or ACH payments on an ongoing basis is a material breach of this Agreement.

- 6.2. Late Fee. If the Royalty Fee, Brand Fund Contribution, or any Gross Revenue Reports are not received by Franchisor as required by this Agreement, Franchisee shall pay to Franchisor, in addition to the overdue amount, a late fee of Fifty Dollars (\$50.00). This late fee is reasonably related to Franchisor’s costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee’s failure to pay the Royalty Fee, the Brand Fund Contribution, and/or submit Gross Revenue Reports in accordance with the terms of this Agreement.
- 6.3. Interest. Any and all amounts that shall become due and owing from Franchisee to Franchisor under the terms hereof shall bear interest from the date due until paid at the rate of 18% per annum or at the highest rate permitted by law, whichever is lower.
- 6.4. Non-Sufficient Funds Fee. In the event any of Franchisee’s checks are returned, or an electronic funds transfer from Franchisee’s bank account is denied, for insufficient funds, Franchisee shall pay Franchisor, in addition to the amount due, a non-sufficient funds fee of Fifty Dollars (\$50.00) per occurrence. This non-sufficient funds fee is reasonably related to Franchisor’s costs resulting from the delayed and declined payment, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement.
- 6.5. Taxes. If any sales, excise, use, or privilege tax is imposed or levied by any government or governmental agency on Franchisor for any Royalty Fee, Brand Fund Contribution, or other fees due and payable to Franchisor under this Agreement, Franchisee shall pay Franchisor a sum equal to the amount of such tax.

7. TRAINING.

- 7.1 Initial Training Program. Franchisee (specifically including all Franchisee’s principals who will be actively engaged in the operation of the Franchised Business) shall attend and complete to Franchisor’s sole and absolute satisfaction, Franchisor’s initial training program (“Initial Training Program”), prior to the opening of the Franchised Business. The Initial Training Program consists of a course conducted at one of Franchisor’s outlets in Scottsdale, Arizona. Franchisor reserves the right to designate an alternate location, or use a virtual classroom, for the course component of the Initial Training Program. Franchisee must at all times during the term of this Agreement have all Principal and approved managers who have successfully completed the Initial Training Program to Franchisor’s sole and complete satisfaction. No charge shall be made for two people to take the Initial Training Program prior to opening the Franchised Business (“Initial

Trainees”). Notwithstanding the foregoing, Franchisee shall be required to pay all of the expenses of the Initial Trainees, including, without limitation, costs of travel, lodging, meals, and wages.

- 7.2 Satisfactory Completion. Franchisor shall determine, in Franchisor’s sole discretion, whether the Initial Trainees have satisfactorily completed the Initial Training Program, which shall include mastery of pre- and post-course applications. If the Initial Training Program is not satisfactorily completed by the Initial Trainees, or if Franchisor, in Franchisor’s reasonable business judgment based upon the performance of the Initial Trainees, determines that the Initial Training Program cannot be satisfactorily completed by Franchisee and Franchisee’s Principal(s), Franchisor may terminate this Agreement.
- 7.3. Opening Assistance. Within thirty (30) days of the opening of the Franchised Business, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor.
- 7.4. Additional Training. Franchisor may offer mandatory and/or optional additional training programs from time to time. If required by Franchisor, Franchisee, or Franchisee’s principals shall participate in the following additional training:

(i) on-going training for up to three (3) days per year, at a location designated by Franchisor.

(ii) a national business meeting or annual convention for up to three (3) days per year, at a location designated by Franchisor.

Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee shall be responsible for any and all incidental expenses incurred by Franchisee or Franchisee’s personnel in connection with additional training or attendance at Franchisor’s national business meeting or annual convention, including, without limitation, costs of travel, lodging, meals, and wages. Franchisee’s failure to attend and/or complete mandatory additional training or failure to attend Franchisor’s national business meeting or annual convention is a default of this Agreement. Franchisee or Franchisee’s principal(s) shall be required to obtain any missed mandatory additional training at a location Franchisor designates. Franchisee shall pay all costs and expenses for such additional training, including but not limited to, tuition at the then-current rate and any and all transportation, meals and lodging of Franchisee, Franchisee’s principal, and Franchisor’s training personnel. Franchisee shall pay to Franchisor any incurred expenses by Franchisor’s training personnel within ten (10) days of Franchisor’s billing thereof to Franchisee.

- 7.5. On-Site Remedial Training. Upon Franchisee’s reasonable request or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee’s personnel at the Franchised Business location. For any additional on-site training and assistance, Franchisee shall pay the per diem fee then being charged to franchisees under the System for the services

of such trained representatives, plus their costs of travel, lodging, and meals.

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

8. FRANCHISED BUSINESS SITE REQUIREMENTS.

8.1 Site Selection

- 8.1.1 Franchisee assumes all cost, liability, expense and responsibility for obtaining and developing an office location for the Franchised Business within the Territory. Franchisee is hereby permitted to operate out of a home-based office, which is not required to be located within Territory. If Franchisee intends or desires to operate out of a commercial office location, such location must be located within the Territory. Franchisor shall review the lease for such office space for Franchisor required terms only. Franchisor does not guarantee the success of any location.

- 8.1.2 Franchisor shall set forth the location and Territory on Attachment 2 of this Agreement and shall provide a copy thereof to Franchisee. Attachment 2, as completed by Franchisor, shall be incorporated herein and made a part hereof. Franchisee shall notify Franchisor within fifteen (15) days of any error or rejection of Attachment 2; otherwise, Attachment 2 provided to Franchisee shall be deemed final.

- 8.2 Time to Open. Franchisee acknowledges that time is of the essence in this Agreement. Upon Franchisee's compliance with the conditions stated below, Franchisee shall open the Franchised Business, which shall be defined herein as the "Opening Date". Prior to the Opening Date, Franchisee shall (i) satisfactorily complete Franchisor's Initial Management Training Program, as further set forth in Article 7, (ii) hire and train staff, if required, (iii) obtain all required licenses to operate the Franchised Business, and (iv) obtain all equipment Franchisor requires, including but not limited to, computer systems, software, applications, and vehicle in accordance with Franchisor's standards. If Franchisee fails to comply with any of such obligations, Franchisor shall have the right to prohibit Franchisee from opening for business. Franchisee's failure to open the Franchised Business and commence business (i) in accordance with the foregoing and (ii) by the Required Opening Date as set forth in Attachment 2, unless otherwise extended by Franchisor, shall be deemed a material event of default under this Agreement.

8.3 No Relocation. Franchisee's rights to operate the Franchised Business shall be limited to the Territory set forth in Attachment 2, and no other. Franchisee shall not relocate the office of the Franchised Business to commercial premises at any time without Franchisor's written approval, which approval shall be granted only in the sole and complete discretion of Franchisor, and if permitted, shall be at Franchisee's sole expense. In the event such permission is granted, (i) Franchisee shall remove any signs or other property from the original Franchised Business office which identified the original Franchise Business office as part of the System and (ii) the parties shall amend Attachment 2 to reflect the address of the new Franchised Business office location.

9. SYSTEM MAINTENANCE AND IMPROVEMENT.

9.1 Maintenance of Franchised Site and Equipment. Franchisee shall maintain the required Franchised Business equipment, the Computer System, and all hardware, software, and related accessories to the standards of quality, repair and condition required by Franchisor, which standards are specified in the Manual and other written directives, standards, and specifications. Franchisee, at Franchisee's expense, shall make such alterations, repairs, refurbishing and replacements as may be required to comply with Franchisor's standards, including, without limitation, periodic repairs, or replacement of worn or impaired equipment, vehicles and computer hardware, software, and accessories, as Franchisor may direct.

9.2. Equipment and Technology Updates. Franchisee shall make any and all upgrades to equipment, including but not limited to, the Computer System, telecommunications hardware and software, payment processing systems, and any technology used in conjunction therewith, as Franchisor requires in its sole and absolute discretion.

9.3. Trade Dress Modifications.

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

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

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

- 9.4. No Liability/Waiver of Claims. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications, including Trade Dress Modifications, required by this Article 9. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party, complaining of any such or seeking expenses, losses or damages caused thereby. Further, Franchisee expressly waives any claims, demands or damages arising from or related to the modifications contemplated by this Article 9, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.
- 9.5. Franchisee Advisory Council/Advisory Committees. Franchisor reserves the right to create (and if created, the right to change or dissolve) a franchisee advisory council and/or committee(s) as formal means for System franchisees to communicate ideas. In the event a franchisee advisory council or committee is created, Franchisor may invite Franchisee to participate in council or committee-related activities and meetings, which invitation may be based on factors, including but not necessarily limited to, a franchisee's level of success, superior performance, and profitability.

10. FRANCHISOR'S OBLIGATIONS.

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

- 10.1 Territory and Site Determination. Designate the boundaries of Franchisee's Territory, by description and/or mapped boundaries, and set forth same in Attachment 2 attached hereto and incorporated herein. Franchisor shall also approve a commercial site of the Franchised Business office location in accordance with Section 8.1, if applicable.
- 10.2 Manual. Provide Franchisee access to the Confidential Operations Manual and such other manuals and written materials as Franchisor may hereafter develop for use by franchisees, as the same may be revised by Franchisor from time to time. Such documents may be provided electronically or via the Internet, at Franchisor's sole and absolute discretion.
- 10.3 Pre-Opening Requirements. Provide a written list of equipment, suppliers and/or products that will be required and/or recommended to open the Franchised Business for business.
- 10.4 Advertising Materials. Provide samples of certain advertising and promotional materials and information developed by Franchisor from time to time for use by Franchisee in marketing and conducting local advertising for the Franchised Business.
- 10.5 List of Suppliers. Make available from time to time, and amend as deemed appropriate by Franchisor, a list of approved and/or recommended suppliers of products and services for System franchisees. This list will be included in the operations manual.

- 10.6 Training. The training programs specified in Article 7 herein.
- 10.7 On-Going Assistance. Post-opening assistance in accordance with the provisions of Article 7.
- 10.8 Brand Development Fund. Administer a Brand Development Fund in accordance with Section 13.3.

11. FRANCHISEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS.

- 11.1. Best Efforts. Franchisee, including each Principal covenants and agrees that he or she shall make all commercially reasonable efforts to operate the Franchised Business so as to achieve optimum sales.
- 11.2. Corporate Representations. If Franchisee is a corporation, partnership, limited liability company, or other legal entity, Franchisee and each Principal represent, warrant, and covenant that:
- 11.2.1 The Franchisee entity is duly organized and validly existing under the state law of its formation;
- 11.2.2 Attachment 6 of this Agreement accurately reflects all individuals with an ownership interest, whether direct or beneficial in the Franchisee entity;
- 11.2.3 The Franchisee entity is duly qualified and is authorized to do business in the jurisdiction of the Territory:
- 11.2.4 The Franchisee entity's organizational documents shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Franchise granted herein, unless otherwise consented to in writing by Franchisor, which consent may be withheld by Franchisor in Franchisor's sole discretion;
- 11.2.5 The execution of this Agreement and the consummation of the transactions contemplated hereby are within Franchisee's power and have been duly authorized by Franchisee; and
- 11.2.6 Any financial statements and tax returns provided to Franchisor shall be certified as true, complete, and correct and shall have been prepared in conformity with generally accepted accounting principles applicable to the respective periods involved and, except as expressly described in the applicable notes, applied on a consistent basis. No material liabilities, adverse claims, commitments, or obligations of any nature exist as of the date of the statements or returns, whether accrued, unliquidated, absolute, contingent, or otherwise, that are not reflected as liabilities.

11.3 Spouse Guaranty. If any Principal is a married individual and the Principal's spouse has not executed this Agreement, such Principal shall cause his or her spouse to personally execute and bind himself or herself to the terms of a Guaranty, in the form attached as Attachment 7 hereof.

11.4 Personal Supervision.

11.4.1 Franchisee shall personally run the day-to-day operations of the Franchised Business. You may not appoint a non-owner manager of your Franchised Business unless you receive our prior written approval. Upon approval, your manager must successfully complete our Initial Training Program and all other training courses we require. Franchisee shall ensure that its agents, employees, and all third-party business affiliates observe and adhere to all applicable terms, conditions and restrictions contained in this Agreement and in the Manual; including but not limited to quality and service standards, confidentiality, works made for hire, non-compete and the agreement to return all Franchisor proprietary and confidential information. Any breach of a term or condition contained in this Agreement by an agent, employee or third party working for Franchisee shall be deemed to be the same as a direct breach by Franchisee and its Principals; and Franchisor shall have all the same rights and remedies as if the breach occurred through the direct acts or omissions of the Franchisee and/or its named Principals. Franchisee's agents, employees and third-party business affiliates shall further:

- (i) Meet all Franchisor's standards and criteria for such individual(s), as set forth in the Manual.
- (ii) Execute a confidentiality and non-compete agreement in a form substantially similar to Attachment 9.
- (iii) Satisfy the training requirements set forth in Article 7, including completion of the Initial Training Program, if required by Franchisor. Franchisee shall pay Franchisor the then-current fee for attendance at the Initial Training Program and shall pay all other costs to attend training, including transportation, lodging, and meals.

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

11.5. Legal Compliance. Franchisee shall comply with all federal, state, and local laws, rules and regulations and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business. Such laws, rules

and regulations shall include, without limitation, licenses to do business, licenses to have alcoholic beverages in the Franchised Business location, licenses to play music videos, air quality permits if required, fictitious name registrations, sales and other tax permits, fire and police department clearances, employment law compliance, Americans With Disability Act compliance, health permits, certificates of occupancy, any permits, certificates or licenses required by any environmental federal, state or local law, rule or regulation, any restrictions on noise levels whether imposed by lease, contract or law, all laws and regulations relative to conducting contests or games of chance or the issuance of gift certificates or credits, and any other requirement, rule, law or regulation of any federal, state or local jurisdiction. Franchisee shall further comply with all industry best practices with respect to the handling, storage and disposal of paints and stains.

- 11.6. Claims and Potential Claims. Franchisee shall notify Franchisor in writing within three (3) days of the loss of any required permit or license, any series of events, incident or injury that could lead to, or the actual commencement of any action, suit or proceeding and of the issuance of any citation, claim, order, writ, injunction, award or decree of any entity, court, agency or other governmental instrumentality, which in any way relates to or affects the operation or financial condition of the Franchised Business. Any and all media inquiries concerning the Franchised Business or Franchised Business premises, including, but not limited to, the business operation and incidents and occurrences related to a customer or employee, shall be referred to Franchisor. Neither Franchisee, Franchisee's employees nor anyone on Franchisee's behalf may comment to any broadcast medium, except as directed by Franchisor.
- 11.7 Assignment of Numbers and Listings. Franchisee shall execute such forms and documents included in Attachment 8 to appoint Franchisor its true and lawful attorney-in-fact, with full power and authority, for the sole purpose of assigning to Franchisor, Franchisee's telephone numbers and listings; and provide Franchisor with passwords and administrator rights for all email, software, social media, or other such accounts used or created by Franchisee to operate the Franchised Business. Upon the expiration or termination of this Agreement, Franchisor may exercise its authority, pursuant to such documents, to obtain any and all of Franchisee's rights to the telephone numbers of the Franchised Business and all related telephone directory listings and other business listings, and all Internet listings, domain names, Internet advertising, websites, listings with search engines, electronic mail addresses, social media, or any other similar listing or usages related to the Franchised Business.
- 11.8 Access to Tax Filings. Upon execution of this Agreement, and at any time thereafter upon Franchisor's request, Franchisee shall execute such forms and documents as Franchisor deems necessary, to appoint Franchisor its true and lawful attorney-in-fact with full power and authority, for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state or federal taxing authority.
- 11.9 Continuing Obligation. Franchisee and each Principal acknowledge and agree that the representations, warranties, and covenants set forth in this Article 11 are continuing obligations of Franchisee and each Principal, as applicable, and that any failure to comply

with such representations, warranties and covenants shall constitute a material event of default under this Agreement. Franchisee and each Principal shall cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties, and covenants.

12. FRANCHISEE'S OPERATIONS.

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

- 12.1.1 Procure the necessary licenses or permits to allow the operation of the Franchised Business and otherwise comply with all applicable governmental laws, ordinances, rules and regulations;
- 12.1.2 Conduct sales and service of customers using Franchisor's format, methods, forms, reports and software and otherwise in accordance with Franchisor's standards and specifications;
- 12.1.3 Employ sufficient employees as prescribed by Franchisor to operate the Franchised Business at its maximum capacity and efficiency as required by Franchisor;
- 12.1.4 Employ only qualified individuals, in accordance with Section 12.5 below, who are trained and licensed as required by Franchisor and who will at all times conduct themselves in a competent and courteous manner in accordance with this Agreement and the image and reputation of the System. Franchisee shall require Franchisee's employees to wear clothing conforming to Franchisor's specifications as to style, color, and design as Franchisor may from time to time reasonably designate so as to maintain the goodwill and reputation of Franchisor, the System and the Marks. Franchisee acknowledges and agrees that poorly trained employees, sloppy or unclean appearances and incompetent or discourteous service are extremely damaging to the goodwill of the System and the Marks and are a material default of this Agreement;
- 12.1.5 Permit Franchisor or its agents, to inspect the Franchised Business and any services, products or equipment, through on site attendance or otherwise, to determine whether they meet Franchisor's then-current standards, specifications and requirements. In addition to any other remedies Franchisor may have, Franchisee shall reimburse Franchisor for Franchisor's inspection costs of any product or service that does not conform to the System standards and specifications;
- 12.1.6 Maintain in good working order, cleanliness and appearance, all vehicles and equipment for use in the Franchised Business. Franchisor reserves the right to set

specifications and standards of condition, age and branding, as set forth in the Manual, of vehicles used in the Franchised Business.

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

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

12.2. Bookkeeping and Reports.

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

12.2.2. Within thirty (30) days after the close of each calendar quarter and within ninety (90) days after the close of each fiscal year, Franchisee will furnish Franchisor a full and complete written statement of income and expense and a profit and loss statement for the operation of the Franchised Business during said period, together with a balance sheet for the Franchised Business, all of which shall be prepared in accordance with generally accepted accounting principles and practice. Franchisee's annual statements and balance sheets shall be prepared by an independent certified public accountant and certified to be correct.

12.2.3. The financial statements required hereunder shall specifically record all contingent liabilities including for gift certificates, coupons and other credits issued to customers by Franchisee, and otherwise comply with generally accepted accounting principles and practice, and be in such form and contain such information as Franchisor may from time to time reasonably designate.

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

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

12.3. Computer Systems.

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

12.3.2. Franchisor may require Franchisee, at Franchisee's sole expense, to install, maintain, and update systems and web-based payment processing accounts that permit Franchisor to independently and electronically access and retrieve any information stored in Franchisee's POS System, other computer systems and web-based payment processing accounts, including, without limitation, information concerning Gross Revenue. Upon Franchisor's request, Franchisee shall execute such documents as Franchisor deems necessary to permit Franchisor to independently and electronically access and retrieve all information stored on Franchisee's POS System, other computer systems and web-based payment processing accounts.

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

12.3.4. Franchisor may require Franchisee, at Franchisee's sole expense, to enter into software license agreements in the form that Franchisor requires for software

Franchisor develops or acquires for use in the System, or for security purposes to protect the operation and integrity of Franchisor's systems.

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

12.3.6. Franchisor has established a website that provides information about the System and the products and services offered by Tippi Toes System (the "Website"). Franchisor has sole discretion and control over the Website. Franchisor shall include a listing on its Website linking Franchisee's Franchised Business location and calendar. Franchisee has no ownership or other proprietary rights to Franchisor's website and Franchisee will lose all rights to such link to Franchisee's location upon expiration or termination of this Agreement for any reason.

12.3.7. Franchisee shall pay all fees and expenses for technology required by this Agreement, including but not limited to, the costs of computer hardware and software, regularly recurring fees for software and Internet access, license fees, help desk fees, licensing or user-based fees for a franchise portal or a benchmarking platform.

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

12.5 Prices. Subject to applicable law, Franchisor may recommend minimum and maximum prices for products and services offered by Franchisee. Franchisee shall have the right to sell its products and services at any price Franchisee determines. Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering services or products at any particular price will enhance Franchisee's sales or profits.

12.6. Unapproved Item/Suppliers. If Franchisee desires to purchase, lease, or use any unapproved equipment, product, or service or to purchase, lease or use any equipment, product or service from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval prior to utilizing such product, service, or supplier. Franchisee shall not purchase or lease any item or use any supplier until and unless such item or supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities and

to test or otherwise evaluate samples from the supplier. Franchisor reserves the right to charge Franchisee a fee equal to the actual cost and expense for inspection and testing. Franchisor shall notify Franchisee whether Franchisor approves or disapproves of the proposed item or supplier within thirty (30) days after Franchisor receives all required information to evaluate the product, service, or supplier. If Franchisor fails to respond to Franchisee's submission within said thirty (30) days, such item or supplier shall be deemed "disapproved." Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular item or supplier.

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

13. ADVERTISING, PROMOTIONS AND RELATED FEES.

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

- 13.2. Local Advertising.

- 13.2.1 In addition to the ongoing advertising contributions set forth herein, and following the expenditures set forth in Section 13.2.3 below, Franchisor reserves the right to establish a minimum monthly expenditure per month on advertising for the Franchised Business in the Territory (“Local Advertising”). In the event Franchisor exercises the foregoing right, Franchisor reserves the right to increase this minimum expenditure in its sole discretion. Franchisor may require Franchisee to allocate to an advertising cooperative, as described in Section 13.4, some or all of Franchisee’s required Local Advertising expenditures. Such allocation will be in partial or full satisfaction of Franchisee’s obligations pursuant to this Section 13.2.1. Franchisor reserves the right to collect some or all of Franchisee’s Local Advertising expenditure and implement Local Advertising on Franchisee’s behalf.
- 13.2.2 Within ten (10) business days of Franchisor’s request, Franchisee shall provide a quarterly expenditure report accurately reflecting Franchisee’s Local Advertising expenditures for the preceding quarterly period. The following costs and expenditures incurred by Franchisee shall **not** be included in Franchisee’s expenditures on Local Advertising for purposes of this Section, unless approved in advance by Franchisor in writing: (i) incentive programs for employees or agents of Franchisee; (ii) research expenditures; (iii) salaries and expenses of any of Franchisee’s personnel to attend advertising meetings, workshops or other marketing activities; (iv) charitable, political or other contributions or donations.

13.3. Brand Fund.

- 13.3.1. Franchisor has established a national fund on behalf of the System for national advertising, marketing and brand development (the “Brand Fund”). Franchisee is required to contribute to the Brand Fund one percent (1%) of monthly Gross Revenue generated by the Franchised Business (“Brand Fund Contribution”). Your Brand Fund contribution is collected at the same time and in the same manner as your Royalty. Each Tippi Toes outlet operated by our affiliate or us may contribute to the Brand Fund, in our discretion, but has no obligation to do so. Franchisor reserves the right, in Franchisor’s sole discretion and at any time and from time to time, to increase the amount of the Brand Fund Contribution to any amount not to exceed to two percent (2%) of the Gross Revenue. Payments will be made in the same manner and time as the Royalty Fees. If Franchisee fails to timely report Gross Revenue, then, in addition to a late fee and interest pursuant to Section 6.2 and 6.3 hereof, Franchisor shall collect one hundred twenty percent (120%) of the last Brand Fund Contribution payable. Franchisor shall reconcile amounts when Gross Revenue are reported.
- 13.3.2. Franchisor shall direct all advertising and marketing programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition and acceptance of the Marks and enhance the collective customer experience and success of all Franchised Businesses operating under the System.

- 13.3.3. Franchisor may, but has no obligation to, contribute to the Brand Fund on the same basis as Franchisee with respect to Tippi Toes outlets operated by Franchisor or Franchisor's affiliates.
- 13.3.4. Franchisor may use the Brand Fund to satisfy any and all costs of developing, preparing, producing, directing, administering, conducting, maintaining and disseminating advertising, marketing, promotional and public relations materials, programs, campaigns, sales and marketing seminars and training programs of every kind and nature, through media now existing or hereafter developed (including, without limitation, the cost of television, radio, magazine, social media, newspaper and electronic advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; conducting marketing research, employing advertising agencies to assist therein; developing, enhancing and maintaining the Website and operating systems; and personnel and other departmental costs for advertising that Franchisor internally administers or prepares).
- 13.3.5. The Brand Fund will be operated solely as a conduit for collecting and expending the advertising contributions for the System. The Brand Fund will not be used to defray any of Franchisor's general operating expenses, except for reasonable administrative costs and overhead that Franchisor may incur in activities related to the administration and direction of the Brand Fund and such costs and expenses pursuant Section 13.3.4. The Brand Fund and its earnings shall not otherwise inure to Franchisor's benefit.
- 13.3.6. Franchisor will prepare an unaudited annual statement of the Brand Fund's operations and will make it available to Franchisee upon request. In administering the Brand Fund, Franchisor undertakes no obligation to make expenditures for Franchisee that are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the production or placement of advertising.
- 13.3.7. Although the Brand Fund is intended to be of perpetual duration, Franchisor may terminate it at any time and for any reason or no reason. Franchisor will not terminate the Brand Fund, however, until all monies in the Brand Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.
- 13.4. Regional Advertising. Franchisor reserves the right to establish, in Franchisor's sole discretion, a regional advertising cooperative. If a regional cooperative is established during the term of this Agreement, Franchisee agrees to sign all documents Franchisor requests to become a member of the cooperative according to the terms of the documents. If Franchisor establishes a regional cooperative, Franchisee agrees to contribute amounts Franchisor requires, in addition to required Brand Fund Contributions.
- 13.5. Directory Listings. At Franchisee's sole cost and expense, Franchisee must list the

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

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

14. INTELLECTUAL PROPERTY.

14.1 Ownership.

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

14.1.2. As between Franchisor and Franchisee, Licensor and Franchisor are the owner of all right, title, and interest in and to the Intellectual Property and the goodwill associated with and symbolized by them.

- 14.2. No Interference. Neither Franchisee nor any Principal shall take any action that would prejudice or interfere with the validity of Franchisor's or Licensor's rights with respect to the Intellectual Property. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Intellectual Property or any of Franchisor's or Licensor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Intellectual Property and the System in accordance with the terms and conditions of this Agreement for the operation of a Franchised Business and only at or from the Franchised Business location or in approved advertising related to the Franchised Business.
- 14.3. Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Intellectual Property and the System shall inure solely and exclusively to the benefit of Franchisor and Licensor, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Intellectual Property.
- 14.4. Validity. Franchisee shall not contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property or assist others to contest the validity of, or Franchisor's or Licensor's interest in, the Intellectual Property.
- 14.5. Infringement. Franchisee acknowledges that any unauthorized use of the Intellectual Property shall constitute an infringement of Franchisor's or Licensor's rights in the Intellectual Property and a material event of default hereunder. Franchisee shall provide Franchisor or Licensor with all assignments, affidavits, documents, information and assistance Franchisor or Licensor reasonably requests to fully vest in Franchisor or Licensor all such rights, title, and interest in and to the Intellectual Property, including all such items as are reasonably requested by Franchisor or Licensor to register, maintain, and enforce such rights in the Intellectual Property.
- 14.6. Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchised Business, if it in its sole discretion, determines that substitution of different Marks will be beneficial to the System. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any additions, modifications, substitutions, or discontinuation of the Marks. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses, or damages.
- 14.7. Franchisee's Use of the Intellectual Property. With respect to Franchisee's use of the Intellectual Property pursuant to this Agreement, Franchisee further agrees that:
- 14.7.1 Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchised Business only under the Marks "Tippi Toes" and design. Franchisee shall not use the Marks as part of its corporate or other legal name. All fictitious names used by Franchisee shall bear the designation "a franchisee of Tippi Toes Inc."

- 14.7.2. Franchisee shall identify itself as the owner of the Franchised Business and as an independent Tippi Toes franchisee in conjunction with any use of the Intellectual Property, including, but not limited to, uses on invoices, order forms, receipts, and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Franchised Business as Franchisor may designate in writing.
- 14.7.3. Franchisee shall not use the Intellectual Property to incur any obligation or indebtedness on behalf of Franchisor.
- 14.7.4. Any item offered by Franchisee that contains the Marks, must be approved by Franchisor in writing prior to being distributed or sold by Franchisee and such approval may be granted or denied in Franchisor's sole and absolute discretion.
- 14.8. Claims. Franchisee shall notify Franchisor immediately via both email and telephone, of any apparent infringement of or challenge to Franchisee's use of any Intellectual Property and of any claim by any person of any rights in any Intellectual Property. Franchisee shall not communicate with any person other than Franchisor or any designated affiliate thereof, their counsel and Franchisee's counsel in connection with any such infringement, challenge, or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, or to delegate control to any of its affiliates of, any settlement, litigation or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Intellectual Property. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor or any other person or entity in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Intellectual Property. Franchisor will indemnify and defend Franchisee against and reimburse Franchisee for actual damages (including settlement amounts) for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Intellectual Property that infringes on the rights of any other party, provided that the conduct of Franchisee with respect to such proceeding and use of the Intellectual Property is in full compliance with the terms of this Agreement.
- 14.9. Franchisor may use and grant franchises and licenses to others to use the Intellectual Property and the System and to establish, develop and franchise other systems, different from the System licensed to Franchisee herein, without offering or providing Franchisee any rights in, to or under such other systems and Franchisor may modify or change, in whole or in part, any aspect of the Intellectual Property or the System, so long as Franchisee's rights thereto are in no way materially harmed thereby.
- 14.10. Franchisee shall not register or attempt to register the Intellectual Property in Franchisee's name or that of any other person, firm, entity, or corporation.

15. INSURANCE AND INDEMNIFICATION.

- 15.1. Procurement. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and thereafter maintain in full force and effect during the term of this Agreement at Franchisee's sole cost and expense and to Franchisor's sole satisfaction, insurance policies protecting Franchisee and Franchisor, and naming Franchisor, its officers, directors, partners, owners, employees and affiliates as additional insureds as their interests may appear, in the following minimum limits (except as additional coverage and higher policy limits may reasonably be specified from time to time in the Manual or otherwise in writing):
- 15.1.1. General Aggregate. Commercial general liability insurance coverage in the amount of at least Two Million Dollars (\$2,000,000);
 - 15.1.2. Employment. Worker's compensation coverage in the limits required by the state in which the Franchised Business is located and operated;
 - 15.1.3. Products/Completed Operations Aggregate. \$1,000,000 limit.
 - 15.1.4. Personal and Advertising Injury. \$1,000,000 limit.
 - 15.1.5. Each Occurrence. \$1,000,000 limit.
 - 15.1.6. Damage to Premises Rented to You. \$500,000 limit.
 - 15.1.7. Medical Expense (any one person). \$10,000 limit
 - 15.1.8 Sexual Abuse and Molestation. \$1,000,000 limit per occurrence, \$2,000,000 limit aggregate.
 - 15.1.9 Accident Medical. \$25,000 limit per occurrence.
- 15.2. Evidence of Insurance. Franchisee shall deliver to, and maintain at all times with Franchisor, current Certificates of Insurance evidencing the existence and continuation of the required coverages. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder.
- 15.3. Failure to Procure. If, for any reason, Franchisee should fail to procure or maintain the insurance required by this Agreement as revised from time to time for all franchisees by the Manual or otherwise in writing, Franchisor shall have the right and authority (without, however, any obligation) to immediately procure such insurance and to charge Franchisee for the cost thereof together with a reasonable fee for Franchisor's expenses in so acting, including all attorneys' fees. Franchisee shall pay Franchisor immediately upon notice by Franchisor to Franchisee that Franchisor has undertaken such action and the cost thereof.

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

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

15.6. Indemnification. TO THE FULLEST EXTENT PERMITTED BY LAW, FRANCHISEE AGREES TO EXONERATE AND INDEMNIFY AND HOLD HARMLESS TIPPI TOES INC., TTAG, LLC LICENSOR, AND ANY OF THEIR PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES AS WELL AS THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES (COLLECTIVELY REFERRED TO AS THE "TIPPI TOES INDEMNITEES"), FROM ALL CLAIMS BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATED TO THE OPERATION, CONDITION, OR ANY PART OF FRANCHISEE'S TIPPI TOES FRANCHISE, THE FRANCHISED BUSINESS, THE PRODUCTS, THE PREMISES, OR ANY ASPECT OF THE REAL ESTATE CONNECTED TO FRANCHISEE'S FRANCHISED BUSINESS, WHETHER CAUSED BY FRANCHISEE, FRANCHISEE'S AGENTS OR EMPLOYEES, OR ARISING FROM FRANCHISEE'S ADVERTISING OR BUSINESS PRACTICES. FRANCHISEE AGREES TO PAY FOR ALL TIPPI TOES INDEMNITEES' LOSSES, EXPENSES (INCLUDING, BUT NOT LIMITED TO ATTORNEYS' FEES) OR CONCURRENT OR CONTRIBUTING LIABILITY INCURRED IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, INQUIRY (REGARDLESS OF WHETHER THE SAME IS REDUCED TO JUDGMENT OR DETERMINATION), OR ANY SETTLEMENT THEREOF FOR THE INDEMNIFICATION GRANTED BY FRANCHISEE HEREUNDER. TIPPI TOES INDEMNITEES SHALL HAVE THE RIGHT TO SELECT AND APPOINT INDEPENDENT COUNSEL TO REPRESENT ANY OF TIPPI TOES INDEMNITEES IN ANY ACTION OR PROCEEDING COVERED BY THIS INDEMNITY. FRANCHISEE AGREES THAT TO HOLD TIPPI TOES INDEMNITEES HARMLESS, FRANCHISEE WILL REIMBURSE TIPPI TOES INDEMNITEES AS THE COSTS AND EXPENSES ARE INCURRED BY TIPPI TOES INDEMNITEES.

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16. TRANSFERS.

16.1. Transfers by Franchisor.

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

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

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

16.2. Restrictions on Transfers by Franchisee. Franchisee's rights and duties under this Agreement are personal to Franchisee as it is organized and with the Principal(s) of the business as they exist on the date of execution of this Agreement, and Franchisor has made this Agreement with Franchisee in reliance on Franchisor's perceptions of the individual and collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee or Principal(s). Thus, no transfer, as hereafter defined, may be

made without Franchisor's prior written approval. Franchisor may void any transfer made without such approval.

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

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

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

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

16.3.4. Franchisee has paid, or has made satisfactory provision for all amounts owed to Franchisor and third-party creditors, including but not limited to, customers holding outstanding gift certificates, coupons, and Franchisee-issued credits of any kind, all of which shall remain the full responsibility of Franchisee following the Transfer;

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

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

- 16.3.7. Franchisor has granted written approval of the material terms and conditions of the Transfer, including, without limitation, that the price and terms of payment will not adversely affect the Franchised Business's operation. However, Franchisor's approval of a Transfer is not in any way a representation or warranty of the transferee's success or the soundness of transferee's decision to purchase the Franchise on such terms and conditions. Franchisee shall provide Franchisor all proposed transfer documents for Franchisor's review at least thirty (30) days prior to a closing of the proposed Transfer;
- 16.3.8. If Franchisee or any Principal finances any part of the sale price of the Transfer, Franchisee or its Principal have agreed that all obligations of the transferee under any notes, agreements or security interests to Franchisee or its Principal will be subordinate to the transferee's obligations to Franchisor; and
- 16.3.9. If consent is required, the lessor of the Franchised Business's premises consents to the assignment or further sublet of the premises to the transferee.
- 16.4. Transfer Fee. As a condition to any Transfer, Franchisee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000.00), plus any broker fees and other out-of-pocket costs we incur.
- 16.5. Entity Formation Documents. The By-Laws of a corporation or Operating Agreement of a limited liability company of a Franchisee that is an entity must state that (i) the issuance and assignment of any interest in Franchisee are restricted by this Article 16; (ii) Franchisee may conduct no business except the operation of a Franchised Business pursuant to the terms of this Agreement; (iii) transfers of interests in Franchisee are subject to the terms of this Agreement governing transfers; and (iv) stock or member certificates will contain a legend so indicating.
- 16.6. Franchisor 's Right of First Refusal.
- 16.6.1. If Franchisee wishes to transfer all or part of its interest in the Franchised Business or this Agreement or if a Principal wishes to transfer any ownership interest in Franchisee, pursuant to any bona fide offer to purchase such interest, then Franchisee or such Principal shall promptly notify Franchisor in writing of each such offer and shall provide such information and documentation relating to the offer as Franchisor may require.
- 16.6.2. Franchisor has the right, exercisable by written notice to Franchisee within thirty (30) days after receipt of written notification and copies of all documentation required by Franchisor describing such offer, to buy the interest in this Agreement and the Franchised Business or the Principal's interest in Franchisee for the price and on the terms and conditions contained in the offer, subject to Section 16.6.3.
- 16.6.3. Franchisee further agrees, in the event Franchisor exercises its right of first refusal, notwithstanding anything to the contrary contained in the offer, that (i) Franchisor

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

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

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

Immediately after the death or permanent disability of such person, or while the Franchise is owned by an executor, administrator, guardian, personal representative or trustee of that person, the Franchised Business shall be supervised by an interim successor manager satisfactory to Franchisor, or Franchisor, in its sole discretion, may provide interim management at no less than Franchisor's actual cost, pending transfer of the Franchise to the deceased or disabled individual's lawful heirs or successors.

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

16.9. Security Interests to Lender. If Franchisee is in full compliance with this Agreement, Franchisee may pledge or give a security interest in Franchisee's interest in the Assets and the Franchised Business to a lender of the funds needed by Franchisee for

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

17. DEFAULTS.

- 17.1. Default and Automatic Termination. Franchisee shall be deemed to be in material default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or makes a general assignment for the benefit of creditors; or if Franchisee files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or if Franchisee is adjudicated a bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; or if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); or if Franchisee is dissolved; or if execution is levied against Franchisee's business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against Franchisee and not dismissed within thirty (30) days.
- 17.2. Defaults with No Opportunity to Cure. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:
- 17.2.1 has misrepresented or omitted material facts in applying for, or in operating, the Franchise;
- 17.2.2 fails to acquire a site for the Franchised Business and timely complete construction of the Franchised Business, fails to obtain, or suffers a lapse of, any licenses and permits, including but not limited to authorization to have alcoholic beverages in the

Franchised Business location before opening and/or during operations, or open the Franchised Business within the time and in the manner specified in Article 8.

- 17.2.3 falsifies any report required to be furnished Franchisor hereunder;
- 17.2.4 fails to hold a live workshop in the Franchised Business for a period of ten (10) days or more; provided, however, that this provision shall not apply if through no fault of Franchisee, the premises are damaged or destroyed by a casualty and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation.
- 17.2.5 loses for any cause whatsoever the right of possession of the real property on which the Franchised Business is located; provided, however, that this provision shall not apply if through no fault of Franchisee, Franchisee loses right of possession and Franchisee applies within thirty (30) days after such event, for Franchisor's approval to relocate the Franchised Business (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such relocation in accordance with Section 8.5.
- 17.2.6 fails to restore the Franchised Business location to full operation within a reasonable period time but not more than one hundred twenty (120) days from the date the Franchised Business location is rendered inoperable by any casualty or closed due to an order issued by a local authority having jurisdiction over the Franchised Business location;
- 17.2.7 fails to comply with any federal, state, or local law, rule or regulation, applicable to the operation of the Franchised Business, including, but not limited to, the ability to provide alcoholic beverages or the failure to pay taxes;
- 17.2.8 defaults under any lease or sublease of the real property on which the Franchised Business is located;
- 17.2.9 understates Gross Revenue on two (2) occasions or more, whether or not cured on any or all of those occasions;
- 17.2.10 fails to comply with the covenants in Article 15;
- 17.2.11 permits a Transfer in violation of the provisions of Article 16 of this Agreement;
- 17.2.12 fails, or Franchisee's legal representative fails, to transfer the interests in this Franchise Agreement and the Franchised Business upon death or permanent disability of Franchisee or any Principal of Franchisee as required by Section 16.7.

- 17.2.13 is convicted of, or pleads no contest to, a felony or to a crime that could damage the goodwill associated with the Marks; or does anything (whether criminal or otherwise) to harm the reputation of the System or the goodwill associated with the Marks;
- 17.2.14 receives an adverse judgment or a consent decree in any case or proceeding involving allegations of fraud, racketeering, unfair or improper trade practices or similar claim which is likely to have an adverse effect on the System, or the Marks, the goodwill associated therewith or Franchisor's interest therein, in Franchisor's sole opinion;
- 17.2.15 conceals revenues, knowingly maintains false books, or records, or knowingly submits any false reports;
- 17.2.16 creates a threat or danger to public health or safety from the construction, maintenance, or operation of the Franchised Business;
- 17.2.17 refuses to permit Franchisor to inspect or audit Franchisee's books or records;
- 17.2.18. makes any unauthorized use of the Marks or copyrighted material or any unauthorized use or disclosure of Confidential Information (as defined in Section 19.2);
- 17.2.19 fails to comply with the non-competition covenants in Section 19.5;
- 17.2.20 defaults in the performance of Franchisee's obligations under this Agreement three (3) or more times during the term of this Agreement or has been given at least two (2) notices of default in any consecutive twelve (12)-month period, whether or not the defaults have been corrected;
- 17.2.21 has insufficient funds to honor a check or electronic funds transfer two (2) or more times within any consecutive twelve (12)-month period;
- 17.2.22 defaults, or an affiliate of Franchisee defaults, under any other agreement, including any other franchise agreement, with Franchisor or any of its affiliates, suppliers or landlord and does not cure such default within the time period provided in such other agreement; or
- 17.2.23 terminates this Agreement, including by ceasing to operate the Franchised Business, without cause.
- 17.3 Curable Defaults. Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, if Franchisee fails to cure the default within the time period set forth in this Section 17.3, effective immediately upon notice to Franchisee, if Franchisee, or any Principal, as the case may be:

17.3.1 fails to pay when due any amounts due to Franchisor under this Agreement or any related agreement and does not correct the failure within five (5) days after written notice; provided, however, Franchisor has no obligation to give written notice of a late payment more than two (2) times in any twelve (12)-month period, and the third such late payment in any twelve (12)-month period shall be a non-curable default under Sections 17.2.20 and/or 17.2.21;

17.3.2 fails to perform any non-monetary obligation imposed by this Agreement (excepting those defaults of obligations set forth in Sections 17.1 and 17.2 for which there is no opportunity to cure) and such default shall continue for thirty (30) days after Franchisor has given written notice of such default, or if the default cannot be reasonably corrected within said thirty (30)-day period, then if it is not corrected within such additional time as may be reasonably required assuming Franchisee proceeds diligently to cure; provided, however, Franchisor has no obligation to give written notice of a non-monetary default more than two (2) times in any twelve (12)-month period, and the third such default, whether monetary or non-monetary, in any twelve (12) - month period shall be a non-curable default under Section 17.2.20.

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

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

17.4.2. enter upon the Franchised Business location and exercise complete authority with respect to the operation thereof until such time as Franchisor determines that the default of Franchisee has been cured and that Franchisee is complying with the requirements of this Agreement. Franchisee specifically agrees that a designated representative of Franchisor may take over, control, and operate the Franchised Business. Further, Franchisee shall reimburse Franchisor for the full compensation paid to such representative including the cost of all fringe benefits plus all travel expenses, lodging, meals, and other expenses reasonably incurred by such representative until the default has been cured and Franchisee is complying with the terms of this Agreement.

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

18. POST-TERMINATION.

- 18.1 Franchisee's Obligations. Upon termination or expiration of this Agreement, all rights and licenses granted hereunder to Franchisee shall immediately terminate and Franchisee and each Principal, if any, shall:
- 18.1.1. immediately cease to operate the Franchised Business, and shall not thereafter, directly, or indirectly identify himself, herself or itself as a current Tippi Toes owner, franchisee or licensee;
 - 18.1.2. immediately and permanently cease to use the Marks, any imitation of any Mark, Franchisor's designs, copyrighted material or other intellectual property, confidential or proprietary material or indicia of the Franchised Business; immediately and permanently refrain from using any trade name, trade or service mark or other commercial symbol that suggests a current or past association with Franchisor, Licensor, or the System and immediately and permanently refrain from using in any way Franchisor's name or Intellectual Property in connection with Franchisee's future business endeavors. In particular, Franchisee shall cease to use, without limitation, all signs, billboards, advertising materials, displays, stationery, forms, and any other articles, which display the Marks;
 - 18.1.3. take such action as may be necessary to cancel any assumed name or equivalent registration that contains the Mark or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence of compliance with this obligation which is satisfactory to Franchisor, within five (5) days after termination or expiration of this Agreement;
 - 18.1.4. promptly pay all sums owing to Franchisor, its affiliates, and vendors; and escrow funds for gift certificates issued to customers of the Franchised Business. Such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of any default by Franchisee. The payment obligation herein shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and located at the Franchised Business location at the time of default;
 - 18.1.5. pay to Franchisor all damages for any breach or early termination of this Agreement, plus, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement that survive its termination;
 - 18.1.6. immediately deliver at Franchisee's sole cost and expense, to Franchisor the Manual and all records, files, instructions, correspondence, invoices, agreements, designs, completed project signs, all confidential, proprietary and copyrighted material and all other materials related to operation of the Franchised Business, including but not limited to all branded materials, customer lists and records, (all of which are acknowledged to be Franchisor's property), delete all electronic copies

and retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents that Franchisee reasonably needs for compliance with any provision of law;

18.1.7 in the event this Agreement is terminated due to Franchisee's default, pay Franchisor a lump sum payment (as liquidated damages and not as a penalty) in an amount equal to: (a) the average monthly Royalty Fee and Brand Fund Contribution payable by Franchisee over the twelve (12) month period immediately prior to the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (i) twenty-four (24) months or (ii) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light thereof. The liquidated damages payable by Franchisee pursuant to this Section 18.1.7 shall be in addition to all other amounts payable under this Agreement and shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies pursuant to any other provision of this Agreement; and

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

18.2 Right to Purchase.

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

thirty (30) days after Franchisor notifies Franchisee that Franchisor exercises its option to purchase the assets.

18.2.2. With respect to the options described in Sections 18.2.1, Franchisee shall deliver to Franchisor in a form satisfactory to Franchisor, such warranties, releases of lien, bills of sale, assignments and such other documents and instruments that Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the assets being purchased or assigned and to meet the requirements of all tax and government authorities. If, at the time of closing, Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

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

18.3. Assignment of Telephone Numbers. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Franchised Business and any related public directory listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time, to transfer such service and numbers to Franchisor. Further, Franchisee shall assign to Franchisor any and all social media accounts and internet listings, domain names, internet advertising, websites, listings with search engines, electronic mail addresses or any other similar listing or usage related to the Franchised Business. Notwithstanding any forms and documents that may have been executed by Franchisee under Section 11.6, Franchisee shall provide Franchisor with all passwords and administrative rights, and hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority, for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, social media accounts, electronic mail addresses or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

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

19. NON-DISCLOSURE AND NON-COMPETITION COVENANTS.

19.1 Operations Manual.

19.1.1 Franchisor has provided to Franchisee, on loan, a current copy of the Manual. The Manual may be in hard copy or made available to Franchisee in digital, electronic, or computerized form or in some other form now existing or hereafter developed that would allow Franchisee to view the contents thereof. If the Manual (or any changes thereto) are provided in a form other than physical copy, Franchisee shall pay any and all costs to retrieve, review, use or access the Manual. To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall operate all aspects of the Franchised

Business in accordance with the Manual, as they may from time to time be modified by Franchisor, other written directives that Franchisor may issue to Franchisee from time to time, whether or not such directives are included in the Manual, and any other manual and materials created or approved for use in the operation of the Franchised Business.

19.1.2 Franchisee and Principal(s) shall at all times treat the Manual, written directives, and other materials and any other confidential communications or materials, and the information contained therein, as confidential and shall maintain such information as trade secret and confidential in accordance with this Article and this Agreement. Franchisee and Principal(s) shall not divulge and make such materials available to anyone other than those of Franchisee's employees who require the information contained therein to operate the Franchised Business. Franchisee shall, prior to disclosure, fully train and inform its employees on all the restrictions, terms, and conditions under which it is permitted to use Franchisor's intellectual, proprietary and confidential information; and shall ensure its employees' compliance with such restrictions, terms and conditions. Franchisee, Principal(s), and any person working with Franchisee shall agree not, at any time to use, copy, duplicate, record or otherwise reproduce these materials, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent.

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

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

19.2 Confidential Information. Franchisee and Principal(s) acknowledge and accept that during the term of this Agreement Franchisee and Principal(s) will have access to Franchisor's trade secrets, including, but not limited to, designs, methods, processes,

customer lists, vendor partnerships and/or relationships, sales and technical information, financial information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of the Franchised Business; the Manual; methods of advertising and promotion; instructional materials; any other information which Franchisor may or may not specifically designate as "confidential" or "proprietary"; and the components of the System, whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively referred to herein as the "Confidential Information"). Neither Franchisee nor any Principal shall, during the term of this Agreement and thereafter, communicate or divulge to, or use for the benefit of, any other person or entity, and, following the expiration or termination of this Agreement, shall not use for their own benefit, any Confidential Information that may be communicated to Franchisee or any Principal or of which Franchisee or any Principal may be apprised in connection with the operation of the Franchised Business under the terms of this Agreement. Franchisee and any Principal shall not divulge and make any Confidential Information available to anyone other than those of Franchisee's employees who require the Confidential Information to operate the Franchised Business and who have themselves entered into confidentiality and non-compete agreements containing the same provisions as contained in this Agreement, in accordance with Section 19.10 hereof. Franchisee and any Principal shall not at any time copy, duplicate, record or otherwise reproduce any Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above, without Franchisor's prior written consent. The covenant in this Section 19.2 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee and each Principal.

- 19.3. Protection of Information. Franchisee shall take all steps necessary, at Franchisee's own expense, to protect the Confidential Information and shall immediately notify Franchisor if Franchisee finds that any Confidential Information has been divulged in violation of this Agreement.
- 19.4. New Concepts. If Franchisee or any Principal develops any new concept, process, product, design, or improvement in the operation or promotion of the Franchised Business ("Improvements"), Franchisee is required to promptly notify Franchisor and provide Franchisor with all related information, processes, products, design or other improvements, and sign any and all forms, documents and/or papers necessary for Franchisor to obtain full proprietary rights to such Improvements, without compensation and without any claim of ownership or proprietary rights to such Improvements. Franchisee and any Principal acknowledge that any such Improvements will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate.
- 19.5. Noncompetition Covenants. Franchisee and Principal(s) specifically acknowledge that, pursuant to this Agreement, Franchisee, and Principal(s) will receive valuable training, trade secrets and Confidential Information of the System that are beyond the present knowledge, training and experience of Franchisee, and Principal(s). Franchisee and

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

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

19.5.2. Upon the expiration or earlier termination of this Agreement or upon a Transfer and continuing for twenty-four (24) months thereafter, Franchisee and Principal(s) shall not, either directly or indirectly, for themselves or through, on behalf of or in conjunction with any person or entity (i) divert, or attempt to divert, any business or customer of the Franchised Business or of other franchisees in the System to any competitor, by direct or indirect inducement or otherwise; or (ii) participate as an owner, partner, director, officer, employee, consultant or agent or serve in any other capacity in any creative arts business within twenty (20) miles of the Territory or any Tippi Toes location; or (iii) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the System; or (iv) in any manner interfere with, disturb, disrupt, decrease or otherwise jeopardize the business of the Franchisor or any Tippi Toes franchisees.

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

19.7. Reduction of Time or Scope. If the period of time or the geographic scope specified above, should be adjudged unreasonable in any proceeding, then the period of time will be reduced by such number of months or the geographic scope will be reduced by the elimination of such portion thereof, or both, so that such restrictions may be enforced for such time and scope as are adjudged to be reasonable. In addition, Franchisor shall have

the right, in its sole discretion, to reduce the scope of any covenant set forth in this Paragraph 19 or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees to forthwith comply with any covenant as so modified.

- 19.8. Injunctive Relief. Franchisee and Principal(s) acknowledge that a violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor for which no adequate remedy at law will be available. Accordingly, Franchisee and Principal(s) hereby consent to the entry of an injunction prohibiting any conduct by Franchisee or any Principal in violation of the terms of the covenants not to compete set forth in this Agreement.
- 19.9. No Defense. Franchisee and Principal(s) expressly agree that the existence of any claims they may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.
- 19.10 Covenants of Employees, Agents, and Third Persons. Franchisee shall require and obtain execution of covenants similar to those set forth in this Section (including covenants applicable upon the termination of a person's employment with Franchisee) from all employees, contractors, or third persons who will have access to Franchisor's confidential and proprietary information, and Franchisee shall provide Franchisor with executed versions thereof. Such covenants shall be substantially in the form set forth in Attachment 9 as revised and updated from time to time and contained in the Manual. Franchisee shall indemnify and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of Franchisee's failure to obtain executed restricted covenants by employees, agents, and third persons as required by this Section.

20. DISPUTE RESOLUTION.

- 20.1. Internal Dispute Resolution. Franchisee shall first bring any claim, controversy or dispute arising out of or relating to this Agreement, the Attachments hereto or the relationship created by this Agreement to Franchisor's president and/or chief executive officer for resolution. After providing notice as set forth in Section 21.7 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- 20.2. Mediation. At Franchisor's option, any claim, controversy, or dispute that is not resolved pursuant to Section 20.1 hereof shall be submitted to non-binding mediation. Franchisee shall provide Franchisor with written notice of Franchisee's intent to pursue any unresolved claim, controversy, or dispute, specifying in sufficient detail the nature thereof, prior to commencing any legal action. Franchisor shall have thirty (30) days following receipt of Franchisee's notice to exercise Franchisor's option to submit such claim, controversy, or dispute to mediation. Such mediation shall take place in the then-current location of Franchisor's corporate headquarters. The costs and expenses of

mediation, including compensation and expenses of the mediator (and except for the attorneys' fees incurred by either party), shall be borne by the parties equally. Franchisor may specifically enforce Franchisor's rights to mediation, as set forth herein.

- 20.3. Governing Law and Venue. This Agreement is made in, and shall be substantially performed in, the State of Oklahoma. Any claims, controversies, disputes, or actions arising out of this Agreement shall be governed, enforced, and interpreted pursuant to the laws of the State of Oklahoma. Franchisee and its Principal(s), except where specifically prohibited by law, hereby irrevocably submit themselves to the sole and exclusive jurisdiction of the state and federal courts in Oklahoma. Franchisee and its Principal(s) hereby waive all questions of personal jurisdiction for the purpose of carrying out this provision.
- 20.4. Mutual Benefit. Franchisee, Principal(s), and Franchisor acknowledge that the parties' agreement regarding applicable state law and forum set forth in Section 20.3 provide each of the parties with the mutual benefit of uniform interpretation of this Agreement and any dispute arising hereunder. Each of Franchisee, its Principal(s), and Franchisor further acknowledge the receipt and sufficiency of mutual consideration for such benefit and that each party's agreement regarding applicable state law and choice of forum have been negotiated in good faith and are part of the benefit of the bargain reflected by this Agreement.
- 20.5. Waiver of Certain Damages. Franchisee and Principal(s) hereby waive, to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special, consequential or other damages (including, without limitation, loss of profits) against Franchisor, its affiliates, and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, in their corporate and individual capacities, arising out of any cause whatsoever. Each of Franchisee and Principal(s) agree that in the event of a dispute, Franchisee and each Principal shall be limited to the recovery of any actual direct compensatory damages sustained.
- 20.6. Limitations of Claims. Any and all claims arising out of or relating to this Agreement or the relationship among the parties will be barred unless a proceeding for relief is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.
- 20.7. Survival. The provisions of this Article 20 shall continue in full force and effect notwithstanding the expiration or termination of this Agreement or a transfer by Franchisee or any Principal of their respective interests in this Agreement.

21. GENERAL.

21.1 Relationship of the Parties.

21.1.1 Independent Licensee. Franchisee is and shall be an independent licensee under this Agreement, and no partnership shall exist between Franchisee and Franchisor. This

Agreement does not constitute Franchisee as an agent, legal representative, or employee of Franchisor for any purpose whatsoever, and Franchisee is not granted any right or authority to assume or create any obligation for or on behalf of, or in the name of, or in any way to bind Franchisor. Franchisee agrees not to incur or contract any debt or obligation on behalf of Franchisor or commit any act, make any representation, or advertise in any manner which may adversely affect any right of Franchisor or be detrimental to Franchisor or other franchisees of Franchisor. Franchisor does not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by Franchisee or Principal(s) which are not expressly authorized under this Agreement. Franchisor will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to Franchisee's operation of the Franchised Business. Pursuant to the above, Franchisee agrees to indemnify Franchisor and hold Franchisor harmless from any and all liability, loss, attorneys' fees, or damage Franchisor may suffer as a result of claims, demands, taxes, costs, or judgments against Franchisor arising out of any allegation of an agent, partner, or employment relationship.

21.1.2 No Relationship. Franchisee acknowledges and agrees that Franchisee alone exercises day-to-day control over all operations, activities, and elements of the Franchised Business, and that, except as set forth in Section 17.4.2 hereof, under no circumstance shall Franchisor do so or be deemed to do so. Franchisee further acknowledges and agrees, and will never claim otherwise, that the various restrictions, prohibitions, specifications, and procedures of the System which Franchisee is required to comply with under this Agreement, as set forth in the Manual or otherwise, constitute standards to which Franchisee must adhere when exercising control of the day-to-day operations of the Franchised Business, but do not directly or indirectly constitute, suggest, infer or imply that Franchisor controls the day-to-day operations of the Franchised Business, which Franchisee alone controls.

21.1.3 Franchisee's Employees. Franchisor has no authority to control, either directly or indirectly, the essential terms and conditions of employment of Franchisee's employees. Franchisee acknowledges and agrees that Franchisee, in Franchisee's sole and absolute discretion, shall determine all such essential terms and conditions of employment, which are defined in the Manual. Franchisee specifically agrees that any training Franchisor provides for Franchisee's employees is geared to impart to those employees, with Franchisee's ultimate authority, the various procedures, protocols, systems, and operations of a Tippi Toes outlet and in no fashion reflects any employment relationship between Franchisor and such employees. All agreements and relations between Franchisee and Franchisee's employees shall be conducted in the name of Franchisee, and not in the legal or tradename(s) of Franchisor. If ever it is asserted that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees in any private or government investigation, action, proceeding, arbitration or other setting, Franchisee irrevocably agrees to assist Franchisor in defending said allegation, appearing at any venue requested by Franchisor to testify on Franchisor's behalf participate in depositions, other appearances or preparing affidavits rejecting any assertion that Franchisor is the employer, joint employer or co-employer of any of Franchisee's employees.

- 21.2. Successors. This Agreement shall bind and inure to the benefit of the successors and assigns of Franchisor and shall be personally binding on and inure to the benefit of Franchisee (including the individuals executing this Agreement on behalf of the Franchisee entity) and its or their respective heirs, executors, administrators and successors or assigns; provided, however, the foregoing provision shall not be construed to allow a transfer of any interest of Franchisee or Principal(s) in this Agreement or the Franchised Business, except in accordance with Article 16 hereof.
- 21.3. Invalidity of Part of Agreement. Should any provisions in this Agreement, for any reason, be declared invalid, then such provision shall be invalid only to the extent of the prohibition without in any way invalidating or altering any other provision of this Agreement.
- 21.4. Entire Agreement. This Agreement, including all attachments, is the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter, and superseding all prior written or oral representations made to Franchisee, except that nothing in this Agreement or in any related agreement is intended to disclaim the representations made to Franchisee in Franchisor's Franchise Disclosure Document. No agreement of any kind relating to the matters covered by this Agreement and no amendment of the provisions hereof shall be binding upon either party unless and until the same has been made in writing and executed by all interested parties.
- 21.5. Construction. All terms and words used in this Agreement, regardless of the number and gender in which they are used, shall be deemed, and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context or sense of this Agreement or any provision herein may require, as if such words had been fully and properly written in the appropriate number and gender. All covenants, agreements and obligations assumed herein by Franchisee and Principal(s) shall be deemed to be joint and several covenants, agreements, and obligations of each of the persons named as Franchisee, if more than one person is so named.
- 21.6. Captions. Captions and section headings are used herein for convenience only. They are not part of this Agreement and shall not be used in construing it.
- 21.7. Notices. Whenever notice is required or permitted to be given under the terms of this Agreement, it shall be given in writing, and be delivered personally, electronically, or by certified mail, priority mail, or courier, postage prepaid, addressed to the party for whom intended, and shall be deemed given on the date of delivery or if delivery is refused, on the date the notice is sent electronically provided the sender has received confirmation of receipt. All such notices shall be addressed to the party to be notified at their respective addresses as set forth in the introductory paragraph of this Agreement, or at such other address or addresses, including email addresses, as the parties may from time to time designate in writing.
- 21.8. Effect of Waivers. No waiver, delay, omission, or forbearance on the part of Franchisor to exercise any right, option, duty or power arising from any default or breach by

Franchisee shall affect or impair the rights of Franchisor with respect to any subsequent default of the same or of a different kind. Any use by Franchisee of the System or any part thereof at any place other than at the Franchised Business location shall not give Franchisee any rights not specifically granted hereunder. Failure to take action to stop such use shall not in any event be considered a waiver of the rights of Franchisor at any time to require Franchisee to restrict said use to the Franchised Business location.

- 21.9. Remedies Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies that are provided for herein or that may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor or any of its affiliates. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination, or exercise of Franchisor's rights pursuant to Article 17 shall not discharge or release Franchisee or any Principal from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.
- 21.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one and the same instrument.
- 21.11. Survival. Any obligation of Franchisee or any Principal that contemplates performance of such obligation after termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Principal therein shall be deemed to survive such termination, expiration or transfer.
- 21.12 Consent to Do Business Electronically. The parties to the Franchise Agreement hereby consent to do business electronically. Pursuant to the Uniform Electronic Transactions Act as adopted by the State of Oklahoma, the parties hereby affirm to each other that they agree with the terms of the Franchise Agreement, and by attaching their electronic signature, including any DocuSign signature, to the Franchise Agreement, they are executing the document and intending to attach their electronic signature to it. Furthermore, the parties acknowledge that the other parties to the Franchise Agreement can rely on an electronic signature, including a DocuSign signature, as the respective party's signature.

-Remainder of page intentionally left blank-

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

FRANCHISOR:
TIPPI TOES INC.

By: _____
_____, _____
(Print Name, Title)

FRANCHISEE (Entity):

By: _____
_____, _____
(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ATTACHMENT 1

TRADEMARKS

Service Marks –



TIPPI TOES

ATTACHMENT 2

**TERRITORY DESCRIPTION AND
FRANCHISED BUSINESS LOCATION**

**TERRITORY AND ADDRESS TO BE DETERMINED AND INSERTED AFTER A TIPPI TOES PREMISES IS IDENTIFIED BY FRANCHISEE AND APPROVED BY FRANCHISOR, IN ACCORDANCE WITH SECTION 8.1 OF THE FRANCHISE AGREEMENT, IN THE NON-EXCLUSIVE SITE SEARCH AREA OF _____.

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

Franchised Business Address:

ATTACHMENT 3

INITIAL FEE AND MINIMUM ROYALTY

Franchisee's Tier: _____

Initial Franchise Fee: _____

Territory Population (Approximately)	Minimum Royalties Months 1-6	Minimum Royalties Months 7-12	Minimum Royalties Months 13-24	Minimum Royalties Months 25+
Tier 1	\$250	\$500	\$750	\$1,000
Tier 2	\$333	\$666	\$1,000	\$1,333
Tier 3	\$416	\$832	\$1,250	\$1,666
Tier 4	\$500	\$1,000	\$1,500	\$2,000
Tier 5	\$583	\$1,166	\$1,750	\$2,333
Tier 6	\$666	\$1,332	\$2,000	\$2,666
Tier 7	\$750	\$1,500	\$2,250	\$3,000
Additional 50,000 people	+\$42	+\$83	+\$125	+\$166
Additional 100,000 people	+\$83	+\$166	+\$250	+\$333

ATTACHMENT 4

**AUTHORIZATION AGREEMENT
AUTOMATIC DEPOSITS (ACH WITHDRAWALS)**

Franchisor Name: **Tippi Toes Inc.**

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

Financial Institution Name: _____ Branch: _____

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

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

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

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

Print Franchisee / Account Holder Name

Print Franchisee/Co-Account Holder Name

Franchisee/ Account Holder Signature-Date

Franchisee/Co-Account Holder Signature-Date

Daytime Phone Number

Email Address

PLEASE ATTACH A VOIDED CHECK TO THIS FORM

Please Return Form to:

Tippi Toes Inc.
3373 Eslin Court
Murfreesboro, TN 37130

ATTACHMENT 5

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned _____ ("Assignor") hereby assigns and transfers to Tippi Toes Inc., an Oklahoma limited liability company with a notice address of 3373 Eslin Court, Murfreesboro, Tennessee 37130 ("Assignee"), all of Assignor's right, title, and interest as tenant in, to and under that certain lease, a copy of which shall be attached hereto (the "Lease") respecting premises commonly known as _____. This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that Assignor has full power and authority to so assign the Lease and Assignor's interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of Assignor's interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Tippi Toes outlet between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the Premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment, or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place, and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

DATED: _____ By: _____

(Print Name, Title)

DATED: _____

DATED: _____

CONSENT AND AGREEMENT OF LANDLORD

to that Conditional Assignment of Lease from _____ (Assignor) to Tippi Toes Inc. (Assignee) dated _____ for the property known as _____
_____.

The undersigned Landlord under the aforescribed Lease further hereby:

- (a) Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;
- (b) Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Landlord of notice thereof in accordance with paragraph (a) above;
- (c) Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the Premises demised by the Lease and confirms to Landlord the assumption of the Lease by Assignee as tenant thereunder, Landlord shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the non-monetary defaults, if any, of Assignor under the Lease (Assignor will remain liable to Landlord for all monetary obligations incurred before the date Assignee takes possession);
- (d) Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Landlord and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.
- (e) Permits Assignee to enter upon the Premises without being guilty of trespass or any other crime or tort to de-identify the Premises as a Tippi Toes outlet if Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee shall repair any damage caused thereby.

DATED: _____

LANDLORD:

ATTACHMENT 6

STATEMENT OF OWNERSHIP INTERESTS IN FRANCHISEE ENTITY

Name

Percentage of Ownership

ATTACHMENT 7

GUARANTY

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, Guarantor has signed this Guaranty as of the date set forth above.

GUARANTOR - SPOUSE OF FRANCHISEE'S PRINCIPAL:

Print Name: _____
Address: _____

ATTACHMENT 8

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

THIS INTERNET ADVERTISING, SOCIAL MEDIA, SOFTWARE, AND TELEPHONE LISTING AGREEMENT (the “Agreement”) is made and entered into this day of _____ (the “Effective Date”), by and between Tippi Toes Inc., an Oklahoma limited liability company with its principal place of business at 3373 Eslin Court, Murfreesboro, Tennessee 37130 (the “Franchisor”), and _____, a(n) _____, with its principal place of business located at _____ and _____’s principal(s), _____, an individual, residing at _____, and _____, an individual, residing at _____ (“Principal(s)”). _____ and Principal(s) shall be individually and collectively referred to as, and each is, the “Franchisee”.

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

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

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

1. Definitions

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

2. Internet Advertising and Telephone Listings

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

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

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

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

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

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

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

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

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

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

2.6 Cessation of Obligations. After the Internet and Software Companies and the Telephone Companies have duly transferred all Franchisee’s interests as described in paragraph 2.3 above to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations

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

3. Miscellaneous

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

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

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

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

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

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

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

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

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

FRANCHISOR:
TIPPI TOES INC.

By: _____

(Print Name, Title)

FRANCHISEE (Entity):

By: _____

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

FRANCHISEE (Principal):

(Print Name)

ATTACHMENT 9

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

This Confidentiality and Non-Compete Agreement (the “Agreement”) is made and entered into this day of _____, by _____, a(n) _____ (“Franchisee”), a franchisee of Tippi Toes Inc. an Oklahoma limited liability company (“Franchisor”), and an individual (“Covenantor”) in connection with a Franchise Agreement dated.

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

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

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

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

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

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

1. Confidentiality Agreement.

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

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

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

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

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

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

2. Covenants Not to Compete.

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

(i) divert, or attempt to divert, any business or customer of Franchisee's Tippi Toes franchised business or of other franchisees in Tippi Toes system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, consultant, or agent or serve in any other capacity in any creative arts business substantially similar to the Franchisee's Tippi Toes franchised business ("Competitive Business").

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

(i) divert, or attempt to divert, any business or customer of Franchisee's Tippi Toes franchised business or of other franchisees in Tippi Toes system to any competitor, by direct or indirect inducement or otherwise, or

(ii) participate as an owner, partner, director, officer, employee, or consultant or serve in any other managerial, operational, or supervisory capacity in any Competitive Business within twenty (20) miles of Franchisee's Territory or the territory of any other Tippi Toes affiliate-owned or franchised business.

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

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

3. General.

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

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

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

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

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

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

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

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

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

If directed to Franchisee:

If directed to Covenantor:

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

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

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

IN WITNESS WHEREOF, the undersigned have entered into this Confidentiality and Non-Compete Agreement as witnessed by their signatures below.

FRANCHISEE:

By: _____
Name: _____
Title: _____

COVENANTOR:

Name: _____

EXHIBIT C
FINANCIAL STATEMENTS



TIPPI TOES, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024, 2023 AND 2022



TIPPI TOES, INC.

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Independent Auditor's Report

To the Board of Directors of
Tippi Toes, Inc.
Murfreesboro, TN

Opinion

We have audited the accompanying financial statements of Tippi Toes, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, stockholders' deficit, and cash flows for the years 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 Tippi Toes, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

The financial statements of Tippi Toes, Inc. as of December 31, 2022, were audited by other auditors whose report dated January 24, 2023, expressed an unqualified 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.

Kezas & Dunbar

St. George, Utah
March 19, 2025

TIPPI TOES, INC.
BALANCE SHEETS
As of December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 81,027	\$ 105,134	\$ 131,888
Restricted cash	-	37,525	-
Accounts receivable, net	61,418	8,390	13,197
Deferred contract costs	214,600	47,570	-
Other current assets	44,018	16,109	16,798
Total current assets	<u>401,063</u>	<u>214,728</u>	<u>161,883</u>
Non-current assets			
Property and equipment, net	-	-	58
Intangible assets, net	-	-	7,709
Total non-current assets	<u>-</u>	<u>-</u>	<u>7,767</u>
Total assets	<u>\$ 401,063</u>	<u>\$ 214,728</u>	<u>\$ 169,650</u>
Liabilities and Stockholders' Deficit			
Current liabilities			
Accrued expenses	\$ 85,231	\$ 35,744	\$ 6,190
Escrow liability	-	49,500	-
Credit cards payable	50,205	53,262	23,942
Notes payable	-	71,631	-
Deferred revenue	304,525	59,462	615,258
Line of credit	400,000	-	-
Total liabilities	<u>839,961</u>	<u>269,599</u>	<u>645,390</u>
Stockholders' deficit			
Common stock, \$1 par value; 100,000 shares authorized; 500 shares issued and outstanding as of 2024, 2023 and 2022	500	500	500
Accumulated deficit	<u>(439,398)</u>	<u>(55,371)</u>	<u>(476,240)</u>
Total stockholders' deficit	<u>(438,898)</u>	<u>(54,871)</u>	<u>(475,740)</u>
Total liabilities and stockholders' deficit	<u>\$ 401,063</u>	<u>\$ 214,728</u>	<u>\$ 169,650</u>

The accompanying notes are an integral part of these financial statements

TIPPI TOES, INC.
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Operating revenues			
Franchise fees	\$ 1,031,937	\$ 674,918	\$ 85,527
Royalty fees	824,326	649,144	551,676
Related party revenue	280,601	186,833	-
Classes, workshops and product sales	138,283	38,980	24,780
Rebates	38,573	-	-
Technology fees	29,992	7,008	-
Subscription revenue	23,398	-	-
Brand fund revenue	21,219	-	-
Other operating revenue	15,617	17,981	573
Total operating revenues	<u>2,403,946</u>	<u>1,574,864</u>	<u>662,556</u>
Cost of goods sold	<u>178,785</u>	<u>163,788</u>	<u>1,910</u>
Gross Profit	<u>2,225,161</u>	<u>1,411,076</u>	<u>660,646</u>
Operating expenses			
Professional fees	1,185,746	698,028	150,047
Salaries and wages	736,561	515,056	284,509
General and administrative	282,849	220,903	102,793
Contract labor	22,396	19,666	34,242
Brand fund expenses	19,782	-	-
Advertising expenses	15,814	84,126	43,913
Total operating expenses	<u>2,263,148</u>	<u>1,537,779</u>	<u>615,504</u>
Operating (loss) income	(37,987)	(126,703)	45,142
Other expense			
Interest expense	9,323	-	-
Total other expense	<u>9,323</u>	<u>-</u>	<u>-</u>
Net (loss) income	<u>\$ (47,310)</u>	<u>\$ (126,703)</u>	<u>\$ 45,142</u>

The accompanying notes are an integral part of these financial statements

TIPPI TOES, INC.
STATEMENTS OF STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2024, 2023 and 2022

	Common Stock	Accumulated Deficit	Total
Balance at December 31, 2022	\$ 500	\$ (476,240)	\$ (475,740)
Cumulative affect of adoption of ASC 952-606	-	570,759	570,759
Stockholder distributions	-	(23,187)	(23,187)
Net loss	-	(126,703)	(126,703)
Balance at December 31, 2023	<u>500</u>	<u>(55,371)</u>	<u>(54,871)</u>
Stockholder distributions	-	(336,717)	(336,717)
Net loss	-	(47,310)	(47,310)
Balance at December 31, 2024	<u>\$ 500</u>	<u>\$ (439,398)</u>	<u>\$ (438,898)</u>

The accompanying notes are an integral part of these financial statements

TIPPI TOES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:			
Net (loss) income	\$ (47,310)	\$ (126,703)	\$ 45,142
Adjustments to reconcile net (loss) income to net cash (used in) provided by activities:			
Depreciation and amortization	-	7,766	2,337
Change in operating assets and liabilities:			
Accounts receivable, net	(53,028)	4,808	86,290
Deferred contract costs	(167,030)	(47,570)	-
Other current assets	(27,909)	688	19,927
Accrued expenses	49,487	29,554	1,795
Escrow liability	(49,500)	49,500	-
Credit cards payable	(3,057)	29,321	(22,713)
Notes payable	(71,631)	71,631	-
Deferred revenue	245,063	14,963	(10,526)
Net cash (used in) provided by operating activities	<u>(124,915)</u>	<u>33,958</u>	<u>122,252</u>
Cash flows from financing activities:			
Distributions to stockholders	(336,717)	(23,187)	(163,985)
Proceeds from line of credit	400,000	-	-
Net cash provided by (used in) financing activities	<u>63,283</u>	<u>(23,187)</u>	<u>(163,985)</u>
Net change in cash and cash equivalents	(61,632)	10,771	(41,733)
Cash and cash equivalents at beginning of period	142,659	131,888	173,621
Cash and cash equivalents at end of period	<u>\$ 81,027</u>	<u>\$ 142,659</u>	<u>\$ 131,888</u>
Supplemental disclosures of cash flow			
Cash paid for interest	<u>\$ 9,323</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Tippi Toes, Inc. (the "Company") is an Oklahoma based S Corporation, with operations in Kentucky, Oklahoma and Texas. Since 1999, the Company has offered ballet, tap, jazz, and hip-hop classes to preschools, day care centers, play groups, and various other after school programs.

In 2009, the Company also began selling franchises. Under the terms of its franchise agreements the Company provides initial training and continuing business consulting and marketing support to its franchises.

The Company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP"), other than guidance issued by the Securities and Exchange Commission ("SEC"), superseding existing FASB, American Institute of Certified Public Accountants, emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

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

(d) Reclassification

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the presentation in the current period financial statements.

(e) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. As of December 31, 2024, 2023 and 2022, the Company had cash and cash equivalents of \$81,027, \$105,134 and \$131,888, respectively.

(f) Accounts Receivable

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalties and other sales transactions. These accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of outstanding amounts.

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

When determining the allowance for doubtful receivable, the Company has adopted ASC 326, *Financial Instruments—Credit Losses*. This standard requires that management utilize the Current Expected Credit Losses (“CECL”) model to recognize the appropriate allowance for doubtful receivables. This model requires entities to estimate and recognize expected credit losses over the life of the financial instrument. For trade receivables, management has elected to apply a simplified approach, based on historical loss experience and adjustments for current and forecasted economic conditions. Management regularly evaluates individual customer receivables, considering their financial condition, credit history and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. As of December 31, 2024, the Company had an allowance for uncollectible accounts of \$2,821. As of December 31, 2023 and 2022, the Company did not have an allowance for uncollectible accounts. As of December 31, 2024, 2023 and 2022, the Company had accounts receivable of \$61,418, \$8,390 and \$13,197, respectively.

(g) Prepaid expenses and Other Current Assets

As of December 31, 2024, 2023 and 2022, the Company had prepaid expenses and other current assets totaling \$44,018, \$16,109 and \$16,798, respectively. For the years ended December 31, 2023 and 2022, these consisted primarily of prepaid office expenses. Prepaid expenses represent future economic benefits that have been paid for in advance and are expected to be expensed over the subsequent accounting periods. For the year ended December 31, 2024, the balance consists of prepaid expenses totaling \$26,395 and inventory of \$17,623.

The Company evaluates prepaid expenses regularly to ensure they are appropriately recorded and accurately reflect the timing of economic benefits to be derived.

Inventory is substantially comprised of apparel for sale to customers. Inventory is stated at the lower of cost (using the weighted average cost method) or market. Inventory on hand is evaluated on an on-going basis to determine if any items are obsolete or in excess of future needs. As of December 31, 2024, no inventory reserve was deemed necessary by management.

(h) Property and Equipment

The Company has adopted ASC 360, *Property, Plant and Equipment*. Under ASC 360, property and equipment are stated at historical cost less accumulated depreciation. Maintenance and repair costs are expenses as incurred. Renewals and betterments are capitalized. The Company’s capitalization policy is to capitalize purchased property and equipment over \$5,000. The cost of assets sold or retired, as well as any accumulated depreciation, is removed from the accounts at the time of disposal and any resulting gain or loss is included in the results of operations.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the respective assets, which is generally 5 years.

(i) Intangible Assets

The Company has adopted ASC 350, *Intangibles – Goodwill and Other*, which requires that goodwill and intangible assets with indefinite lives (such as intellectual property) no longer be amortized to earnings but be tested for impairment at least annually. Intangible assets with finite lives (such as internal use software) are amortized over their estimated useful lives. The Company has established intangible assets for the cost of internal-use software.

The useful life of an intangible asset is the period over which it is expected to contribute directly or indirectly to future cash flows. Internal use software costs are amortized using the straight-line method over a period of five years.

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

(j) Revenue Recognition

The Company has adopted ASC 606, *Revenue from Contracts with Customers*. ASC 606 provides that revenues are to be recognized when control of promised goods or services is transferred to a customer in an amount that reflects the considerations expected to be received for those goods or services. In implementing ASC 606, the Company evaluated all revenue sources using the five-step approach: identify the contract, identify the performance obligations, determine the transaction price, allocate the transaction price, and recognize revenue. For each franchised location, the Company enters into a formal franchise agreement that clearly outlines the various components of the transaction price and the Company's performance obligations.

The Company's primary revenues consist of initial franchise fees, royalties and brand fund fees based on a percentage of gross revenues, monthly flat fees for technology fees, rebates and product sales.

Royalties, brand fund fees and technology fees

Upon evaluation of the five-step process, the Company has determined that royalties and brand fund fees are to be recognized in the same period as the underlying sales.

Rebate revenue

The Company receives rebates from various suppliers involved in supplying the franchise system. Rebate income is recognized when the Company has purchased merchandise meeting a specific threshold.

Product sales

Product sales are recognized when control transfers to the customer, which is generally upon shipment.

Initial franchise fees

The Company is required to allocate the transaction price associated with initial franchise fees between the franchise license and associated performance obligations. In identifying the associated performance obligations, the Company elected to adopt the practical expedient for private company franchisors outlined in ASC 952-606, *Franchisors—Revenue from Contracts with Customers* as of January 1, 2023. In addition, the practical expedient allows franchisors to account for pre-opening services as a single distinct performance obligation, which the Company elected to adopt.

Prior to the adoption of ASC 952-606, the Company recognized franchise fees over the life of the underlying agreement. The Company has determined that the fair value of pre-opening services exceeds the initial fees received; as such, pursuant to the Adoption of ASC 952-606, commencing in 2023 the initial fees are allocated to the pre-opening services, which are recognized as revenue generally upon commencement of operations. The Company accounted for the change in accounting policy using the modified retrospective method which requires the cumulative effect of initially applying the new revenue standard to be recognized as an adjustment to the opening balance of retained earnings at the date of initial application.

These pre-opening services include the following services (which the Company may or may not provide all of):

- Assistance in the selection of a site
- Assistance in obtaining facilities and preparing the facilities for their intended use, including related financing, architectural, and engineering services, and lease negotiation
- Training of the franchisee's personnel or the franchisee
- Preparation and distribution of manuals and similar material concerning operations, administration, and record keeping
- Bookkeeping, information technology, and advisory services, including setting up the franchisee's records and advising the franchisee about income, real estate, and other taxes about local regulations affecting the franchisee's business
- Inspection, testing, and other quality control programs

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

In determining the allocation of transaction price (the initial franchise fee) to either the license or to the pre-opening services, the Company has determined that the standalone selling price of its pre-opening services exceeds the initial franchise fee received; as such, the Company allocates the entire initial franchise fees to those pre-opening services. The franchise fees are then recognized as revenue when those pre-opening services have been completed (which generally occurs upon commencement of the associated franchised location's operations).

(k) Advertising Costs

Advertising costs are charged to operations when incurred. During the years ended December 31, 2024, 2023 and 2022, the Company spent \$15,814, \$84,126 and \$43,913, respectively on advertising and marketing.

(l) Income Taxes

The Company has elected to be treated as Subchapter S Corporation under the provisions of the Internal Revenue Code for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of its stockholder(s) and no provision for federal or state income taxes has been recorded in the accompanying balance sheet.

The Company follows the guidance under ASC 740, *Accounting for Uncertainty in Income Taxes*. ASC 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the member rather than the Company. Accordingly, there would be no effect on the Company's financial statements. The Company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2024, the 2023, 2022 and 2021 tax years are subject to examination.

(m) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

(n) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents. As of December 31, 2024, 2023 and 2022, there were no accounts with deposits over the FDIC limit.

(2) Restricted Cash

As of December 31, 2023, the Company had restricted cash totaling \$37,525, which is included in the accompanying balance sheet. This account includes a deposit from a potential customer to be held until the terms were certain. The restricted cash is not available for general corporate purposes and is required to be maintained in accordance with the respective agreement. This terms of this deposit were realized during the year ended December 31, 2024.

(3) Related party transactions

(a) Notes payable

The Company had a relationship with a related party entity in which they purchased merchandise and borrowed funds. The merchandise was paid half up front and half upon shipment. Depending on when shipment has occurred as of year-end, a payable or receivable may arise. As of December 31, 2023, the Company owed the related party entity \$71,631. This related entity was terminated operations during the year ended December 31, 2024, and there was no resulting receivable or payable at year-end.

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

(b) Related party revenue

The Company receives funds from a related party entity and fees consist of recital and costume fees, merchandise, and tuition. The amount received for the years ended December 31, 2024 and 2023 were \$280,601 and \$186,833, respectively. There was not any related party revenue for the year ended December 31, 2022.

(4) Property and Equipment

Property and equipment consist of the following as of December 31, 2024, 2023 and 2022:

	2024	2023	2022
Equipment and Furnishings	\$ 3,833	\$ 3,833	\$ 3,833
Less: Accumulated Depreciation	(3,833)	(3,833)	(3,775)
	\$ -	\$ -	\$ 58

The Company recognized depreciation expense in the amount of \$58 and \$66, respectively, for the years ended December 31, 2023 and 2022. As of December 31, 2023, the assets were fully depreciated so there was no depreciation expense for the year ended December 31, 2024.

(5) Intangible Assets

In October 2013, the Company launched a franchise-based website for use by the Company's franchisees. In March 2016, the Company completed the production of a dance video that will be used by the Company's franchisees. The website was updated in February 2017 and again in April 2018, and the related expenditures were capitalized. The cost of these intangibles is amortized over five years using the straight-line method.

Amortization expense for the years ended December 31, 2023 and 2022 was \$7,708 and \$2,271, respectively. There was not any amortization expense for the year ended December 31, 2024 as the assets were fully amortized as of December 31, 2023.

(6) Franchise Agreements

The Company's franchise agreements generally provide for a payment of initial franchise fees as well as continuing royalties and brand fund fees to the Company based on a percentage of sales. Under the franchise agreement, franchisees are granted the right to operate a location using the Tippi Toes franchise system for a period of ten years. Under the Company's revenue recognition policy, the Company allocates the initial franchise fee to the pre-opening-services obligation, which is recognized when the pre-opening-services obligation has been fulfilled (generally when the franchisee begins operations). In addition, the Company defers related contract costs such as broker commissions over the same period and records them as deferred contract costs. As of December 31, 2024, 2023, and 2022, the Company had the following contract assets and liabilities:

	2024	2023	2022
Deferred revenue	\$ 304,525	\$ 59,462	\$ 615,258
	2024	2023	2022
Deferred contract costs	\$ 214,600	\$ 47,570	\$ -

All deferred revenue and contact costs are classified as current.

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

(7) Accrued Expenses

Accrued expenses as of December 31, 2024, 2023 and 2022 consist of the following:

	2024	2023	2022
Accrued payroll	\$ 31,833	\$ 24,537	\$ -
Accounts payable and accrued expenses	53,398	-	-
	\$ 85,231	\$ 35,744	\$ 6,190

(8) Credit Cards Payable

As of December 31, 2024, 2023 and 2022, the Company had credit card balances payable totaling \$50,205, \$53,262 and \$23,942, respectively. These represent amounts owed to various credit card issuers for business-related transactions. These balances primarily consist of expenses incurred for purchases of supplies, services, and other operating expenses.

The Company closely monitors credit card balances and makes payments within the specified credit terms to avoid incurring additional costs such as interest charges or late payment penalties.

The Company recognizes credit card balances payable as liabilities on the balance sheet as their outstanding amounts. Any cash discounts or rebates received from credit card issuers are recorded as reductions to the respective expense accounts.

The Company did not have any significant concentrations of credit risk related to credit cards payable as of December 31, 2024. Additionally, there were no material uncertainties regarding the timing or amount of future cash outflows associated with credit card balances payable.

(9) Line of Credit

The Company maintains a revolving line of credit agreement, which provides for borrowings up to \$400,000 as of December 31, 2024. The line of credit bears interest at a variable interest rate. The agreement is set to mature on August 26, 2025 unless renewed or extended.

As of December 31, 2024, the outstanding balance under the line of credit was \$400,000 and the available borrowing capacity was \$0. Interest expense related to the line of credit for the year ended December 31, 2024 was \$9,231.

(10) Commitments and Contingencies

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC 450, *Contingencies*, under which loss contingencies are accounted for based upon the likelihood of inurrence of a liability. If a loss contingency is “probable” and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is “probable” but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is “reasonably possible,” disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are “remote” are neither accounted for nor disclosed.

In the opinion of management, all matters are of such kind, or involving such amounts of unfavorable disposition, if any, would not have a material effect on the financial position of the Company.

TIPPI TOES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

(11) Subsequent Events

Management has reviewed and evaluated subsequent events through March 19, 2025, the date on which the financial statements were issued.

EXHIBIT D

OPERATIONS MANUAL TABLE OF CONTENTS

Training & Operations Manual Table of Contents

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EXHIBIT E**FRANCHISED OUTLETS
(as of December 31, 2024)**

State	Name	Owner(s)	FO Email	Business Phone Number
AL	Birmingham	Vallie Pate	Vallie@TippiToesDance.com	
AR	Arkansas NW	Brittney Fox Laura Teal	NWA@TippiToesDance.com	479-310-6634
AZ	Scottsdale	Corporate	scottsdale@tippitoesdance.com	
AZ	Chandler	Kim Olsen Jason Olsen	Kim.Olsen@Tippitoesdance.com	480-933-2623
CA	South Bay San Diego	Brittany Mustybrook, Brett Deters	brittany.mustybrook@tippitoesdance.com; brett.deters@tippitoesdance.com	619-621-8611
CA	West San Gabriel Valley	Jeanine Carr	Jeanine@TippiToesDance.com	626-863-7863
CA	Huntington Beach	Jon P & Camille	jon.palmatier@tippitoesdance.com; camille.palmatier@tippitoesdance.com	
CA	Pleasanton	Zoe Gol	zoe.gol@tippitoesdance.com	925-430-1129
CO	Lakewood	Josh Emison Choi Wong	josh.emison@tippitoesdance.com; choi.wong@tippitoesdance.com	720-330-3473
CO	Aurora SE	Kelly Delahanty Kelsie Fulton	kelly.delahanty@tippitoesdance.com; kelsie.fulton@tippitoesdance.com	
DC	Washington	Claire Portolese	Claire@TippiToesDance.com	202-527-9089
FL	Palm Beach Gardens	Bryanna Rawe Dana DeMarino	bryanna.rawe@tippitoesdance.com; demarino@tippitoesdance.com	
FL	Broward County	Caite Delahanty	Catie@tippitoesdance.com	754-400-0407
FL	Boca Raton	Caite Delahanty Shari Ferrito	Catie@tippitoesdance.com	754-400-0407
FL	Central Orlando	Joanna Durkin	joanna.durkin@tippitoesdance.com	
FL	Boynton Beach	Leah Midcap Jordan Wyatt	jordan.wyatt@tippitoesdance.com; leah.midcap@tippitoesdance.com	
FL	Lake Worth	Leah Midcap Jordan Wyatt	leah.midcap@tippitoesdance.com; jordan.wyatt@tippitoesdance.com	
FL	Cape Coral	Olivia Zacarias Stephen Moore	olivia.zacarias@tippitoesdance.com	
FL	Daytona Beach	Shannon Campbell	Shannon@TippiToesDance.com	386-320-6394
FL	New Tampa	Thandi Scotland Leslie Scotland	thandi.scotland@tippitoesdance.com	
FL	Naples	Tiana Bell	tiana.bell@tippitoesdance.com	
GA	Roswell	Elizabeth Minakev (Liza)	liza.minakev@tippitoesdance.com	
GA	Atlanta East	Nana Ahmad Yusuf Ahmad	Available upon request	
IA	Des Moines	Kaylee Hanf	Kaylee@TippiToesDance.com	515-650-8033

State	Name	Owner(s)	FO Email	Business Phone Number
IA	Iowa City	Kaylee Hanf Roberts	Kaylee@TippiToesDance.com	319-853-8488
ID	Boise	Hanz Akbarzadeh Alejandra Alvarado	alejandra.alvarado@tippitoesdance.com	208-789-7475
IL	Naperville	Jamie Staab	jamie.staab@tippitoesdance.com	
KY	Lexington	Heather Mullins	Heather@TippiToesDance.com	859-429-0760
KY	SOKY	Jensen Holmes	Jensen@TippiToesDance.com	270-883-1797
KY	Louisville	Morgan Sizemore	Morgan@TippiToesDance.com	502-709-8747
MD	Annapolis	Claire Portolese	Claire@TippiToesDance.com	202-527-9089
MD	Montgomery County	Claire Portolese	Claire@TippiToesDance.com	202-527-9089
MN	St. Cloud	Jamie Hoelscher Michael Hoelscher	jamie.hoelscher@tippitoesdance.com	320-247-5526
MN	Maple Grove	Jessie Rustad	Jessi@TippiToesDance.com	612-500-0864
MO	Kansas City	Christi Coffey	Christi@TippiToesDance.com	816-797-8961
MO	St. Louis	Jess Eike	Jess@TippiToesDance.com	314-485-9730
NY	Nassau County	Michael Goldberg	Michael@TippiToesDance.com	516-247-9136
OH	Cincinnati	Jen Marchal	Jen@TippiToesDance.com	513-399-7449
OH	West Chester	Tasha Morris	tasha.morris@tippitoesdance.com	
OK	Tulsa	Laura Teal	Laura@TippiToesDance.com	918-361-4134
OK	Oklahoma City	Tracy Genheimer	Tracy@TippiToesDance.com	405-361-3620
OR	Portland East	Stephen Griffin Amber Pedersen	amber.pedersen@tippitoesdance.com	503-836-8806
TN	Tennessee North	Deidre Allen Thomas	deidre.thomas@tippitoesdance.com	270-202-9850
TN	Nashville	Jen Marchal	Jen@TippiToesDance.com	615-852-8184
TX	Cedar Park	Anya Amirapu	anya.amirapu@tippitoesdance.com	
TX	Round Rock	Anya Amirapu	anya.amirapu@tippitoesdance.com	
TX	North Dallas	Betsy Prieto and Dan Prieto	betsy.prieto@tippitoesdance.com; dan.prieto@tippitoesdance.com	
TX	Cypress	Christine Navarro	Christine@TippiToesDance.com	281-705-3273
TX	Katy	Christine Navarro	Christine@TippiToesDance.com	281-705-3273
TX	Denton	Helen Bagnall	Helen@TippiToesDance.com	972-853-1579
TX	Plano	Helen Bagnall	Helen@TippiToesDance.com	972-853-1579
TX	Rockwall Wylie	Joni Robinson	joni.robinson@tippitoesdance.com	214-494-9683
TX	Amarillo	Karah Kellam	Karah@TippiToesDance.com	
TX	Corpus Christi	Kasey Keller Kelly Keller	Thesisters@TippiToesDance.com	361-814-4307
TX	Houston	Kasey Keller Kelly Keller	Thesisters@TippiToesDance.com	713-291-2431
TX	Sugarland	Kasey Keller Kelly Keller	Thesisters@TippiToesDance.com	832-513-3939
TX	North Fort Worth	Maria & Nathan Brewster	nathan.brewster@tippitoesdance.com; maria.brewster@tippitoesdance.com	
TX	San Antonio North	Rosa Graciela Gomez Abraham Nunez	rosa.graciela@tippitoesdance.com	

State	Name	Owner(s)	FO Email	Business Phone Number
TX	Kingwood	Sara Lednicky	saral@tippitoesdance.com	832-598-5009
TX	Southlake	Shristi Shrestha	shristi.shrestha@tippitoesdance.com	
VA	N Virginia	Claire Portolese	Claire@TippiToesDance.com	
VA	Vienna	Meron Daniel	meron.daniel@tippitoesdance.com	703-340-0092

FRANCHISEES WHO HAVE LEFT THE SYSTEM
(as of December 31, 2024)

Ohio:

Tippi Toes – Medina
Contact: Jill Combs
2285 Greenwich Rd Wadsworth, OH 44281
(closed)

Florida:

Tippi Toes - Coral Springs
Contact: Ehud Taran
(transferred territory to corporate)

California:

Tippi Toes – Huntington Beach
Contact: Andrea Kennedy
919 S Western Ave #1 Anaheim, CA 92804
(transferred territory to a new owner)

Emails and Phone numbers available upon request.

EXHIBIT F
GENERAL RELEASE

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

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

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

Release given this day of _____ by:

FRANCHISEE (Entity):

FRANCHISEE (Principal):

By: _____

(Print Name)

(Print Name, Title)

FRANCHISEE (Principal):

(Print Name)

EXHIBIT G
STATE SPECIFIC ADDENDA

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF CALIFORNIA

CALIFORNIA APPENDIX

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

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

FRANCHISOR:

Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF ILLINOIS

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Your right upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Illinois requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

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.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF INDIANA

1. To be added to Item 3 of the Disclosure Document, is the following statement:

There are presently no arbitration proceedings to which the Franchisor is a party.
2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee’s exclusive territory.
3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
4. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 18 of the Franchise Agreement.
5. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF MARYLAND

The amendments to the Disclosure Document included in this addendum have been agreed to by the parties.

1. The provision contained in Item 17 may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

2. Item 17 of the Franchise Disclosure Document shall be amended to state that the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. The Tippi Toes Acknowledgement Statement is amended to state all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Item 17 of the Franchise Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

_____, _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF MICHIGAN

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (5) years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) Failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

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

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

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Marilyn McEwen
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48933
(517) 373-7117

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF MINNESOTA

The Commissioner of Commerce for the State of Minnesota requires that certain provisions contained in franchise documents be amended to be consistent with Minnesota Franchise Act, Minn. Stat. Section 80.01 et seq., and of the Rules and Regulations promulgated under the Act (collectively the “Franchise Act”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

1. In the State of Minnesota, we will defer the payment of the initial franchise fee, development fee, and any other initial payment until all of our material pre-opening obligations have been satisfied and your business is open and operating. However, you must execute the Franchise Agreement prior to looking for a site or beginning training.

2. Item 6, Non-Sufficient Funds Fee, is amended to state:

Pursuant to Minn. Stat. § 604.113, the Non-Sufficient Funds Fee is \$30.00 per occurrence.

3. Item 17 is amended to state:

(a) Minn. Stat. § 80C.21 and Minnesota Rules § 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document or agreement(s) shall abrogate or reduce (1) any of your rights as provided for in Minn. Stat. Chapter 80C or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) In accordance with Minn. Stat. § 80C.14 subd. 3-5, except in certain specified cases, we will give you 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement. Additionally, we will not unreasonably withhold our consent to a transfer of your Board and Brush Creative Studio.

(c) In accordance with Minnesota Rules 2860.4400(D), we cannot require you to assent to a general release.

(d) In accordance with Minnesota Rules 2860.4400(J), we cannot require you to consent to liquidated damages.

(e) Minn. Stat. § 80C.17 subd. 5 requires that an action be commenced pursuant to the Franchise Act within three (3) years after the cause of action accrues.

(f) You cannot consent to us obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rules 2860.4400(J),

(g) No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the

effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

- A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.
- B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.
- D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an

action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “Assignment of contract by franchisor”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

_____, _____
(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF NORTH DAKOTA

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* (“NDFIL”). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document and Franchise Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06.
2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.
3. Any requirement that you consent to liquidated damages or termination penalties shall not apply to the extent prohibited by the NDFIL;
4. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;
5. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extent prohibited by the NDFIL;
6. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.
7. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
8. 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.
9. The North Dakota Securities Commissioner requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

(Print Name, Title)

ADDENDUM TO THE TIPPI TOES, INC.
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT REQUIRED BY THE STATE
OF VIRGINIA

The following statements are added to Item 17.h.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a Franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement.

FRANCHISOR:
Tippi Toes, Inc.

By: _____

Name: _____

Title: _____

FRANCHISEE:

By: _____

_____, _____

(Print Name, Title)

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WASHINGTON

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

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

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

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

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

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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

AMENDMENT TO THE
TIPPI TOES, INC.
FRANCHISE AGREEMENT REQUIRED BY THE STATE OF 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 parties hereto have duly executed this Washington Amendment to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

FRANCHISOR:
TIPPI TOES, INC.

By: _____

(Print Name, Title)

FRANCHISEE:

By: _____

(Print Name, Title)

PRINCIPAL:

(Print Name)

PRINCIPAL:

(Print Name)

NOT FOR USE IN WASHINGTON, CALIFORNIA, OR MARYLAND

EXHIBIT H

TIPPI TOES ACKNOWLEDGEMENT STATEMENT

Acknowledgement of the truthfulness of the statements below are an inducement for the Franchisor to enter into a Franchise Agreement. Notify Franchisor immediately, prior to acknowledgment, if any statement below is incomplete or incorrect.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee (or developer) 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.

1. Franchisee (or Developer) has conducted an independent investigation of all aspects relating to the financial, operational, and other aspects of the business of operating the Franchised Business. Franchisee (or Developer) further acknowledges that, except as may be set forth in Franchisor's Disclosure Document, no representations of performance (financial or otherwise) for the Franchised Business provided for in this Agreement has been made to Franchisee (or Developer) by Franchisor and Franchisee (or Developer) and any and all Principals hereby waive any claim against Franchisor for any business failure Franchisee (or Developer) may experience as a franchisee (or developer) under this Agreement.

Initial

2. Franchisee (or Developer) has conducted an independent investigation of the business contemplated by this Agreement and understands and acknowledges that the business contemplated by this Agreement involves business risks making the success of the venture largely dependent upon the business abilities and participation of Franchisee (or Developer) and its efforts as an independent business operation.

Initial

3. Franchisee (or Developer) agrees that no claims of success or failure have been made to it or him or her prior to signing the Franchise Agreement (or Multi-Unit Development Agreement) and that it/she/he understands all the terms and conditions of the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) further acknowledges that the Franchise Agreement (or Multi-Unit Development Agreement) contains all oral and written agreements, representations, and arrangements between the parties hereto, and any rights which the respective parties hereto may have had under any other previous contracts are hereby cancelled and terminated, and that this Agreement cannot be changed or terminated orally.

Initial

4. Franchisee (or Developer) has no knowledge of any representations by Franchisor or its officers, directors, shareholders, employees, sales representatives, agents or servants, about the business contemplated by the Franchise Agreement (or Multi-Unit Development Agreement) that are contrary to the terms of the Franchise Agreement (or Multi-Unit Development Agreement) or the documents

incorporated herein. Franchisee (or Developer) acknowledges that no representations or warranties are made or implied, except as specifically set forth in the Franchise Agreement (or Multi-Unit Development Agreement). Franchisee (or Developer) represents, as an inducement to Franchisor's entry into this Agreement, that it has made no misrepresentations in obtaining the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

5. Franchisor expressly disclaims the making of, and Franchisee (or Developer) acknowledges that it has not received or relied upon, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

6. Franchisee (or Developer) acknowledges that Franchisor's approval or acceptance of Franchisee's (or Developer's) Business location does not constitute a warranty, recommendation, or endorsement of the location for the Franchised Business, nor any assurance by Franchisor that the operation of the Franchised Business at the premises will be successful or profitable.

Initial

7. Franchisee (or Developer) acknowledges that it has received the Tippi Toes, Inc. Franchise Disclosure Document with a complete copy of the Franchise Agreement (and Multi-Unit Development Agreement) and all related Attachments and agreements at least fourteen (14) calendar days prior to the date on which the Franchise Agreement (or Multi-Unit Development Agreement) was executed. Franchisee (or Developer) further acknowledges that Franchisee (or Developer) has read such Franchise Disclosure Document and understands its contents.

Initial

8. Franchisee (or Developer) acknowledges that it has had ample opportunity to consult with its own attorneys, accountants, and other advisors and that the attorneys for Franchisor have not advised or represented Franchisee (or Developer) with respect to the Franchise Agreement (or Multi-Unit Development Agreement) or the relationship thereby created.

Initial

9. Franchisee (or Developer), together with Franchisee's (or Developer's) advisers, has sufficient knowledge and experience in financial and business matters to make an informed investment decision with respect to the Franchise granted by the Franchise Agreement (or Multi-Unit Development Agreement).

Initial

10. Franchisee (or Developer) is aware of the fact that other present or future franchisees (or developers) of Franchisor may operate under different forms of agreement(s), and consequently that Franchisor's obligations and rights with respect to its various franchisees may differ materially in certain circumstances.

Initial

11. It is recognized by the parties that Franchisor is also (or may become) a manufacturer or distributor of certain products under the Marks licensed herein; and it is understood that Franchisor does not warrant that such products will not be sold within the Franchisee's (or Developer's) Territory by others who may have purchased such products from Franchisor.

Initial

12. BY EXECUTING THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), FRANCHISEE (OR DEVELOPER) AND ANY PRINCIPAL, INDIVIDUALLY AND ON BEHALF OF FRANCHISEE'S (OR DEVELOPER'S) AND SUCH PRINCIPAL'S HEIRS, LEGAL REPRESENTATIVES, SUCCESSORS AND ASSIGNS, HEREBY FOREVER RELEASE AND DISCHARGE TIPPI TOES, INC., AND ANY OF THE ABOVE'S PARENT COMPANY, SUBSIDIARIES, DIVISIONS, AFFILIATES, SUCCESSORS, ASSIGNS AND DESIGNEES, AND THE FOREGOING ENTITIES' DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, SHAREHOLDERS, SUCCESSORS, DESIGNEES AND REPRESENTATIVES FROM ANY AND ALL CLAIMS, DEMANDS AND JUDGMENTS RELATING TO OR ARISING UNDER THE STATEMENTS, CONDUCT, CLAIMS OR ANY OTHER AGREEMENT BETWEEN THE PARTIES EXECUTED PRIOR TO THE DATE OF THE FRANCHISE AGREEMENT (OR MULTI-UNIT DEVELOPMENT AGREEMENT), INCLUDING, BUT NOT LIMITED TO, ANY AND ALL CLAIMS, WHETHER PRESENTLY KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, ARISING UNDER THE FRANCHISE, SECURITIES, TAX OR ANTITRUST LAWS OF THE UNITED STATES OR OF ANY STATE OR TERRITORY THEREOF. THIS RELEASE SHALL NOT APPLY TO ANY CLAIMS ARISING FROM REPRESENTATIONS MADE BY FRANCHISOR IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT RECEIVED BY FRANCHISEE (OR DEVELOPER).

Initial

This statement will not be signed or used if the franchisee resides within or if the franchised business will be located within the State of California, Maryland, or Washington.

FRANCHISEE:

By: _____

(Print Name, Title)

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

PRINCIPAL:

(Print Name)

Date: _____

EXHIBIT I
STATE EFFECTIVE DATES

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

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

<u>STATE</u>	<u>EFFECTIVE DATE</u>
California	PENDING
Hawaii	PENDING
Illinois	PENDING
Indiana	PENDING
Maryland	PENDING
Michigan	PENDING
Minnesota	PENDING
New York	PENDING
North Dakota	PENDING
Rhode Island	PENDING
South Dakota	PENDING
Virginia	PENDING
Washington	PENDING
Wisconsin	PENDING

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

RECEIPT

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

If Tippi Toes, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

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

Sarah Nuse
3373 Eslin Court
Murfreesboro, Tennessee 37130
(270) 779-0228

Issuance Date: April 19, 2025

I received a Disclosure Document dated April 19, 2025, that included the following Exhibits:

- EXHIBIT A: List of State Franchise Administrators/Agents for Service of Process
 - EXHIBIT B: Franchise Agreement
 - EXHIBIT C: Financial Statements
 - EXHIBIT D: Operations Manual Table of Contents
 - EXHIBIT E: Franchised Outlets
 - EXHIBIT F: General Release
 - EXHIBIT G: State Addenda
 - EXHIBIT H: Franchisee Acknowledgement Statement
 - EXHIBIT I: State Effective Dates
- Receipt

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

(Signature of recipient)

KEEP FOR YOUR RECORDS

RECEIPT

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

If Tippi Toes, Inc. offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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

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Sarah Nuse
3373 Eslin Court
Murfreesboro, Tennessee 37130
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- EXHIBIT A: List of State Franchise Administrators/Agents for Service of Process
 - EXHIBIT B: Franchise Agreement
 - EXHIBIT C: Financial Statements
 - EXHIBIT D: Operations Manual Table of Contents
 - EXHIBIT E: Franchised Outlets
 - EXHIBIT F: General Release
 - EXHIBIT G: State Addenda
 - EXHIBIT H: Franchisee Acknowledgement Statement
 - EXHIBIT I: State Effective Dates
- Receipt

Date Received: _____
(If other than date signed)

DATE: _____

Print Name: _____

Print Address: _____

(Signature of recipient)

Please return signed receipt to Tippi Toes, Inc.
3373 Eslin Court
Murfreesboro, Tennessee 37130