



# Drama Kids

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**I N T E R N A T I O N A L**

**FRANCHISE DISCLOSURE DOCUMENT**

**OF**

**DRAMA KIDS INTERNATIONAL, INC.**

## FRANCHISE DISCLOSURE DOCUMENT



### **Drama Kids International, Inc.**

a Florida corporation  
15271 McGregor Blvd.  
Suite 16 - 282  
Fort Myers, Florida 33908  
Phone: (800) 435-6450  
Fax: (800) 435-6450  
faith@dramakids.com  
www.dramakids.com

Drama Kids businesses provide drama-based programs for children and teenagers ages 4 to 17 through a progressive curriculum that enables students to develop leadership, teamwork, and social interaction skills, public speaking skills, acting skills, confidence, self-esteem, and a positive approach to life (“Drama Kids Business(es)”).

The total investment necessary to begin operation of a Drama Kids franchised business is between \$43,500 and \$64,500. This includes ~~between \$35,000 and \$45,000~~ \$42,500 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, 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 Faith Gavelek at 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908, (800) 435-6450, faith@dramakids.com.

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

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

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

**Issuance Date: ~~March 15, 2024~~ March 14, 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
<b>How much can I earn?</b>	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 C.
<b>How much will I need to invest?</b>	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.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Drama Kids business in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a Drama Kids franchisee?</b>	Item 20 or Exhibit C lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.





## What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

### Some States Require Registration

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **Mandatory Minimum Payments**. You must make minimum royalty and other payments regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.

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

**NOTICE REQUIRED BY  
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.**

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

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

(ii) The fact that the proposed transferee is a competitor of the franchisor or 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 there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.**

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Williams Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**



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**ITEM 1**  
**THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS OR AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “DKI” and “we,” “us,” and “our” means Drama Kids International, Inc., the franchisor. “You,” “your,” and “Franchisee” means the person who buys the franchise from Drama Kids International, Inc. and its owners if the Franchisee is a business entity.

The Franchisor and its Affiliates

DKI is a Florida corporation formed in December 1999. We operate under the names Drama Kids International, Inc., Drama Kids, and Drama Kids International and no other name. Our principal business address is 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908. We began offering franchises for Drama Kids Businesses in April 2000. We operated a Drama Kids Business in Howard County, Maryland from August 2000 to July 2008 (this business was sold to a franchise owner). Since then, we have not and do not operate any franchises like those described in this Franchise Disclosure Document. We do not conduct any other business. We have no predecessor or parent entities, or affiliates. Our President has owned and operated a franchised Drama Kids Business in Hillsborough County, Florida and has done so since September 2014.

Our agent for service of process is Incorp Services, Inc., 17888 67<sup>th</sup> Ct. N Loxahatchee, ~~FL~~Florida 33470. Our agents for service of process for other states are identified by state in Exhibit A. If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

The Franchise

We offer franchises (“Drama Kids Franchise(s)” or “Franchise(s)”) for the use of our “DRAMA KIDS” trademarks, trade names, service marks, and logos (“Marks”) for the operation of Drama Kids Businesses. Drama Kids Businesses are operated under our proprietary Drama Kids system (“System”). The System may be changed or modified by us throughout your ownership of the Franchise. Drama Kids Businesses provide a variety of drama- educational programs primarily for children and teenagers, ages 4 to 17, using a progressive curriculum that enables students to develop acting skills, public speaking skills, creative thinking and leadership skills, confidence, self-esteem, and a positive approach to life. The business offers weekly in-person classes during each nine-month school year, with a sufficient variety of weekly lessons that a child can participate from age 4 through age 17 without repeating any lesson, and also offers 15 different themed half-day and full-day summer camp programs, each lasting one week (Monday through Friday) for grades kindergarten through middle school. Students who are enrolled in our regular classes are also eligible to participate in our “Take 2” performance classes that utilize popular plays to provide additional performance opportunities to students. You are not required to offer Take 2 performance classes and you may not do so during your first year of operation. If you subsequently elect to do so, you must have at least one teacher on staff with theater directing experience and we must approve your request to offer Take 2 classes and the plays you intend to use. You will be responsible for any costs to deliver the Take 2 class including costs to procure the use of non-Drama Kids copyrighted scripts and materials.

You will present Drama Kids classes in-person at facilities – schools, day care centers, music and dance schools, community centers, recreation centers, and other host sites. You must introduce the Drama Kids classes to the operators of those facilities before presenting classes at the facilities. You are not



required to maintain a commercial office, although in some circumstances, you may choose to do so. You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit B (“Franchise Agreement”). You may operate one Drama Kids Business with classes held in various locations in your territory for each Franchise Agreement you sign.

### The Market and Competition

Drama Kids Businesses service the needs of the general public. Our services are not seasonal in nature. The market for the goods and services offered by Drama Kids Businesses is developed and competitive. Drama Kids Businesses compete with other businesses including franchised operations, national chains, and independently-owned companies offering after-school and summer programs for children which may include drama classes or theater arts programs. You will also face normal business risks that could have an adverse effect on your Drama Kids. These include industry developments, such as pricing policies of competitors, and supply and demand. Before signing a franchise agreement, we recommend you research your local market to determine the number of competitors, the numbers and types of facilities and children they are likely servicing, and the perceived quality of their programs and materials.

### Regulations

We are not aware of any laws or regulations specific to the operation of drama-related programs for children. Some localities have laws requiring background checks for persons working with minor children. Some jurisdictions have recreational camp laws with which you may have to comply. Many jurisdictions have childcare laws that require insurance, building code, fire, safety, teacher to student ratios, hour, instructor licensing, fingerprinting, criminal background checks, and other similar requirements. Most organizations that you will deal with will require that your staff establish proof of a clean criminal history. Some may require fingerprint checks through the U.S. Department of Justice, while others may simply require you to run the criminal background investigation yourself. You must also obtain all necessary permits, licenses, and approvals to operate your Drama Kids Business. You must comply with all local, state, and federal laws and regulations that apply to any business. Most states and local jurisdictions have enacted laws, rules, regulations, and ordinances that may apply to the operation of your Drama Kids Business. You are responsible for investigating, understanding, and complying with all applicable laws, regulations, and requirements applicable to you and your Drama Kids Franchise. You should consult with a legal advisor about whether these and/or other requirements apply to your Drama Kids Business.

## **ITEM 2 BUSINESS EXPERIENCE**

### Chief Executive Officer and Director: Douglas C. Howard

Mr. Douglas C. Howard opened DKI in December 1999 and served as our President until January 2014 in Leesburg, Virginia. He served as our Chief Executive Officer in Leesburg, Virginia from January 2014 through December 2014. Mr. Howard presently serves as our Chief Executive Officer and Director in Fort Myers, Florida and has done so since January 2015.

### President: Faith Gavelek

Ms. Gavelek serves as our President in Brandon, Florida, and has done so since June 2020. Ms. Gavelek served as our Vice President of Franchise Support from December 2019 to June 2020, and as our Manager of Franchise Admissions from December 2018 through December 2019 in Brandon, Florida.



Ms. Gavelek is also the Owner and Director of a Drama Kids franchise in Hillsborough County, Florida which she opened in September 2014.

Franchise Development Coordinator: Dulcie Mishkin

Ms. Mishkin serves as our Franchise Development Coordinator in Brandon, Florida, and has done so since January 2022. Ms. Mishkin also served in our Franchise Support and Training department in Brandon, Florida from January 2020 to January 2022. Ms. Mishkin served as Director of Operations for the Drama Kids franchise of Hillsborough County in Brandon, Florida from June 2019 to January 2022. Ms. Mishkin also worked as a teacher in the Drama Kids franchise of Hillsborough County in Brandon, Florida from May 2018 to June 2019.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy proceedings are required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

You must pay us an initial franchise fee ("Initial Franchise Fee") of \$42,500 when you sign the Franchise Agreement. ~~The Initial Franchise Fee is payment for all of covers our pre-opening assistance that we provide to allow you to open your~~, including administrative costs, overhead, counsel fees, accounting, franchise recruitment expenses and other expenses in connection with opening the Drama Kids Business and also offsets some of. During our franchisee recruitment expenses. The last fiscal year, ended December 31, 2024, we did not sell any Franchises and therefore did not collect any Initial Franchise Fees. During 2023, we sold four franchises and collected Initial Franchise Fee for a territory with between 60,000 to 100,000 children under 18 years old is \$35,000. The Initial Franchise Fee for a territory with between 100,000 to 140,000 children under 18 years old is \$45,000. We will identify the number of children under 18 years old in any proposed territory by referring to the most recent available U.S. Census data. We generally do not allow a single territory to exceed 140,000 children under 18 years old. ranging from \$28,783 to \$46,653.

~~We may grant you the option to expand your territory after you sign the Franchise Agreement up to a maximum of 140,000 children under 18 years old. You will pay our then current "Additional Territory Fee" (currently \$15,000) and we will amend your existing franchise agreement. The additional territory would be defined by zip code(s) or county. During our last fiscal year, ended December 31, 2023, we collected \$148,337 in Initial Franchise Fees.~~

If you already own a franchise and decide to purchase a second or additional Franchise, and we approve such purchase, you will sign our then-current franchise agreement and pay the then-current Initial Franchise Fee less a 15% ~~discount. This discount is granted for the purchase of a second Franchise during the term of this Franchise Agreement. It does not apply to the Optional Expanded Territory Fee or the Additional Territory Fee described above.~~discount.



The Initial Franchise Fee includes access to our proprietary “Act Up! Classroom Training” and our “DKI Quick Start Training” programs. DKI Quick Start Training is provided through a series of video conference sessions. Act Up! Classroom Training ~~is~~ consists of in-person classroom training held for ~~3~~ three days in Tampa, Florida.

The Initial Franchise Fee is due in full at the time you sign the Franchise Agreement, is deemed fully earned by us once paid, and is non-refundable under any circumstances.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>(2)(3)</sup>	The greater of 8% of Gross Sales (“ <u>Royalty Fee</u> ”) or the “ <u>Minimum Royalty</u> ” (year one: \$0; year two: \$200 per month <del>beginning two months after completion of the Act Up! Classroom training for ten months;</del> year three and subsequent years: \$500 per month <del>thereafter</del> (the “ <u>Minimum Royalty Requirement</u> ”))	Due on the 10th day of each month.	Based on “ <u>Gross Sales</u> ” during the previous month. Gross Sales are defined in Note 2. Your Royalty is an ongoing payment that allows you to use the Marks and the intellectual property of the System and pays for our ongoing support and assistance. The Minimum Royalty Requirement—begins <del>six months</del> <u>one year</u> after <del>completion of Act Up! Classroom Training</del> (the month you are still required to pay the Royalty Fee of 8% as soon as you begin operations). <del>sign your Franchise Agreement.</del>
National Advertising And Promotional Fund Contribution <sup>(2)</sup>	1% of Gross Sales	Same as Royalty Fee	This fee will be used for a system-wide “ <u>National Advertising and Promotional Fund</u> ” for our use in promoting and building the Drama Kids brand.
Remedial or Additional Training	Currently \$1,200 per person	Before day one of Act Up! Classroom Training	We provide DKI Quick Start Training and Act Up! Classroom Training at no cost for up to two individuals. You are responsible for the cost of travel, lodging, meals, wages, and similar expenses during training.  A fee of \$1,200 is required only if after attending Act Up! Classroom Training, you elect during the franchise term not to continue to manage the business yourself and hire a manager as required, or should you wish to attend Act Up! Classroom Training a second time.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Field Assistance	The then-current fee (currently \$500 per day), plus expenses	Before first day of scheduled assistance	This fee is for any field assistance that we provide upon your request.
Technology Fee	\$50 per month	Same as Royalty Fee	We charge this fee to cover costs associated with hosting and maintaining the Drama Kids website (www.dramakids.com), which includes pages specifically allocated to each franchise owner's local information and schedules. We may increase or decrease this fee upon 90 days' written notice to you.
Social Media Management Fee	The then-current fee (currently \$261 per calendar quarter)	1 <sup>st</sup> day of each calendar quarter	This fee is for the use of a third-party social media management platform which will <u>assist you in the management of your social media advertising and</u> allow your linked social media accounts to receive a minimum of three branded posts per week from the national office.
<del>Annual</del> National Conference	The then-current fee	On demand	We may charge you an attendance fee for our <del>annual</del> national conference of all Drama Kids franchisees. This non-refundable fee will be used toward our costs of conducting the <del>annual</del> national conference. You must also pay for your travel expenses. If you do not attend a required <del>annual</del> national conference at least two out of <u>every four conferences held after your first three years of operation</u> , we may charge you an amount equal to the base registration fee to cover your share of the conference costs. <u>The <del>annual</del> national conference fee for our 2024<del>2023</del> conference was \$250<del>300</del> per person.</u>
Class Scheduling and Registration Software	Currently estimated to range between \$45 and \$95 per month, depending on student volume	Monthly	Payable to our designated vendor beginning 60 days after completion of initial training.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Late Fees	\$10 per day, plus the lesser of 1.5% per month or the highest rate of interest allowed by law	As incurred	Payable if any payment due to us or our affiliates is not made by the due date. Interest accrues from the original due date until payment is received in full. You must reimburse us for any charges that we incur on your returned checks, declined charges or similar financial defaults.
<del>Additional Territory Fee</del>	<del>Then current fee (currently \$15,000).</del>	<del>As incurred</del>	<del>You may have the option to expand your existing territory after you sign the franchise agreement during the term of your franchise agreement. This fee provides for additional territory such that the total number of children under 18 years old in your territory after this expansion is up to 140,000 children under 18 years old and is based upon the most current U.S. Census data.</del>
Audit	Cost of audit and inspection, any understated amounts, and any related accounting and legal expenses	As incurred	Payable if an audit reveals that you understated monthly Gross Sales by more than three percent (3%) or you fail to submit required reports.
Indemnification	All amounts (including attorney fees) incurred by us or otherwise required to be paid	As incurred	You must indemnify and reimburse us for any expenses or losses that we or our representatives incur if we are held liable for claims related in any way to your Drama Kids Business or Franchise.
Inspection	Our reasonable costs, travel, lodging and meal expenses	When billed	Payable only if we must make more than two inspections due to your repeated or continuing failure to comply with the franchise agreement or if our findings show that Royalty Fees were under reported by more than three percent (3%).
Costs and Attorney Fees	Will Vary Under Circumstances	As incurred	Payable if your noncompliance with the franchise agreement causes us to incur legal expenses.
Renewal Fee <sup>(4)</sup>	\$5,000	When you sign the successor franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a new franchise agreement.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Transfer Fee <sup>(5)</sup>	\$108,000	Upon completion of the transfer	Payable only in connection with the transfer of ownership of your legal entity or the Franchise Agreement. This fee will not apply if the Franchise Agreement is transferred to a legal entity you control.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees, or similar charges	As incurred	<del>If you transfer your Drama Kids Business to a third party or purchaser, you must reimburse our actual costs for commissions, finder's fees and similar charges.</del>

Notes:

1. All fees paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We require you to pay fees and other amounts due to us and our affiliates via electronic funds transfer (“EFT”) or other similar means. You must complete the EFT authorization (in the form attached to this Franchise Disclosure Document in Exhibit G) for direct debits from your business bank operating account. We have the right to periodically specify (in the franchise operations manual or otherwise in writing) different payees and/or payment methods, such as weekly/biweekly/monthly payment, payment by auto-draft, credit card, and payment by check. All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement. All fees expressed as a fixed dollar amount are subject to adjustment based on changes to the Consumer Price Index (“CPI”) in the United States. We may periodically review and increase these fees based on changes to the CPI, but only if the increase to the CPI is more than 5% higher than the corresponding CPI in effect on: (a) the effective date of your Franchise Agreement (for the initial fee adjustments); or (b) the date we implemented the last fee adjustment (for subsequent fee adjustments). We will notify you of any CPI adjustment at least 60 days before the fee adjustment becomes effective. We will implement no more than one CPI-related fee adjustment during any calendar year.
2. The term “Gross Sales” means the total selling price of all services and products sold at, or from, or through the Drama Kids Business, including all class fees, registration fees, product sales, performance fees, late charges, other amounts received or charged, and the value of all services or products received, for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, as well as all proceeds from any business interruption insurance, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the client is charged, and also excluding bona fide refunds, allowances or discounts to client; provided however, that any discount of fees for clients who are affiliated with third party organizations, including any discount as barter for services performed or facilities provided, may not exceed 10% for purposes of calculation Gross Sales. Refunds or incentive fees paid to facilities at which Drama Kids services or products are offered are not excluded from Gross Sales. Receipts from the sale of any plant, equipment, fixtures, fittings or other capital items are excluded from Gross Sales.
3. You must pay us a monthly Royalty Fee equal to the greater of 8% of your Gross Sales or the Minimum Royalty. The Royalty Fee begins to accrue in the month in which your Drama Kids



Business is established and opens. If your Royalty Fee payment for any month does not meet or exceed the applicable Minimum Royalty amount, then for that month you must pay the difference between the Royalty Fee that you actually paid to us and the Minimum Royalty noted below. Royalty Fees (including Minimum Royalty fees) are due on the 10th day of the following month and are calculated as follows:

**~~ITEM 7~~**  
**~~ESTIMATED INITIAL INVESTMENT~~**  
**~~YOUR ESTIMATED INITIAL INVESTMENT~~**

Type of Expenditure	Year		Amount	Royalty Fee	Method of Payment	Minimum Royalty
	Low	High				
<u>When Year One (the 12 month-period following the month you sign the your Franchise Agreement)</u>			<u>Us</u>	<u>8% of Gross Sales</u>	<u>Not applicable</u>	
<u>Initial Advertising Year Two (the 12-month period beginning with the second anniversary of signing your Franchise Agreement)</u>			<u>\$5,000</u>	<u>8% of Gross Sales</u>	<u>\$10,000</u>	<u>\$200 per month</u>
<u>Business and Office Setup<sup>(2)</sup> Year Three and all subsequent years of operation (beginning with the third anniversary of signing your Franchise Agreement)</u>				<u>8% of Gross Sales</u>	<u>\$500 per month</u>	

If you are renewing your Franchise Agreement, the date you entered into the initial franchise agreement will be used to determine your starting Royalty Fee obligation under the renewal franchise agreement.

4. The Renewal Fee is payable for each successor term of the Franchise Agreement and is for defraying the administrative costs, overhead, counsel fees, accounting and other expenses we must pay in connection with the renewal of the Franchise Agreement, a license to use the Marks for the duration of the successor term, and a license to use the franchise system in connection with the operation of the Franchise for the duration of the successor term.
5. The Transfer Fee is for the training, supervision, administrative costs, overhead, counsel fees, accounting and other expenses relating to the transfer of the Franchise Agreement incurred by us. The Transfer Fee does not apply to transfers from you to a wholly-owned entity where you remain the majority owner of such entity, or to the heirs, beneficiaries, legal successors, or devisees if you become deceased or incapacitated, subject to compliance with other transfer conditions outlined in the Franchise Agreement.



**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

<u>Type of Expenditure</u>	<u>Amount</u>		<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
	<u>Low</u>	<u>High</u>			
<u>Initial Franchise Fee<sup>(1)</sup></u>	<u>\$42,500</u>	<u>\$42,500</u>	<u>Lump sum</u>	<u>When you sign the Franchise Agreement</u>	<u>Us</u>
<u>Initial Advertising<sup>(2)</sup></u>	<u>\$2,000</u>	<u>\$5,000</u>	<u>As incurred</u>	<u>As incurred</u>	<u>Third Parties</u>
<u>Business and Office Setup<sup>(3)</sup></u>	<u>\$500</u>	<u>\$2,000</u>	<u>As incurred</u>	<u>As incurred</u>	<u>Third Parties</u>
Travel, Lodging, and Meals for Initial Training	\$500	\$2,000	As incurred	As incurred	Third Parties
Insurance <sup>(34)</sup>	\$500	\$1,500	As incurred	As incurred	Third Parties
Additional Funds - (3 Months) <sup>(45)</sup>	\$2,000	\$4,000	As incurred	As incurred	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(56)</sup></b>	<b><u>\$43,50048,000</u></b>	<b><u>\$64,50057,000</u></b>			

Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Drama Kids Franchise. We do not offer direct or indirect financing for these items. Because most of our franchisees will operate their Drama Kids Business out of their residences, this chart does not include estimates for setting up a studio or commercial location. All expenditures paid to us or our affiliates are uniform and non-refundable under any circumstances once paid. All expenses payable to third parties are non-refundable, except as you may arrange for deposits and other payments.

1. ~~Initial Territory Fees. The Initial Franchise Fee for a territory with no more than 100,000 children under 18 years old is \$35,000. We will identify the number of children under 18 years old in any proposed territory by referring to the most recent available U.S. Census data. If you desire to purchase a Franchise with a larger territory up to 140,000, and we approve of the territory, we will charge an Initial Franchise Fee of \$45,000.~~

1. ~~Initial Franchise Fee. See Item 5 for more details on the Initial Franchise Fee.~~

2. ~~Initial Advertising. We recommend, but do not require, you advertise, market and promote your Drama Kids Business through local advertising, marketing, and promotion and agree to expend the funds which may be necessary to accomplish this result. This amount includes basic initial advertising materials paid to local suppliers of your choice using our templates or if not our templates, items which we gave you advance approval to use.~~



3. Business and Office Setup. This includes a computer and/or printer if you do not already own one.
34. Insurance. You must obtain and maintain, at your own expense, general liability insurance coverage we require, and satisfy other reasonable insurance related obligations. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of a Drama Kids Business, your rates may be significantly higher than those estimated above.
45. Additional Funds—3 Months. This estimate includes your initial start-up expenses (other than the items identified separately in the table above) during the first three months of operation. These expenses include payroll costs during the first three months of operation, but not any draw or salary for you. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Drama Kids Franchises. Your actual costs for initial start-up expenses during this three month period will depend on how closely you follow our methods and procedures; your management skills, experience, and business acumen; local economic conditions; the local market for your products; the prevailing wage rate; your competition; and the sales level you reach during the initial period.
56. This is an estimate of your initial startup expenses for one Drama Kids Franchise with a standard territory. In preparing these estimates, we have relied on the experience of our affiliates that operate Drama Kids Businesses. You should conduct your own independent investigation of the costs of opening a Drama Kids Business in the geographic area in which you intend to open the Drama Kids Franchise.

## **ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

You must operate your Drama Kids Business according to our System and specifications. This includes purchasing or leasing all goods, services, supplies, equipment, inventory, computer hardware and software, related to establishing and operating the Drama Kids Franchise under our specifications, which may include purchasing these items from: (i) our designees, (ii) approved suppliers, and/or (iii) us or our affiliates. You must not deviate from these methods, standards and specifications without our prior written consent, or otherwise operate in any manner which reflects adversely on our Marks or the System.

Our confidential operating manual ("Franchise Operations Manual") states our specifications, standards and guidelines for products and services we require you to obtain in establishing and operating your Drama Kids Franchise and approved vendors for these products and services. We will notify you of new or modified specifications, standards and guidelines through periodic amendments or supplements to the Franchise Operations Manual or through other written communication (including electronic communication such as email or through a system-wide intranet). The Franchise Operations Manual may be provided to you in electronic format on our system-wide private intranet, the "Resource Center."

You must purchase, install, maintain in sufficient supply, and use, equipment, signs and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing.

We are not currently an approved supplier of any goods or services provided to franchisees. We, and our affiliates, reserve the right to become approved suppliers of any products or services. None of our officers have an ownership interest in any approved suppliers.



You must use the computer hardware and software that we periodically designate to operate your Drama Kids Franchise. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications which may include obtaining them from suppliers we specify.

You must obtain the insurance coverage required under the Franchise Agreement. You must obtain and maintain (a) worker's compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business; (b) automobile liability insurance with a \$1,000,000 combined single limit or a \$500,000/\$1,000,000 split limit; (c) comprehensive general liability insurance with a limit of at least \$1,000,000, including death or bodily injury to any person not employed or engaged by you, including students enrolled in classes, and damage to property not belonging to you and for which the insured is deemed to be legally liable; (d) if maintaining a commercial office, insurance for at least 90% of the replacement cost of the property on the office, equipment (except portable equipment) and supplies, for loss or damage by fire, windstorm, flood and other risks usually insured against by the owners or lessors of similar property; and (e) additional insurance we may periodically require. The insurance company must be authorized to do business in the state where your Drama Kids Business is located and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time. All insurance policies must name us and any affiliates we designate as additional named insured parties

We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual and/or on a private intranet site. If you want to use or sell a product or service that we have not yet evaluated, or if you want to purchase or lease a product or service from a supplier or provider that we have not yet approved (for services and products that require supplier approval), you must notify us and submit to us the information, specifications and samples we request. We will use commercially reasonable efforts to notify you within 30 days after receiving all requested information and materials whether you are authorized to purchase or lease the product or service from that supplier or provider. We reserve the right to charge a fee to evaluate the proposed product, service or supplier. We apply the following general criteria in approving a proposed supplier: (1) ability to purchase the product in bulk; (2) quality of services; (3) production and delivery capability; (4) proximity to Drama Kids Franchises to ensure timely deliveries of the product or services; (5) the dependability of the supplier; and (6) other factors. The supplier may also be required to sign a supplier agreement with us. We may periodically re-inspect approved suppliers' facilities and products and we reserve the right to revoke our approval of any supplier, product or service that does not continue to meet our specifications. We will send written notice of any revocation of an approved supplier, product or service. We do not provide material benefits to you based solely on your use of designated or approved sources.

We estimate that approximately 59% to 65% of purchases required to open your Drama Kids Business and 5% of purchases required to operate your Drama Kids Business will be from us or from other approved suppliers or under our specifications. During our last fiscal year, ended December 31, ~~2024~~2023, we did not derive any revenue from the sale or lease of products or services to franchisees. We and our affiliates currently do not receive rebates from any suppliers based on your purchase of products and services. During our last fiscal year, ended December 31, ~~2024~~2023, we did not derive any revenue or rebates from suppliers that sell products or services to our franchisees.

We may negotiate purchase arrangements with suppliers and distributors for the benefit of our franchisees and we may receive rebates or volume discounts from our purchase of equipment and supplies that we resell to you. We currently do not have any purchasing or distribution cooperatives.



**ITEM 9  
FRANCHISEE’S OBLIGATIONS**

**This table lists your principal obligations under the franchise agreement 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(s) In Franchise Agreement (“FA”)	Item in Disclosure Document Item
(a) Site selection and acquisition/lease	Sections 5.2, 5.3 and 15.3	Items 7 and 11
(b) Pre-opening purchases/leases	Sections 5.3, 14, 15 and 18	Items 7 and 8
(c) Site development and other pre-opening requirements	Sections 5.3 and 15	Items 7 and 11
(d) Initial and ongoing training	Section 11	Item 11
(e) Opening	Section 5	Item 11
(f) Fees	Sections 9, 11, 13.7, 14.1, 16.1 and 25.2(viii)	Items 5, 6 and 7
(g) Compliance with standards and policies/ Operations Manual	Sections 1.3, 5.2, 12 and 14	Item 11
(h) Trademarks and proprietary information	Sections 19, 20, and 27.1	Items 13 and 14
(i) Restrictions on products/services offered	Section 7	Items 8, 11 and 16
(j) Warranty and customer service requirements	Not applicable	Not applicable
(k) Territorial development and sales quotas	Section 2	Item 12
(l) Ongoing product/service purchases	Section 14	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 14 and 15	Item 11
(n) Insurance	Section 17	Items 7 and 8
(o) Advertising	Section 16	Items 6, 7 and 11
(p) Indemnification	Section 24	Item 6
(q) Owner’s participation/management/staffing	Section 4	Items 11 and 15
(r) Records and reports	Sections 13 and 14.1(b)-(c)	Item 6
(s) Inspections and audits	Sections 13.7 and 22	Item 6
(t) Transfer	Section 25	Item 17
(u) Renewal	Section 3.2	Item 17
(v) Post-termination obligations	Sections 21.4 and 27	Item 17
(w) Non-competition covenants	Sections 21	Item 17
(x) Dispute resolution	Section 32	Item 17



## **ITEM 10 FINANCING**

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

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

**Except as listed below, DKI is not required to provide you with any assistance.**

### Pre-opening Obligations

Before you open your Drama Kids Business, we (or our designee) will provide the following assistance and services to you:

1. Provide an initial training program that includes our Act Up! Classroom Training and our DKI Quick Start Training - See Franchise Agreement – Sections 10.1(a) and 11.2(a)).
2. Provide access to one electronic copy of the Franchise Operations Manual. The Franchise Operations Manual contains approximately 222 pages. The table of contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit F (See Franchise Agreement – Sections 10.1(b)).
3. Provide you with our proprietary Drama Kids course curriculum materials (See Franchise Agreement – Sections 10.1(b) and 12.1).
4. Designate the territory (See Item 12) for your Drama Kids Business (See Franchise Agreement – Section 2.1). Because you do not have to locate a site from which to operate your Drama Kids Business, we do not provide you with assistance in doing so. You may open an office or a studio facility, but it is not required. You will need our approval of the purchase or lease agreement for, and the appearance of, any office or studio. All signs, logos, emblems, or pictorial materials used for the office or studio must conform to our specifications.
5. Provide you with general advice on identifying teaching locations within your territory. All teaching locations must meet the criteria set forth in our Franchise Operations Manual, but you do not need to obtain our approval for any specific teaching location (See Franchise Agreement – Section 10.1(h)).
6. Identify products, equipment, inventory, supplies, and services that you must use to develop and operate your Drama Kids Business (See Franchise Agreement – Sections 10.1(c) and 14). We do not deliver or assist with the installation of any fixtures, furnishings, equipment, signs or other supplies.
7. Provide advice in the placement and use of initial advertising and marketing materials and assistance in implementing an initial advertising and promotional program (See Franchise Agreement – Section 10.1(d)).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Drama Kids Businesses.



### *Schedule for Opening*

The typical length of time between signing the Franchise Agreement or the payment of any fees and the opening of the Drama Kids Business can vary from 30 to 90 days. You must open your Drama Kids Business within 90 days after your successful completion of initial training or by a later date that we approve. If circumstances beyond your control prevent you from opening within the 90 days or by the approved later date, you must provide us with a written request to delay opening. Your request must state: (1) that a delay is anticipated; (2) the reasons that have caused the delay; (3) the efforts that you are making to proceed with the opening; and (4) an anticipated opening date. In considering the request, we will not withhold our consent to a reasonable delay if you have been diligently pursuing the opening. Some factors which may affect this timing are your ability to secure any necessary financing, and your ability to obtain any necessary permits and certifications.

### Continuing Obligations

During the operation of your Drama Kids Business, we (or our affiliates or designees) will provide the following assistance and services to you:

1. Provide periodic, email, telephone or other assistance as we deem necessary on daily operations, marketing, advertising, financial management, personnel and other operating issues that you encounter.
2. Inform you of mandatory specifications, standards and procedures for the operations of your Drama Kids Franchise (See Franchise Agreement - Sections 5.2(d), 7.3, 10.1, 12.1, 12.2, 12.3, 14.1(a), and 15.1).
3. Upon reasonable request, provide advice regarding your Drama Kid's Business operation based on reports or inspections. Advice will be given during our regular business hours and via written materials, electronic media, telephone, or other methods in our discretion (See Franchise Agreement - Section 10.1(f)).
4. Provide curriculum materials for in-person classes and related teaching suggestions and tips for each term during the school year, summer camp curriculum, camp tips and instruction outlines (See Franchise Agreement - Sections 10.1(b) and 12.1).
5. Provide you with a customized web page, linked as part of our national web page, for use in promoting your Drama Kids Business, at no initial cost to you (See Franchise Agreement -Section 10.3).
6. Provide you with advice and guidance on advertising and marketing (See Franchise Agreement - Section 10.1(d)).
7. Provide additional training on the Drama Kids brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or that you request. We may charge you additional fees for this training or assistance (See Franchise Agreement – Section 11).
8. Allow you to continue to use confidential materials, including the Franchise Operations Manual and the Marks (See Franchise Agreement - Sections 1.3, 10.1(b), 19.1, and 20.1).



## Optional Assistance

During the term of the Franchise Agreement, we (or our designee) may, but are not required to, provide the following assistance and services to you:

1. Modify, update, or change the System, including the adoption and use of new or modified trade names, trademarks, service marks or copyrighted materials, new products, new equipment, or new techniques.
2. Make periodic visits to the Drama Kids Business for the purpose of assisting in all aspects of the operation and management of the Drama Kids Franchise, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Drama Kids Franchise, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, we have the right to require you to reimburse our expenses and pay our then-current training charges.
3. Maintain and administer a National Advertising and Promotional Fund. We may dissolve the National Advertising and Promotional upon written notice (See Franchise Agreement - Section 16.2).
4. Hold periodic national, regional or video conferences to discuss business and operational issues affecting Drama Kids franchisees (See Franchise Agreement - Sections 10.1(a) and 11.4).
5. Reserve the right to establish minimum and maximum prices for use with multi-area marketing programs and special price promotions as allowed by law.

## Advertising

### *National Advertising and Promotional Fund*

You must pay one percent (1%) of your Gross Sales for the National Advertising and Promotional Fund (“National Advertising and Promotional Fund Contribution”). Your contribution to the National Advertising and Promotional Fund will be in addition to all other advertising requirements set out in this Item 11. Each franchisee will be required to contribute to the National Advertising and Promotional Fund but certain franchisees may contribute on a different basis depending on when they signed their Franchise Agreement. Any franchisor-owned Drama Kids Businesses will contribute to the National Advertising and Promotional Fund on the same basis as franchisees.

The National Advertising and Promotional Fund will be administered by us, or our affiliates or designees, at our discretion, and we may use a professional advertising agency or media buyer to assist us. The National Advertising and Promotional Fund will be in a separate bank account, commercial account, or savings account.

We have complete discretion on how the National Advertising and Promotional Fund will be utilized. We may use the National Advertising and Promotional Fund for local, regional, or national marketing, advertising, sales promotion and promotional materials, public and consumer relations, website development and search engine optimization, the development of technology for the System, and any other purpose to promote the Drama Kids brand. We may reimburse ourselves, our authorized representatives, or our affiliates from the National Advertising and Promotional Fund for administrative costs, independent audits, reasonable accounting, bookkeeping, reporting, and legal expenses, taxes and all other direct or indirect expenses associated with the programs funded by the National Advertising and Promotional Fund. We do not guarantee that advertising expenditures from the National Advertising and Promotional Fund



will benefit you or any other franchisee directly, on a pro rata basis, or at all. We are not obligated to spend any amount on advertising in the geographical area where you are or will be located. We will not use the National Advertising and Promotional Fund contributions for advertising that is principally a solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement indicating “Franchises Available” or similar phrasing.

We assume no fiduciary duty to you or other direct or indirect liability or obligation to collect amounts due to the National Advertising and Promotional Fund or to maintain, direct, or administer the National Advertising and Promotional Fund. Any unused funds in any calendar year will be applied to the following year’s funds, and we reserve the right to contribute or loan additional funds to the National Advertising and Promotional Fund on any terms we deem reasonable.

The National Advertising and Promotional Fund is not audited. We will provide an annual accounting for the National Advertising and Promotional Fund that shows how the National Advertising and Promotional Fund proceeds have been spent for the previous year upon written request.

In the fiscal year ending December 31, ~~2024~~2023, the National Advertising and Promotional Fund was spent as follows: 53% was used to pay for improvements to and maintenance of a national website with new owner related webpages, on video and other content ~~67%~~, 14% for the creation of new advertising, social media content and public relations items ~~8%~~, 24% on advertising on national websites, Internet search engines and social media ~~16%~~, and 9% on fund administration and accounting ~~9%~~.

#### *Local Advertising*

~~We do not currently make marketing materials available for sale to you, but marketing~~ We recommend, but do not require, you spend a minimum of \$2,000 on local advertising to promote your Drama Kids Business when you initially open your Drama Kids Franchise. Marketing materials are available to you for no additional fee through our system-wide private intranet Resource Center. You may use your own advertising and promotional materials if they conform to specifications in our Franchise Operations Manual, and if: (a) we have approved the materials in writing before their use, or (b) you have submitted samples to us and we have not disapproved the samples in writing within ten days after their receipt. It is a breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. Use of logos, Marks, and other name identification materials must follow our approved standards. You may not use our logos, Marks, and other name identification materials on items to be sold or services to be provided without our prior written approval.

You must obtain all curriculum materials from us. There is no charge for curriculum materials unless you do not return them to us following the term of the Franchise.

You must follow our Drama Kids online policy which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. Under our online policy, we may retain the sole right to market on the Internet, including all use of websites, domain names, advertising, and co-branding arrangements. You must follow our social media procedures, if any, set forth in our Franchise Operations Manual, which may be periodically updated by us. All advertising, including advertisements on the Internet or use of any domain name, address, locator, link, metatag, or search technique with words or symbols similar to the Marks by you will require our prior written approval. ~~We may require you to provide us content for our Internet marketing.~~

We intend any franchisee website be accessed only through our home page. We may require you to provide us content for our Internet and social media marketing. The expense associated with maintaining and/or updating a standard listing or web page is currently funded by the National Advertising



and Promotional Fund. We charge a Technology Fee (See Item 6), which may be used to fund these expenses. We charge a Social Media Management Fee that pays for a third-party media management company for your own individual account to maintain and place advertising and posts on various social media platforms (See Item 6). This fee does not include any advertising expenses that are charged by the social media companies. You are not required to participate in any local or regional advertising cooperative for Drama Kids Franchises.

### *Advisory Council*

We established an advisory council (“Council”) to advise us on advertising policies and other matters. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council are selected by us and may be selected by a voting method. The Council serves in an advisory capacity only. We have the power to form, change, or dissolve the Council, in our sole discretion.

### Computer System

You must either purchase or own a computer system that consists of the following hardware and software: (a) a laptop or desktop computer and (b) our designated web-based or online class registration and management software program (“Class Management Software”), Microsoft Office (including Word, Excel, and Outlook), and an antivirus program that receives automatic updates as set forth in the Franchise Operations Manual (“Computer System”). The computer system may be used for both business and personal use. You must also either purchase or own a printer. We estimate the cost of purchasing or obtaining the Computer System will be between \$0 and \$2,000. You will be required to use our designated provider for the Class Management Software and pay their required monthly fees. You must use our designated credit card processing vendors.

The Computer System will manage the accounting, email communications, word processing, and recordkeeping of the Drama Kids Business. We (or our designee) have the right to independently access the electronic information and data relating to your Franchise. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We require independent access to the Class Management Software for class and student reporting information. You must record all Gross Sales on the Computer System. You must store all data and information in the Computer System that we designate, use our required accounting software program for your financial information (currently QuickBooks Online), and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Drama Kids Franchise. You must also have regular access to a high-speed Internet connection. We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates, or support for the Computer System (Franchise Agreement – Section 14). You must arrange for installation, maintenance, and support of the Computer System at your cost. There are no limitations in the Franchise Agreement regarding the costs of such required support, maintenance, repairs, or upgrades relating to the Computer System, although we do not expect this cost to exceed \$3,000 in any given year. We cannot estimate the cost of maintaining, updating, or upgrading the Computer System or its components because it will depend on your repair history, local costs of computer maintenance services in your area, and technological advances which we cannot predict at this time. We may revise our specifications for the Computer System periodically. You must upgrade or replace your Computer System at such time as specifications are revised.



## Training

### *Initial Training*

You and any manager or representative (or your operating principal, if you are an entity) that we require must complete the Act Up! Classroom Training initial classroom training program and DKI Quick Start Training to our satisfaction before you open your Drama Kids Franchise. We provide one initial training program for up to two individuals at no cost. Our DKI Quick Start Training enables you to begin marketing, sales and business development efforts immediately. You, and if applicable, your manager must complete the training program to our reasonable satisfaction, as determined by the specific program instructors, before you are able to open your Drama Kids Business. Initial training classes are held whenever necessary to train new franchisees. You will not receive any compensation or reimbursement for services or expenses for participation in the initial training program. You are responsible for all your expenses to attend any training program, including lodging, transportation, food, wages, and similar expenses.

We plan to provide the training listed in the table below with a goal of doing as much training online as possible to minimize costs. Classroom training will be necessary for classroom operations and teaching techniques. Recommended safety precautions will be adhered to. The hours presented for each subject are estimates and may change.

### **TRAINING PROGRAM**

Subject	Hours of Classroom and Video Conference Training	Hours of On-the-Job Training	Location
<b>DKI Quick Start Training</b>			
Mission, Goals and Objectives	1	0	Webinar
Locations and Class Scheduling	2	0	Webinar
Fee Structure, Sales Techniques	2	0	Webinar
Advertising and Marketing	3	0	Webinar
Enrollments, Class Structure	2	0	Webinar
Office Administration	2	0	Webinar
Summer Camp Operations	2	0	Webinar
Teacher Selection and Training	2	0	Webinar
<b>DKI Act! Up Training</b>			
Classroom Management and Student Safety	4	0	Tampa, Florida or other DKI approved location
Curriculum	8	0	Tampa, Florida or other DKI approved location
Teaching Techniques	4	0	Tampa, Florida or other DKI approved location
Class Practice Sessions	8	0	Tampa, Florida or other DKI approved location
<b>Post Training</b>			
Community Marketing	0	2	Conference Calls and Webinars
Technology	0	2	Conference Calls and Webinars



Curriculum and Lesson Planning	0	<u>12</u>	Conference Calls and Webinars
Operations and Administration	0	<u>15</u>	Conference Calls and Webinars
<b>TOTAL – 46 Hours</b>	<b>40</b>	<b><u>611</u></b>	

Notes:

1. The training may be less than the times indicated above depending on the number and experience of the attendees. You will use our online and hardcopy DKI Quick Start Training materials as the primary instruction materials for the quick start training, which will include self-study and research time as well as time on conference calls and webinars with us. We will use the online Franchise Operations Manual and curriculum files as the primary instruction materials for our Act Up! Classroom Training. The post training conference calls and webinars take place within the first 12 weeks after your completion of Act Up! Classroom Training and follow a specified post training agenda that includes watching videos and listening to pre-recorded conference calls as well as participating in live conference calls and webinars. The order in which the topics are presented may vary.
2. Faith Gavelek, our President, currently coordinates and conducts our training program. Ms. Gavelek has been our President since June 2020. Previous to that she was our Vice President of Franchise Support and Training since December 2019 and served as our Manager of Franchise Admissions from December 2018 through December 2019. Ms. Gavelek owns a Drama Kids franchise in Hillsborough County, Florida and has done so since 2014. She has a bachelor’s degree in Early Childhood Education, taught musical theater from 2009 through 2014 and elementary school from 2005 through 2009.
3. Instructors, and consequently the level of experience of the instructors teaching the subjects, are subject to change at any time.

*Ongoing Training*

From time to time, we may require that you, managers, and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional while others are required. If you appoint a new replacement manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Drama Kids Business. We may charge you our then-current fee for the training of a replacement manager (currently \$1,200). If we conduct an inspection of your class location, or office or studio, if applicable, and determine you are not operating in compliance with the Franchise Agreement, we may require that you attend remedial training that addresses your operational deficiencies. You may also request that we provide additional training.

~~Due to the COVID-19 pandemic we did not hold an annual in-person national conference in 2020, 2021, and 2022. We held a series of online video conference sessions in 2020, 2021, and We held a four day national conference in 2024 on a cruise ship embarking from Miami, Florida. We may, 2022. These sessions were held over five days for approximately four hours each day. We held an in-person annual conference in 2023 in Tampa, Florida. We may but are not required to hold in-person or online video conference sessions in future years. However, if we elect to do so you must also attend the first three annual national conferences at a location we designate or online, and pay a conference fee if we hold an annual in-person meeting of all franchisees (See Item 6). We estimate that an in-person conference will be no longer than three days per year. After your first three years of operation, you must attend the annual national conference during two out of every four years. conferences held. We have charged a registration fee for the annual in-person conference, and we may charge you a fee if you fail to attend a required national conference. You are responsible for all travel and expenses for your attendees.~~



## ITEM 12 TERRITORY

You will receive an exclusive territory (“Territory”) for your Drama Kids Business, which means that during the term of the Franchise Agreement, we will not establish or franchise others to establish another Drama Kids Business within your designated Territory.

A standard Territory generally includes ~~between 60a maximum population of 500,000 to 100,000 children under the age of 18 years old. An expanded Territory generally includes between 100,000 to 140,000 children under the age of 18 years old. We generally do not allow a single territory to exceed 140,000 children under the age of 18 years old.~~

people. The Territory is determined based on county boundaries, school district boundaries, US zip codes, as well as other geographic and population properties within that area and other relevant demographic factors. When determining the Territory, we also may take into account household income levels in the Territory and the number of public and private schools in the Territory, as well as other factors. We may use demographic studies provided by the U.S. Census Bureau.

~~You may have the option to expand your existing territory during the term of your franchise agreement. This Additional Territory fee is \$15,000 and provides for additional territory such that the total number of children under 18 years old in your territory after this expansion is up to 140,000 children, based upon the most current U.S. Census data.~~

You are prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory. If you renew your Franchise, your Territory may be modified depending on the then-current demographics of the Territory and on our then-current standards for Territories.

We, and our affiliates, have the right to operate, and to license others to operate, Drama Kids Businesses at any location outside the Territory, even if doing so will or might affect the operation of your Drama Kids Business. Franchisees do not receive any rights to do online teaching. We retain all territory rights not expressly granted to you, for ourselves and our affiliates, on any terms we deem advisable, and without granting you any rights. These include the right:

1. to establish and operate, and to grant to others the right to establish and operate, Drama Kids businesses anywhere outside of the Territory, including in territories adjacent to the Territory;
2. to use the Marks and the System to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
3. ~~to establish and operate, and grant to others the right to establish and operate, Drama Kids Businesses which offer the Additional Programs within your Territory, if we first offer such Additional Programs to you and you do comply with the terms to offer such Additional Programs within your Territory;~~



4.3. \_\_\_ to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Drama Kids Business, wherever located; and

5.4. \_\_\_ to acquire and convert to the System operated by us, any businesses offering services and products similar to those offered by Drama Kids Businesses, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned, and whether located inside or outside of the Territory, provided that in such situations the newly-acquired businesses may not operate under the Marks in the Territory.

We are not required to pay you if we exercise any of our rights within your Territory. The continuation of the Territory is not dependent upon your achievement of a certain sales volume, market penetration or other contingency.

If you wish to purchase an additional Drama Kids Franchise, you must apply to us, and we may, at our discretion, offer an additional Drama Kids Franchise to you. We consider a variety of factors when determining whether to grant additional Drama Kids Franchises. Among the factors we consider, in addition to the then-current requirements for new Drama Kids franchisees, are whether or not the franchisee is in compliance with the requirements under their current Franchise Agreement.

You do not receive the right to acquire additional Drama Kids Franchises. You are not given a right of first refusal on the sale of existing Drama Kids Franchises.

### ITEM 13 TRADEMARKS

The Franchise Agreement and your payment of Royalty Fee grant you the non-exclusive right and license to use the System, which includes the use of the proprietary Marks. DKI has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Registered Mark	Registration Number	Registration Date	Register
	2,692,661	March 4, 2003	<del>Registered on the</del> Principal Register
THE DIFFERENCE IS DRAMATIC	2,904,483	November 23, 2004	<del>Registered on the</del> Principal Register



Registered Mark	Registration Number	Registration Date	Register
	3,242,424	May 15, 2007	Registered on the Principal Register
DRAMA KIDS	3,339,815	November 20, 2007	Registered on the Principal Register
DRAMA KIDS INTERNATIONAL	3,682,982	September 15, 2009	Registered on the Principal Register
WE SET THE STAGE FOR SUCCESS!	4,338,691	May 21, 2013	Registered on the Principal Register
DRAMA KIDS ONLINE	6,199,469	November 17, 2020	Registered on the Principal Register

There are no effective adverse material determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, and no pending infringement, opposition, or cancellation proceeding or material litigation involving the Marks. All required affidavits and renewals have been filed.

No agreement significantly limits our right to use or license the Marks in any manner material to the Drama Kids Franchise. We do not know of any superior prior rights or infringing uses that could materially affect your use of the trademarks. You must follow our rules when using the Marks. You cannot use our name or Mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent. You must indicate to the public in any contract, advertisement, and with a conspicuous sign in your Drama Kids Business that you are an independently-owned and operated licensed franchisee of DKI. You may not use the Marks in the sale of unauthorized services or products or in any manner we do not authorize. You may not use the Marks in any advertising for the transfer, sale, or other disposition of the Drama Kids Business, or any interest in the Franchise. All rights and goodwill from the use of the Marks accrue to us. If it becomes advisable at any time, in our sole discretion, for us and/or you to modify or discontinue using any Mark and/or use one or more additional or substitute trademarks or service marks, you must comply with our directions within a reasonable time after receiving notice. We will not reimburse you for your direct expenses of changing signage, for any loss of revenue, or other indirect expenses due to any modified or discontinued Mark, or for your expenses of promoting a modified or substituted trademark or service mark.

We will defend you against any claim brought against you by a third party that your use of the Marks, in accordance with the Franchise Agreement, infringes upon that party's intellectual property rights. We may require your assistance, but we will exclusively control any proceeding or litigation relating to our Marks. We have no obligation to pursue any infringing users of our Marks. If we learn of an infringing user, we will take the action appropriate, but we are not required to take any action if we do not feel it is warranted. You must notify us within three days if you learn that any party is using the Marks or a trademark that is confusingly similar to the Marks. We have the sole discretion to take such action as



we deem appropriate to exclusively control any litigation or administrative proceeding involving a trademark licensed by us to you.

You must not directly or indirectly contest our right to the Marks. We may acquire, develop, and use additional marks not listed here, and may make those marks available for your use and for use by other franchisees.

#### **ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

The information in the Franchise Operations Manual and curriculum manuals is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. We have a proprietary, Franchise Operations Manual, and copyrighted curriculum manuals that include guidelines, standards, and policies for the operation of the Drama Kids Business. All documents provided to you, including the Franchise Operations Manual, are for your exclusive use during the term of the Franchise, and may not be reproduced, lent, or shown to any person outside our System. Although we have not applied for copyright registration for our curriculum materials, or any other writings and recordings, we claim common law and federal copyrights in these items. We grant you the right to use this proprietary and copyrighted information (“Copyrighted Works”) for the operation of your Drama Kids Franchise, but such copyrights remain our sole property.

We entered into a license agreement with Helen O’Grady (CI) Ltd. (“HOG”) which grants us exclusive rights in the United States to use and sublicense the HOG’s curriculum and related materials. This content is provided to franchisees in addition to our own curriculum and related materials. Our exclusive rights under the license agreement extend until 2027 and can be renewed for additional 20-year terms, subject to our compliance with the terms and conditions of the license agreement.

There are no effective determinations of the United States Copyright Office or any court regarding any Copyrighted Works of ours, nor are there any proceedings pending, and, except for the License Agreement, there are not any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our Franchise Operations Manual, electronic information and communications, lessons, plays, and other curriculum, sales and promotional materials, the development and use of our System, standards, specifications, policies, procedures, information, concepts, and systems on, knowledge of, and experience in the development, operation and franchising of Drama Kids Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance, and other financial data of Drama Kids Franchises and other related materials are proprietary and confidential (“Confidential Information”) and are our property to be used by you only as described in the Franchise Agreement and the Franchise Operations Manual. Where appropriate, certain information has also been identified as trade secrets (“Trade Secrets”). You must maintain the confidentiality of our Confidential Information and Trade Secrets and adopt reasonable procedures to prevent unauthorized disclosure of our Confidential Information and Trade Secrets.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Drama Kids Franchise during training and in guidance and assistance furnished to you under the Franchise Agreement, and you may learn or obtain from us additional Confidential Information and Trade Secrets during the term of the Franchise Agreement. The Confidential Information and Trade Secrets are valuable assets of ours and are disclosed to you on the condition that you, and your owners if you are a business entity, and employees agree to maintain the information in



confidence by entering into a confidentiality agreement we can enforce. Nothing in the Franchise Agreement will be construed to prohibit you from using the Confidential Information or Trade Secrets in the operation of other Drama Kids Franchises during the term of the Franchise Agreement.

You must notify us within three days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our Copyrighted Works or use of our Confidential Information or Trade Secrets, or if someone challenges your use of our Copyrighted Works, Confidential Information, or Trade Secrets. We will take whatever action we deem appropriate, in our sole and absolute discretion, to protect our rights in and to the Copyrighted Works, Confidential Information, or Trade Secrets, which may include payment of reasonable costs associated with the action. However, the Franchise Agreement does not require us to take affirmative action in response to any apparent infringement of, or challenge to, your use of any Copyrighted Works, Confidential Information, or Trade Secrets, or claim by any person of any rights in any Copyrighted Works, Confidential Information, or Trade Secrets. You must not directly or indirectly contest our rights to our Copyrighted Works, Confidential Information, or Trade Secrets. You may not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge, or claim under any Copyrighted Works, Confidential Information, or Trade Secrets. You must sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in the Copyrighted Works, Confidential Information, or Trade Secrets.

No patents or patents pending are material to us at this time.

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

We strongly believe that the success of your franchised business will depend to a large extent on your personal and continued efforts, supervision and attention. We require that you either directly operate your Drama Kids Business or designate a manager ("Manager") who has been approved by us. The Manager must meet our criteria and will be principally responsible for communicating with us about the Drama Kids Business. The Manager must have the authority and responsibility for the day-to-day operations of your Drama Kids Business. The Manager must successfully complete our training program (See Item 11). If you replace a Manager, the new Manager must satisfactorily complete our training program at your own expense.

Any Manager, lead teacher, and, if you are an entity, an officer that does not own equity in the franchisee entity, must sign the "Confidentiality and Noncompetition Agreement," the current form of this agreement is attached to this Franchise Disclosure Document in Exhibit G. All of your teachers and anyone that may have access to our Confidential Information must sign a "Confidentiality Agreement," the current form of this agreement is attached to this Franchise Disclosure Document in Exhibit G. If you are an entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign an "Owners Agreement" guarantying the obligations of the entity, in the form of which is attached to the Franchise Agreement as Attachment 3.



**ITEM 16  
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell or offer for sale only those services and products authorized by us, and which meet our standards and specifications. You must follow our policies, procedures, methods, and techniques. We may change or add to our required services and products, at our discretion, with prior notice to you. If we change or add to our required services and products, the changes or additions will remain in permanent effect, unless we specify otherwise. There are no limits on our rights to make changes to the required services and products. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. You must discontinue selling and offering for sale any services or products that we disapprove. We reserve the right to establish minimum and maximum prices for use with multi-area marketing programs and special price promotions.

You must follow our online policy which currently allows you to establish an account and participate in social media sites. You may not sell products through other channels of distribution such as wholesale, Internet, or mail order sales, except as we may allow in our sole discretion. Otherwise, we place no restrictions upon your ability to serve customers provided you do so in accordance with our policies.

**ITEM 17  
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION  
THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the Franchise Agreement 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	Section 3.1	Seven years.
(b) Renewal or extension of the term	Section 3.2	If you are in good standing, and you meet other requirements, you may add one <del>successor</del> renewal term of seven years.



Provision	Section in Franchise Agreement	Summary
(c) Requirements for franchisee to renew or extend	Section 3.2	The term “renewal” refers to extending our franchise relationship at the end of your initial term and any other renewal or extension of the initial term. Your successor franchise rights permit you to remain as a Franchise after the initial term of your Franchise Agreement expires. You must sign our then-current Franchise Agreement for the <del>successor</del> renewal term, and this new franchise agreement may have materially different terms and conditions (including, e.g., higher royalty and advertising contributions) from the Franchise Agreement that covered your original term; substantial compliance with Franchise Agreement for expiring term; you are solvent, have not abandoned the Drama Kids Business, and are not endangering public health or safety; you have not been convicted of a crime likely to have an adverse effect on us or the Drama Kids Business; you have paid the renewal fee.
(d) Termination by Franchisee	Sections 26.4 and 26.5	You may terminate the Franchise Agreement if you are in compliance with it, and we are in material breach, and we fail to cure that breach within 60 days of receiving written notice. You may terminate the Franchise Agreement at any time without cause upon 180 day’s written notice if you have satisfied all of your monetary obligations to us and to all of your suppliers and the clients of your Drama Kids Business, and if you have executed a general release, in a form satisfactory to us, of all claims against us and our shareholders, members, partners, officers, directors, employees and agents, in their corporate and individual capacities, subject to applicable state law.
(e) Termination by franchisor without “cause”	Not applicable	Not Applicable.
(f) Termination by franchisor with “cause”	Sections 26.1 to 26.3	We can terminate upon certain violations of the Franchise Agreement by you.
(g) Curable defaults	Section 26.3	You have 30 days to cure defaults listed in Section 26.3 of the Franchise Agreement.
(h) Non-curable defaults	Sections 26.1 and 26.2	Non-curable defaults: the defaults listed in Sections 26.1 and 26.2 of the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
(i) Franchisee's obligations on termination/non-renewal	Section 27	Obligations include fulfillment of continuing obligations under Franchise Agreement; complete de-identification; no use of System, Marks, Confidential Information, materials; return of Franchise Operations Manual, all Confidential Information, Trade Secrets, materials, student, client, instructor, employee, and independent contractor lists to us; assignment of telephone number(s), email address(es), and domain name(s) to us; cancellation of any assumed name or equivalent registration; final accounting. Also, at our option, assign your lease to us or our designee (Also see (r) below).
(j) Assignment of contract by franchisor	Section 25.1	No restriction on our right to assign.
(k) "Transfer" by franchisee – defined	Section 25.2	Includes any voluntary, involuntary, direct, or indirect assignment, sale, gift, exchange, grant of a security interest, or change of ownership in the Franchise Agreement, the Franchise, or interest in the Franchise.
(l) Franchisor approval of transfer by Franchisee	Section 25.2	We have the right to approve all transfers.
(m) Conditions for franchisor approval of transfer	Section 25.2(b)	Compliance with Franchise Agreement; transferee qualification; payments current; general release; written transfer agreement; transferee's signing of then-current franchise agreement; transferee's agreement to complete training; payment of transfer fee; no exercise of our right of first refusal; equipment updated to our then-current specifications; our consent to material terms of transfer; and subordination of obligations of transferee to transferor.
(n) Franchisor's right of first refusal to acquire franchisee's business	Section 25.4	We have 30 days to match any offer for your business.
(o) Franchisor's option to purchase franchisee's business	Section 25.5	We have the right to purchase upon a death, incapacity or dissolution in the event that you do not dispose of the interests as required.
(p) Death or disability of Franchisee	Section 25.5	In the event of your death or disability, the Franchise Agreement must be transferred or assigned to a qualified party within 240 days of the appointment of an executor, administrator, personal representative, or trustee, or the Franchise Agreement may be terminated.

Provision	Section in Franchise Agreement	Summary
(q) Non-competition covenants during the term of the Franchise	Sections 21.2, 21.3, 21.4 and 21.5(a)	You may not participate in a diverting business, have no owning interest in, loan money to, or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees' Drama Kids Franchises, subject to applicable state law.
(r) Non-competition covenants after the Franchise is terminated or expires	Sections 21.4 and 21.5(b)	Owners may not have an interest in, own, manage, operate, finance, control, or participate in any competitive business (i) a 20-mile radius from Franchisee's Drama Kids business (and including the premises of the approved location of Franchisee); and (ii) a 20-mile radius from all other Drama Kids businesses that are operating or under development as of the beginning of the Restricted Period for two years. Owners may not solicit any customer of the Franchise for three years, subject to applicable state law.
(s) Modification of the Franchise Agreement	Section 28.3	No modifications of the Franchise Agreement during the term unless agreed to in writing, but the Franchise Operations Manual is subject to change at any time in our discretion. Modifications are permitted on renewal.
(t) Integration/merger clause	Section 28.1	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of this Franchise Disclosure Document and Franchise Agreement may not be enforceable.
(u) Dispute resolution by arbitration or mediation	Section 32	Except for certain claims, all disputes must be mediated and arbitrated in the city or county closest to our principal place of business (currently, Fort Myers, Florida). (Subject to applicable state law.)
(v) Choice of forum	Sections 32.2 and 32.7	All disputes must be mediated, arbitrated, and if applicable, litigated in the city or county closest to our principal place of business (currently, Fort Myers, Florida), subject to applicable state law.
(w) Choice of law	Section 29.6	Florida law applies, subject to applicable state law.

## ITEM 18 PUBLIC FIGURES

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



**ITEM 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to disclose 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 this disclosure document. Financial performance information that differs from any included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet that 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.

On December 31, ~~2024~~2023 we had ~~5141~~ Franchises.—~~Of~~ in operation. All of those ~~5141~~ Franchises, ~~44~~ have been operating their Franchises for over one year (“Reporting Group”). We divided the Reporting Group into three separate subgroups: (a) franchisees in the top 1/3 of all Gross Sales (~~1413~~ franchisees) (“Group One”); (b) franchisees in the middle 1/3 of all Gross Sales (~~1514~~ franchisees) (“Group Two”); and (c) franchisees in the bottom 1/3 of all Gross Sales (~~1514~~ franchisees) (“Group Three”). The information in all three tables below is based on Gross Sales reports submitted to us by the Reporting Group.

Gross Sales	Low	Average	Median	High
Group One	<u>\$198,759,203,802</u>	<u>\$326,369,353,035</u>	<u>\$297,418,320,779</u>	<u>\$613,888,685,534</u>
Group Two	<u>\$66,773,85,298</u>	<u>\$120,976,137,099</u>	<u>\$112,195,128,764</u>	<u>\$178,194,819</u>
Group Three	<u>\$8,216,2,582</u>	<u>\$33,811,45,422</u>	<u>\$36,453,49,231</u>	<u>\$56,135,78,336</u>

Notes:

1. The Gross Sales reports submitted to us were not audited, and we have not undertaken to independently verify the accuracy of the information in the reports or determine whether the reports were prepared in accordance with generally accepted accounting principles. However, we are not aware of any instance in which any franchise owner overstated Gross Sales in any report. We are not aware of any material differences between the franchise businesses operated by the Reporting Group and the franchise business described in this Disclosure Document.
2. The Gross Sales figures represent revenues for all services and products sold by a Drama Kids Business. Gross Sales does not include taxes paid, refunds, allowances or discounts.
3. The earnings claims figures in this Item 19 do not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. These include cost of sales, payroll, and related expenses, rent, office expenses, other expenses, amortization, depreciation, income taxes or other taxes, or debt service obligations. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.
4. The franchise territories of the franchises included in the calculations in the tables may be larger or smaller than your territory.
5. The numerical average is calculated by dividing the respective Gross Sales by the number of franchise owners in each group. Of the fourteen~~13~~ franchise owners in Group One, four exceeded the Gross Sales average (31%). Of the 14 franchise owners in Group 2, five exceeded the Gross



Sales average (36%). ~~Of the fifteen franchise owners in Group 2, six exceeded the Gross Sales average (40%).~~ Of the ~~fifteen~~14 franchise owners in Group 3, ~~eight~~seven exceeded the Gross Sales average (~~53~~50%).

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

Written substantiation for the financial performance representation will be made available to prospective franchisees upon reasonable request.

Other than the preceding financial performance representation, Drama Kids International, 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 actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Faith Gavelek, Drama Kids International, Inc., 15271 McGregor Blvd., Suite 16-282, Fort Myers, FL 33908, (800) 435-6450, 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 ~~2021-2022-2024~~2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	<del>2021</del> <u>2022</u>	<del>55</del> <u>51</u>	52	<del>-3</del> <u>+1</u>
	<del>2023</del> <u>2022</u>	52	<del>53</del> <u>49</u>	<del>+1</del> <u>-3</u>
	<del>2023</del> <u>2024</u>	<del>53</del> <u>49</u>	<del>51</del> <u>41</u>	<del>-2</del> <u>-8</u>
Company-Owned	<del>2022</del> <u>2021</u>	-0	0	0
	<del>2023</del> <u>2022</u>	0	0	0
	<del>2023</del> <u>2024</u>	0	0	0
Total Outlets	<del>2022</del> <u>2021</u>	<del>55</del> <u>51</u>	52	<del>-3</del> <u>+1</u>
	<del>2022</del> <u>2023</u>	52	<del>53</del> <u>49</u>	<del>+1</del> <u>-3</u>
	<del>2023</del> <u>2024</u>	<del>53</del> <u>49</u>	<del>51</del> <u>41</u>	<del>-2</del> <u>-8</u>



Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2021-2023/2022-2024

State	Year	Number of Transfers
Arkansas	<del>2022</del> 2021	0 <u>1</u>
	<del>2022</del>	1
	2023	0
	<u>2024</u>	<u>0</u>
Florida	<del>2022</del> 2021	0 <u>2</u>
	<del>2022</del>	2
	2023	0
<del>New York</del>	<del>2021</del> 2024	1 <u>0</u>
<u>Texas</u>	2022	0
	2023	0
<del>North Carolina</del>	<del>2021</del> 2024	1
	<del>2022</del>	0
	<del>2023</del>	0
Washington	<del>2022</del> 2021	0 <u>1</u>
	<del>2022</del>	1
	2023	0
	<u>2024</u>	<u>1</u>
Totals	<del>2022</del> 2021	2 <u>4</u>
	<del>2022</del>	4
	2023	0
	<u>2024</u>	<u>2</u>

Table No. 3

Status of Franchised Outlets  
For Years 2021-2023/2022-2024

State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
Arizona	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2023</del> 2022	1	0	0	0	0	0	1
	<del>2023</del> 2024	1	0	0	0	0	0	1
Arkansas	<del>2022</del> 2021	1	0	0	0	0	0	1



State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	<del>2022</del>	4	0	0	0	0	0	4
	2023	1	0	0	0	0	1	0
	2024	0	0	0	0	0	0	0
California	<del>2022</del> 2021	4	0	0	0	0	0	4
	<del>2022</del>	4	0	0	0	0	1	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
Colorado	<del>2022</del> 2021	0	0	0	0	0	0	0
	<del>2022</del>	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
Delaware	2021 2024	1	0	0	0	0	0	1
	<del>2022</del>	4	0	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	<del>2022</del> 2021	7	0	0	0	0	0	7
Florida <sup>(1)</sup>	<del>2022</del>	7	1	0	0	0	1	7
	2023	7	1	0	0	0	1	7
	2024	6	0	0	0	0	0	6
	<del>2022</del> 2021	2	0	0	0	0	0	2
Georgia	<del>2023</del> 2022	2	0	0	0	0	0	2
	2023 2024	2	0	0	0	0	0	2
	<del>2022</del> 2021	1	0	0	0	0	0	1
Idaho	<del>2022</del>	4	0	0	0	0	0	4
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	<del>2022</del> 2021	1	0	0	0	0	0	1
Indiana	<del>2022</del>	4	0	0	0	0	0	4
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	<del>2022</del> 2021	3	0	0	0	0	0	3
Maryland	<del>2022</del>	3	0	0	0	0	0	3
	2023	3	0	1	0	0	0	2
	2024	2	0	0	0	0	0	2
	<del>2022</del> 2021	2	0	0	0	0	1	1
Massachusetts	<del>2022</del>	4	0	0	0	0	0	4



State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Michigan	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2022</del>	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	1	0
Minnesota	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2022</del>	4	0	0	0	0	0	4
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nevada	<del>2022</del> 2021	1	0	0	0	0	0	1
	<del>2022</del>	4	0	0	0	0	0	4
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
New Jersey	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2022</del>	2	4	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	1	2
New York	<del>2022</del> 2021	5	0	0	0	0	0	5
	<del>2022</del>	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	1	4
North Carolina	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2023</del> 2022	2	0	0	0	0	0	2
	<del>2023</del> 2024	2	0	0	0	0	0	2
Ohio	<del>2022</del> 2021	2	0	0	0	0	0	2
	<del>2022</del>	4	4	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Oklahoma	20212024	1	0	0	0	0	0	1
	<del>2022</del>	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Pennsylvania	<del>2022</del> 2021	3	0	0	0	0	0	3
	<del>2022</del>	3	0	0	0	0	0	3
	2023	3	0	0	0	0	2	1
	2024	1	0	0	0	0	0	1
	<del>2022</del> 2021	0	0	0	0	0	0	0



State	Year	Outlets at Start of the Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
South Carolina	<del>2022</del>	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
Tennessee	<del>2021</del> <del>2024</del>	<del>13</del>	0	0	0	0	<del>10</del>	<del>03</del>
	<del>2022</del>	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Texas	<del>2022</del> <del>2021</del>	9	21	0	0	0	2	98
	<del>2022</del>	9	4	0	0	0	2	8
	2023	8	1	0	0	0	0	9
	2024	9	0	0	0	0	2	7
Virginia	<del>2022</del> <del>2021</del>	1	0	0	0	0	0	1
	2022	4	0	0	0	0	0	4
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Washington	<del>2022</del> <del>2021</del>	3	0	01	0	0	0	32
	<del>2022</del>	3	0	4	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	1	1
Totals	<del>2022</del> <del>2021</del>	551	36	01	0	0	64	52
	2022	52	6	4	0	0	4	53
	2023	5352	43	1	0	0	5	5149
	2024	49	0	0	0	0	8	41

<sup>(1)</sup>One outlet in Florida is owned and operated by our President.

Table No. 4

Status of Company-Owned Outlets  
For Years ~~2021-2023~~2022-2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Total Outlets	<del>2022</del> <del>2021</del>	0	0	0	0	0	0
	<del>2022</del> <del>2023</del>	0	0	0	0	0	0
	<del>2023</del> <del>2024</del>	0	0	0	0	0	0



Table No. 5

Projected Openings as of  
December 31, 2023 for 2024

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
<del>California</del>	<del>0</del>	<del>1</del>	<del>0</del>
Colorado	0	1	0
<del>Delaware</del> Florida	<del>0</del> <u>1</u>	<del>1</del> <u>0</u>	0
<del>North Carolina</del> Florida	<del>0</del> <u>1</u>	1	0
<del>North Carolina</del> Pennsylvania	0	1	0
<del>Ohio</del> Texas	0	<del>1</del> <u>2</u>	0
<del>Utah</del> Texas	0	<del>1</del> <u>2</u>	0
Virginia	0	1	0
Totals	<del>0</del> <u>2</u>	<del>10</del> <u>8</u>	0

The names, addresses, and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit C. The name and last known address and telephone number of every current franchisee and every franchisee who has had a Drama Kids Franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the one year period ending December 31, ~~2023~~2024, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit C. During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Drama Kids System. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with Drama Kids. You may wish to speak with current and former franchisees, but know that not all such franchisees can communicate with you. If you buy a Drama Kids Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

As of the Issuance Date of this Franchise Disclosure Document, there are no franchise organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this Franchise Disclosure Document. We do not have any trademark specific franchisee organizations.

We have a franchisee advisory council made up of us and selected franchise owners to advise us on advertising policies. The council is advisory and has no operational or decision making power. The franchisee advisory council may be reached through Heather Dunham, 3 Spring St. Taunton, MA 02780, 774-501-1728.



**ITEM 21  
FINANCIAL STATEMENTS**

Exhibit D contains the financial statements required to be included with this Franchise Disclosure Document: audited financial statements for the period ending December 31, ~~2023~~2024, December 31, ~~2022~~2023, and December 31, ~~2021~~2022. Our fiscal year end is December 31st.

**ITEM 22  
CONTRACTS**

Exhibit B	Franchise Agreement
Exhibit E	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the Drama Kids Franchise

**ITEM 23  
RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit I, are a detachable document, in duplicate. Please detach, sign, date, and return one copy of the Receipt to us, acknowledging you received this Franchise Disclosure Document. Please keep the second copy for your records.



**EXHIBIT A**

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



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

**CALIFORNIA**

State Administrator and Agent for Service of Process:  
Commissioner  
Department of Financial Protection and Innovation  
320 W. 4<sup>th</sup> Street, #750  
Los Angeles, CA 90013  
(213) 576-7500  
(866) 275-2677

**HAWAII**

Commissioner of Securities of the State of Hawaii  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

Agent for Service of Process:  
Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, HI 96813  
(808) 586-2722

**ILLINOIS**

Illinois Attorney General  
Chief, Franchise Division  
500 S. Second Street  
Springfield, IL 62706  
(217) 782-4465

**INDIANA**

Secretary of State  
Securities Division  
Room E-018  
302 W. Washington Street  
Indianapolis, IN 46204  
(317) 232-6681

**MARYLAND**

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

**MARYLAND CONTINUED**

Agent for Service of Process:  
Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, MD 21202-2020

**MICHIGAN**

Michigan Department of Attorney General  
Consumer Protection Division  
525 W. Ottawa Street  
Lansing, MI 48913  
(517) 373-7117

**MINNESOTA**

Department of Commerce  
Commissioner of Commerce  
85 Seventh Place East, Suite 280  
St. Paul, MN 55101-3165  
(651) 539-1600

**NEW YORK**

Administrator:  
NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8222

Agent for Service of Process:  
Secretary of State  
99 Washington Avenue  
Albany, NY 12231

**NORTH DAKOTA**

Administrator:  
North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510  
(701) 328-4712

Agent for Service of Process:  
Securities Commissioner  
600 East Boulevard Avenue  
State Capitol, Fourteenth Floor, Dept. 414  
Bismarck, ND 58505-0510

**RHODE ISLAND**

Department of Business Regulation  
1511 Pontiac Avenue, Bldg. 68-2  
Cranston, RI 02920  
(401) 462-9527

**SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 South Euclid, Suite 104  
Pierre, SD 57501  
(605) 773-3563

**VIRGINIA**

State Corporation Commission  
Division of Securities and Retail Franchising  
1300 E. Main Street, 9<sup>th</sup> Floor  
Richmond, VA 23219

Agent for Service of Process:  
Clerk of the State Corporation Commission  
1300 E. Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**WASHINGTON**

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

Agent for Service for Process:

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

**WISCONSIN**

Department of Financial Institutions  
Division of Securities  
201 W. Washington Avenue  
Madison, WI 53703  
(608) 266-3364

Rev. 090723



**EXHIBIT B**

**FRANCHISE AGREEMENT**



**EXHIBIT B**



**DRAMA KIDS INTERNATIONAL**

**FRANCHISE AGREEMENT**

**DRAMA KIDS INTERNATIONAL  
FRANCHISE AGREEMENT AND RELATED AGREEMENTS  
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ATTACHMENTS – RELATED AGREEMENTS:

<u>Number:</u>	<u>Title:</u>	<u>Initial If Included</u>
1	Franchise Data Sheet	_____
2	Legal Entity Information Sheet	_____
3	Owners Agreement	_____



## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Agreement”) is entered into by DRAMA KIDS INTERNATIONAL, INC., a Florida corporation with its principal office at 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908 (“DKI”, “we”, “us” or “our”), and the “Franchise Owner” identified in Attachment 1 of this Agreement (“you”, “your” or “Franchisee”) effective as of the “Effective Date” identified in Attachment 1 of this Agreement. If more than one person or entity is listed as Franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Agreement.

### RECITALS

A. We have developed certain specialized concepts, curriculum, and techniques with standards, methods, policies, and procedures (the “System”) for establishing drama related programs for children (“Drama Kids Business”).

B. We have expended time, skill, money and effort in publicizing the System in the United States; and may develop or acquire other service marks, trademarks, trade names and trade dresses for use under the System, all of which marks, names and dresses, together with the marks and names DRAMA KIDS, DRAMA KIDS INTERNATIONAL, DKI ACTING ACADEMY, THE DIFFERENCE IS DRAMATIC, WE SET THE STAGE FOR SUCCESS! and associated color schemes, are or will be the sole property of us (“Marks”).

C. We franchise others to use the System and the Marks in the United States and provide to you advice on the establishment and operation of the Drama Kids Business.

D. You desire to establish and operate a Drama Kids Business, to use the Marks and all other elements of the System, and to derive the benefits of the System as developed by us. You acknowledge that it is essential to the maintenance of the high standards, which the public has come to expect of Drama Kids services and products, and to the preservation of the integrity and goodwill of the Marks, that you adhere to the standards for the establishment and operation of Drama Kids Businesses.

In consideration of the recitals above and of the terms below, we and you agree:

### 1. GRANT OF FRANCHISE

1.1 Grant. Subject to the terms of this Agreement, we grant to you the right, and you undertake the duty, to establish and operate a Drama Kids Business for the term described in Section 3 (the “Franchise”).

~~1.2 Additional Programs. The Franchise includes the right and obligation to market Drama Kids drama related programs for children and teenagers (as those programs may be periodically modified), offered at schools, community centers, retail sites and other locations, and you may, but are not required, to market certain Drama Kids programs to pre-schools. To the extent that the right and obligation to market additional programs involving similar or dissimilar services or products for children (“Additional Program(s)”) are made available to Drama Kids franchisees in the USA, you will have a 30-day option to accept or reject the rights to the Additional Program(s). This offer may be conditioned on you agreeing to incur additional expenses, participate in additional training, be subject to an increased monthly minimum for the Royalty Fee, and/or comply with other terms that we may specify when the rights are offered. If you are offered but reject the rights to any Additional Program(s), we will have the right to market any~~



~~Additional Program(s), or to make available to any other person or entity, including another of our franchisees, on terms comparable to those offered to you, the marketing rights for any Additional Program(s).~~

~~1.3 System.1.2~~ System. The Franchise includes the right and obligation to use the complete System, as it exists or may be supplemented or modified by us during the term of the Franchise, as to the Drama Kids programs which you are entitled to market, ~~and as to any Additional Programs that you may become entitled to market in accordance with Section 1.2.~~ You acknowledge that the System will continue to evolve in order to reflect changing market conditions and to meet new and changing consumer demands, and that variations and additions to the System may be required in order to preserve and enhance the public image of the System and to ensure the continuing operational efficiency of Drama Kids Businesses generally. Accordingly, you agree that we may, on notice and acting reasonably, add to, modify and change the System, including the adoption and use of new and modified service marks, trademarks, trade names, trade dresses, equipment, techniques and methodologies relating to the preparation, marketing, promotion and sale of Drama Kids services and products. You further agree to promptly accept, implement, use and display in the operation of the Drama Kids Business all of those additions, modifications and changes at your expense. You acknowledge that complete and detailed uniformity among our franchisees under varying conditions may be inadvisable, impractical or impossible, and accordingly agree that we, in our sole and absolute right, may modify or vary aspects of the System as to any franchisee or group of franchisees based on, for example, local sales potential, demographics, competition, business practices or other conditions. You further agree that we will have no obligation to disclose or offer the same or similar variances to you. You are aware that other DKI franchisees may operate under different agreements and, consequently, that our and your obligations and rights as to those franchisees may differ materially in certain circumstances, including territorial or client rights and restrictions.

1.43 Our Reservations of Rights. We reserve the right to engage in activities that we consider appropriate, which are not expressly prohibited by this Agreement, subject to the following rights that we expressly grant to you: we will, by contract, restrict other Drama Kids franchisees from soliciting within any location that has been designated your Territory as specified in Section 2.1.

## **2. TERRITORY**

2.1 Territory. We grant you the marketing rights for a Territory as described in Attachment 1 to this Agreement when you sign the Agreement and must be a contiguous geographic area.

You must offer, solicit, advertise and sell the products and services of the Drama Kids Business in accordance with our standards and specifications and may not, by any means, offer, solicit, advertise or sell the products and services (including conducting classes or camps) of the Drama Kids Business outside of your Territory. Students who receive services at your sites may reside inside or outside of the Territory. In exchange for your marketing rights in your Territory, you may not solicit business outside the Territory. Online teaching of the Drama Kids curriculum is a different channel of distribution, and your Franchise does not include these rights.

2.2 Limited Exclusivity. So long as you are in full compliance with this Agreement and any other related agreement, you will receive an exclusive territory in that your marketing rights restrict us from operating a company-owned business or a franchise business in your Territory that offers the same services and products that you offer. However, we reserve all other rights as stated herein.



2.3 Our Reservation of Rights. We reserve the rights, among others:

(a) to establish and operate, and to grant to others the right to establish and operate, Drama Kids Businesses anywhere outside of the Territory, including in territories adjacent to the Territory;

(b) to use the Marks and the System to sell any products or services similar to those which you will sell, through any alternate channels of distribution within or outside of the Territory. This includes, but is not limited to, other channels of distribution such as television, catalog sales, wholesale to unrelated retail outlets, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;

~~(c) to establish and operate, and grant to others the right to establish and operate, Drama Kids Businesses which offer the Additional Programs within your Territory, if we first offer such Additional Programs to you and you do comply with the terms to offer such Additional Programs within your Territory under Section 1.2, above;~~

~~(d)~~(c) to purchase or be purchased by, or merge or combine with, any business, including a business that competes directly with your Drama Kids Business, wherever located; and

~~(e)~~(d) to acquire and convert to the System operated by us, any businesses offering services and products similar to those offered by Drama Kids Businesses, including such businesses operated by competitors or otherwise operated independently or as part of, or in association with, any other system or chain, whether franchised or corporately owned, and whether located inside or outside of the Territory, provided that in such situations the newly-acquired businesses may not operate under the Marks in the Territory.

3. TERM OF FRANCHISE

3.1 Initial Term. The Franchise will begin on the date we execute this Agreement and will continue for an initial term of seven (7) years unless sooner terminated or transferred in accordance with this Agreement.

3.2 Renewal Terms. You will have the right to renew the Franchise for one additional seven (7)-year renewal term, if, at the expiration of the initial term or any renewal term:

(a) You are in substantial compliance with the Agreement for the expiring term;

(b) You are solvent (are able to pay your debts as they come due and have assets that are greater than your debts), have not abandoned the Drama Kids Business, and are not operating the Drama Kids Business in a manner that endangers public health or safety;

(c) You (or any of your principals, if you are legal entity), have not been convicted of a felony or a crime involving moral turpitude, consumer fraud or any other offense that is reasonably likely, in our judgment, to have an adverse effect on the Marks, the System, the goodwill associated with the Marks or System, or our interest in the Marks or System; and

(d) You have executed our then-current franchise agreement for the next term, which may contain materially different terms from those in this Agreement, including but not limited to different or higher fees, advertising contributions, training requirements and operating requirements; provided, however, that you have paid to us the renewal franchise fee specified in Section 9.87 in lieu of paying an Initial Franchise Fee under Section 9.1.



If you are signing this Agreement to renew an existing Franchise, the references to “term” shall mean the applicable renewal term of the Agreement.

3.3 **Interim Term.** If you do not renew the Franchise and you continue to accept the benefits of this Agreement after the expiration of the term, then at our option, this Agreement may be treated either as: (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights; or (ii) continued on a month-to-month basis (“Interim Term”) until either party provides the other party with 30 days’ prior written notice of the party’s intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term. Except as otherwise permitted by this Section, you have no right to continue to operate your Drama Kids Business following the expiration of the term.

#### **4. PERSONAL ATTENTION OF FRANCHISEE OR MANAGER TO BUSINESS**

4.1 You or a manager who has successfully completed all required training (“Manager”), will personally manage the Drama Kids Business at all times during the term of this Agreement. If you are an entity, your Manager of the Drama Kids Business must be a person with authority and responsibility for the day-to-day operations of your Drama Kids Business. If you appoint and we accept a Manager, the Manager must have the authority and responsibility for the day-to-day management and operations of your Drama Kids Business, meet our educational, managerial and business experience standards, and be principally responsible for communicating with us about the Drama Kids Business.

4.2 You understand and agree that the success of the Drama Kids Business will depend on personal, continued and full-time attention to the business by you or your Manager. Personal, continued and full-time attention will include at least: availability during normal and peak business periods; participation in the development and implementation of management and operational policies; and involvement in the training and supervision of employees and independent contractors to ensure that the System is followed.

#### **5. ESTABLISHMENT AND MAINTENANCE OF BUSINESS**

5.1 You must schedule the opening of your Drama Kids Business within 90 days after your successful completion of initial training or by a later date that we approve. If you are delayed in establishing and opening the Drama Kids Business because of reasons beyond your control, you may provide us with a written request to delay opening. The request will state:- (1) that a delay is anticipated; (2) the reasons that have caused the delay; (3) the efforts you are making to open; and (4) an anticipated opening date. In considering the request, we will not unreasonably withhold our consent to any reasonable delay, if you have been diligently pursuing the establishment of the Drama Kids Business.

5.2 Establishing and maintaining the Drama Kids Business will involve at least the following:

(a) Establishing a suitable office (which may be in your home) for the operation of the Drama Kids Business and having sufficient staff and equipment available to provide requested services and products (see also Sections 12.5 and 20.2);

(b) Securing all permits and licenses necessary for the establishment and operation of the Drama Kids Business;



(c) Securing all required phone, voicemail, computer, email and other technological requirements that we require under the System. You agree that no other business will be transacted or advertised using any telephone number or email address assigned to the Drama Kids Business;

(d) Using your best efforts to adhere to the policies, procedures and standards in the conduct of the Drama Kids Business in accordance with our confidential operating manual, which may be in electronic format or online (the “Franchise Operations Manual”); and

(e) Using your best efforts to obtain locations for Drama Kids programs. During the first year, using your best efforts means establishing and maintaining the operation of not less than 8 classes per week, and at least 2 summer camp programs, Monday through Friday. After the first year, using your best efforts means to diligently expand your student enrollment throughout the Territory, subject to the location limit specified in Section 2.2.

5.3 As indicated in Section 5.2(a), you are not required to establish or maintain a commercial office for the operation of the Drama Kids Business. If you choose to establish and maintain a commercial office, however, you must:

(a) Locate a site for the office within your Territory and obtain our prior written approval of the site;

(b) Obtain our prior written approval of any lease or purchase agreement for the office site;

(c) Conform the office to applicable building code requirements and to our specifications, as modified by you with our prior written consent to fit the particular site;

(d) Secure all permits and licenses necessary for the establishment and operation of the office site;

(e) Obtain our prior written approval of any plans for office construction or equipment installation, or of any deviations from the plans, to ensure that the plans or deviations conform to our specifications;

(f) Obtain our prior written approval of any outdoor sign for the business, and install the sign within 30 days after opening the office; and

(g) On written notice from us, promptly correct any variations from approved plans or deviations.

## 6. **CONTINUOUS OPERATION OF BUSINESS**

6.1 Except as we permit in writing, you must operate the Drama Kids Business on a continuous basis during the year excluding school breaks, weekends, and vacation periods.

6.2 **Force Majeure**. No party shall be liable for any loss or damage that arises directly or indirectly through or as a result of any delay in the fulfilment of or failure to fulfil its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Agreement where the delay or failure is due to Force Majeure. In the event of Force Majeure, the parties shall be relieved of their respective obligations only to the extent the parties are respectively necessarily prevented or delayed in such performance during the period of such Force Majeure. As used in this Agreement, the term “Force



Majeure” shall mean any act of God, strike, lock-out or other industrial disturbance, war (declared or undeclared), riot, epidemic, fire or other catastrophe, act of any government and any other similar cause which is beyond the party’s control and cannot be overcome by use of normal commercial measures. The party whose performance is affected by an event of Force Majeure shall give prompt notice of such Force Majeure event to the other party, which in no case shall be more than 48 hours after the event, setting forth the nature thereof and an estimate as to its duration, and the affected party shall furnish the other party with periodic reports regarding the progress of the Force Majeure event. Each party must use its best efforts to mitigate the effect of the event of Force Majeure upon its performance of the Agreement and to fulfill its obligations under the Agreement. Upon completion of the event of Force Majeure, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Agreement. Any delay resulting from an event of Force Majeure will extend performance accordingly or excuse performance (other than payment of money), in whole or in part, only as may be reasonable under the circumstances. An event of Force Majeure does not relieve a party from liability for an obligation which arose before the occurrence of the event, nor does that event affect any obligation to pay money owed under the Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event or affect your obligations to comply with the restrictive covenants in this Agreement.

## **7. LIMITATIONS ON ACTIVITIES OF BUSINESS**

7.1 In order to preserve the System and the identification of Drama Kids Businesses operating under the Marks, you agree that the Drama Kids Business will not engage in activities other than those approved under the System. You further agree that you must obtain our prior written consent to offer any services or sell any products other than those approved under the System.

7.2 You may not engage in any deceptive or unfair trade practice or other activity, or offer any service or product which is harmful to the goodwill or reputation of you, us, our franchisees generally, the System or the Marks.

7.3 You may not solicit or promote Drama Kids services or the Drama Kids Business through the use of a non-authorized toll-free number, Internet website, other electronic commerce or any other method that we prohibit, unless you gain our approval in advance. You are permitted to operate a social media platform or social networking site as long as you obtain our prior written permission, which we may withhold in our sole discretion, and adhere to all standards and specifications regarding social media and social networking in our Franchise Operations Manual. All advertising, including advertisements on the Internet must follow our online policy, which is set forth in the Franchise Operations Manual.

## **8. PRICES CHARGED BY BUSINESS**

8.1 You will have the right to offer services and products at any prices you may determine. If we recommend a retail price, that price is suggested only, and is in no way binding on you. Notwithstanding the foregoing, we reserve the right to establish minimum and maximum prices for use with multi-area marketing programs and special price promotions as may be set forth in our Franchise Operations Manual.

## **9. FEES PAYABLE TO DKI**

9.1 Initial Franchise Fee. If this Agreement is not being executed as part of a renewal or transfer of the Franchise, you must pay to us, by wire transfer or cashier’s check, on execution, an “Initial Franchise Fee.” ~~The Initial Franchise Fee for a territory with 60,000 to 100,000 children under 18 years of age is \$35,000. The Initial Franchise Fee for a territory with 100,000 to 140,000 children under 18 years of age is \$45,000. We identify the number of children under 18 years old by using the most recent available U.S. Census data.”~~ of \$42,500. If you already own one or more Drama Kids Businesses, and are in good



standing under your other franchise agreement(s) with us, you will receive a 15% discount on your Initial Franchise Fee. The Initial Franchise Fee is due in full at the time you sign this Agreement, is deemed fully earned by us once paid, and is non-refundable under any circumstances.

~~9.2 — Additional Territory Fee. After you own a Franchise we may provide you, at our discretion, the option to purchase additional territory not to exceed 140,000 total children under 18 years of age. Any such additional territory purchased after the signing of this Agreement, will be defined by 5-digit ZIP codes and the expansion fee for additional territory (“Additional Territory Fee”) will be our then-current rate (currently \$15,000). The Additional Territory Fee, or any portion of thereof, is non-refundable and fully earned by us when paid.~~

~~9.3 — Royalty Fee. Each month, you must pay to us a 9.2 Royalty Fee. You must pay us a monthly royalty fee (“Royalty Fee”). The Royalty Fee shall be equal to the greater of: (i) eight percent (8%) of Gross Sales (as defined in Section 9.42~~10~~) from your Drama Kids Business for the prior month; or (ii) the Minimum Royalty Requirement. ~~There is no Minimum Royalty for the 12-month period following the month you sign this Agreement. Beginning two months after you have completed our initial training program with the second anniversary of signing this Agreement and continuing throughout the following 12-month period, the Minimum Royalty will be \$200 per month; beginning with the third anniversary of signing this Agreement and continuing throughout the term of this Agreement, the Royalty Fee shall not be less than \$200 per month, regardless of the Gross Sales of your Drama Kids Business (“Minimum Royalty Requirement”). Beginning 12 months after completing our initial training program, your Minimum Royalty Requirement will increase to~~ Minimum Royalty will be \$500 per month.~~

~~The Royalty Fee is due by the 10<sup>th</sup> day of each month for the preceding month, begins to accrue in the month in which the Drama Kids Business is established and opens in accordance with Section 5, and is non-refundable. The Royalty Fee is an ongoing payment that allows you to use the Marks and the other intellectual property of the System and that pays for our ongoing support and assistance.~~

~~If your Royalty Fee payments for any month do not meet or exceed the applicable Minimum Royalty, then for that month you must pay the difference between the Royalty Fee that you actually paid to us and the Minimum Royalty. Royalty Fees (including Minimum Royalty fees) are due on the 10th day of the following month.~~

~~If this Agreement is for a renewal term, the date you entered into the initial franchise agreement will be used to determine your starting Royalty Fee obligation under this Agreement.~~

9.43 Advertising and Promotional Contributions. See Section 16.

9.54 Training and Annual National Conference Fees. See Sections 11.2 through 11.6.

9.65 Technology Fee. You must pay to us a Technology Fee of \$50 per month. We collect this fee to pay for ongoing support and maintenance of the Drama Kids website. We reserve the right to increase or decrease this fee upon ninety (90) days’ written notice to you in the event we offer updated or additional software or technology for use in the Drama Kids Business.

9.76 Audit Fee. See Section 13.7.

9.87 Renewal Franchise Fee. As referenced in Section 3.2(e) of this Agreement, if you qualify to renew this Agreement you must pay to us on execution of the renewal franchise agreement, a renewal franchise fee of \$5,000. This fee is non-refundable, and is fully earned by us when paid.



9.98 Transfer Fee. See Section 25.2(b)(viii).

9.9-10 Late Fees. If any sum required to be paid by you to us under this Agreement is not actually received by us by the due date, you will be assessed a late fee of \$10 per day, and the unpaid sum will bear interest calculated daily after the due date until paid in full at the lesser of a rate equal to one and one-half percent (1.5%) of the monthly balance of principal and interest, or the highest rate of interest allowed by law. If the due date for a sum is not specified in this Agreement, generally it will be the 30th day after the billing date. Any payment received toward an overdue sum will first be applied to the interest due and will be applied to the overdue sum only after all outstanding interest is paid. You must reimburse us for any charges that we incur on your returned checks, declined charges or similar financial defaults. Regardless of any designation by you, we, in our sole and absolute right, may apply any payments by you to any of your past due indebtedness to us or our affiliates.

~~9.11 — Broker Fees. In the event that (a) we engage a third party broker, lead generation source or similar business (collectively, “Broker”) (b) such Broker refers to us a purchaser who wishes to purchase an existing franchise, and (c) you wish to accept such purchaser’s offer to purchase your franchise, you must reimburse us for the actual cost of the brokerage commissions, finder’s fee, or similar charges, as described in Section 25.2(b)(xii).~~

~~9.12 — Gross Sales.~~ 9.10 Gross Sales. For purposes of this Agreement, “Gross Sales” means the total selling price of all services and products sold at, or from, or through the Drama Kids Business, including all class fees, registration fees, product sales, performance fees, late charges, other amounts received or charged, and the value of all services or products received, for services provided or products sold, whether for cash or barter, or on a charge, credit or time basis, as well as all proceeds from any business interruption insurance, but excluding excise, sales and use taxes, gross receipts taxes or similar taxes paid by you based on sales, if those taxes are separately stated when the client is charged, and also excluding bona-fide refunds, allowances or discounts to client; provided however, that any discount of fees for clients who are affiliated with third party organizations, including any discount as barter for services performed or facilities provided, may not exceed ten percent (10%) for purposes of calculation Gross Sales. Refunds or incentive fees paid to facilities at which Drama Kids services or products are offered are not excluded from Gross Sales. Receipts from the sale of any plant, equipment, fixtures, fittings or other capital items are excluded from Gross Sales.

9.13 Withholding of Sums Payable. You agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations under this Agreement, withhold payment of any fee or other sum payable to us under this Agreement, or of any other sum payable to us or our affiliated companies.

9.14 Equipment, Supplies or Inspection, and Grant or Approval of Equipment, Supplies or Suppliers. See Section 14.2.

9.15 Electronic Payment Authorization. You must pay all on-going or periodic fees to us by automatic bank draft or electronic funds transfer, and you agree to execute any documentation necessary to effect a draft or electronic transfer.

9.16 Social Media Management Fee. On the first day of each calendar quarter, you will pay us our then-current “Social Media Management Fee” (currently, \$261 per calendar quarter. The Social Media Management Fee is for use of a third party social media management platform which will assist you in the management of your social media advertising and allow your linked social media accounts to receive a minimum of three branded posts per week from the national office.



9.4715 CPI Adjustments to Fixed Fees. All fees expressed as a fixed dollar amount in this Agreement are subject to adjustment based on changes to the Consumer Price Index (“CPI Increase”) in the United States. We may periodically review and increase these fees based on changes to the Consumer Price Index, but only if the increase to the Consumer Price Index is more than 5% higher than the corresponding Consumer Price Index in effect on: (a) the effective date of the Agreement (for the initial fee adjustments); or (b) the date we implemented the last ~~fee adjustment~~CPI Increase (for subsequent fee adjustments). We will notify you of any ~~CPI adjustment~~CPI Increase at least 60 days before the fee adjustment becomes effective. We will implement no more than one ~~fee adjustment~~CPI Increase during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact fees which we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

## 10. SERVICES AND PRODUCTS FURNISHED BY DK1

10.1 During the term of the Franchise, we will provide the following:

- (a) Programs, training and assistance as described in Section 11;
- (b) Access to an electronic copy of the Franchise Operations Manual and Curriculum Materials for in-person classes, and updates to the Franchise Operations Manual and the Curriculum Materials, either intranet or hard copy as described in Section 12;
- (c) Specifications for fixtures, equipment, inventory, supplies and services used under the System, and continued efforts to negotiate purchasing agreements with suppliers for equipment, supplies and services, as described in Section 14;
- (d) Advice in the placement and use of initial advertising and promotional materials (posters, ads, brochures, etc.), and assistance in implementing an initial advertising and promotional program;
- (e) Periodic efforts to report improvements in the System to you as they may be developed or acquired by us in our sole and absolute right;
- (f) Continuing assistance by telephone, electronic mail, voice mail, mail, newsletters, or other methods, that we, in our sole and absolute right, deem reasonable under the circumstances;
- (g) Manuals, catalogs and related materials other than the Franchise Operations Manual which we, in our sole and absolute judgment, may select; and
- (h) General advice on establishing class locations.

10.2 Throughout the term of the Franchise, we will provide the continuing assistance specified in Section 10.1 at no additional charge. See Section 11 for additional training and other guidance that we may provide.

10.3 We maintain an Internet web site to advertise and promote our franchise system and programs marketed by us or by our franchisees. We will permit you to establish a standard listing or a web site as part of, or a link to, our web site. We maintain an Intranet for use by our franchisees. You may not establish or maintain an Internet web site without our prior written permission (see also Sections 7.3 and 16). Any representations and warranties of any kind whatsoever express or implied, regarding our web site,



including representations and warranties as to the operation, functionality, lack of interruption or resources of our web site, are expressly excluded. Without limiting the foregoing, we disclaim any implied warranties of merchantability and fitness for a particular purpose as to our web site. As to any malfunctioning of our web site, we will not be liable to you for any consequential, incidental, indirect, economic, special, exemplary or punitive damages, such as, but not limited to, loss of revenue or anticipated profits or lost business, even if you have advised us that such damages are possible as a result of any breach of warranty or malfunction.

10.4 Our obligations under this Agreement are to you. No other person or entity, directly, indirectly or by subrogation, may rely on, enforce or obtain relief under this Agreement for any default by us.

## **11. TRAINING**

11.1 You and your employees and independent contractors must maintain the standards of skill, efficiency and quality associated with the System.

11.2 To assist you in establishing and maintaining those standards, we will provide training as follows:

(a) We will provide you and up to one other person, if you desire, an initial training program for the operation of a Drama Kids Business at a date and location designated by us with a priority of doing as much training online as possible. Classroom training will be necessary for classroom operations and teaching techniques. You (or your Manager, if you are an entity) and any Manager or representative that we require must attend and successfully complete such initial training to our satisfaction before opening the Drama Kids Business. We will provide the initial training program at no cost for up to two individuals, including the cost of basic materials, but you must bear the cost of travel, lodging, meals, wages, and similar expenses for each person to attend such training.

(b) If you ask our trainers to give any initial, follow-up or specialized training at your location, all expenses for training, including our then-current per diem charges per person and all reasonable transportation, meal and lodging expenses incurred by our personnel supplying the additional assistance, and any applicable training fees will be paid by you.

(c) We reserve the right to vary the length and content of the initial training as we deem appropriate in our sole discretion based on the experience of the attendee. We reserve the right to select when you will attend the initial training program and may delay your attendance until a suitable time near the grand opening date for your Drama Kids Business in our sole discretion.

11.3 We may, but are not obligated to, at your request or when we determine it is necessary, conduct additional one-day or two-day field assistance sessions at a time and location of our choosing. We may designate any field assistance as either mandatory or optional for you or for all Drama Kids franchisees. You must attend and successfully complete any field assistance session that we designate as mandatory. You shall be responsible for all training fees and expenses related to any field assistance requested by you, including our then-current per diem charges per person and all reasonable transportation, meal and lodging expenses incurred by our personnel.

11.4 If we determine that you are not operating in compliance with this Agreement or the Franchise Operations Manual, we may, at our option, require that you (or your Manager, if you are an entity), and any other representatives or personnel we designate attend remedial training that is relevant to your operational deficiencies. You shall be responsible for all training fees and expenses related to any

remedial training, and all reasonable transportation, meal and lodging expenses incurred by our personnel. If we require you to travel for remedial training, you must bear the cost of travel, lodging, meals, wages, and similar expenses for each person we require attend such training.

11.5 We may, but are not required, to conduct ~~an annual~~ a national conference for our franchisees. If we elect to hold ~~an annual~~ a national conference, it may be conducted by us in-person or via video or online, in our sole discretion, and the conference may be held on a regional or national basis. We will provide you with notice of the time and place of the ~~annual~~ national conference, ~~which~~ the time and place of which will be determined by us. You must attend the first three ~~annual~~ national conferences after the effective date of this Agreement, and thereafter, you must attend the ~~annual~~ national conference at least two of every four ~~years~~ conferences held, provided at least two conferences are held by us during the preceding four-year period. We may charge, and you must pay to us, a registration fee for the proportionate share of the in-person conference costs. If you do not attend at least two out of four required ~~annual~~ national conferences, we may assess a fee for the proportionate share of the conference costs. You must pay all wages and benefits, and all travel, lodging, meals, wages, and similar expenses, of ~~you~~ any representatives attending the ~~annual~~ national conference; who you may wish to send. We may preclude you from attending any ~~annual~~ national conference or participating in System calls, meetings or webinars if and while you are in default of this Agreement. We also reserve the right to restrict franchisees from attending based on past performance, previous defaults and other factors in our sole discretion.

11.6 If any original or any successor Manager leaves your Drama Kids Business, a replacement Manager approved by us must successfully complete our initial training program at a location designated by us, subject to scheduling by us, within eight weeks of the date of replacement. You must pay our then-current training fee and you must bear the cost of wages, benefits, travel, lodging, and meal expenses during training for any Manager that attends such training after the initial training we first provide to you under this Agreement.

11.7 We may require you to make reservations for trainees or attendees in advance of any training seminar or ~~annual~~ national conference. We may require deposits for those reservations (which may be refunded or, in our sole and absolute right, applied toward fees) and may charge a cancellation fee if reservations are cancelled.

## **12. CURRICULUM MATERIALS AND OPERATIONS MANUAL; ADDITIONAL MANUALS AND MATERIALS**

12.1 Each school year, we will provide you with certain materials and lesson plans, plays, scripts, and schedules for the curriculum to be taught at in-person classes during all or a portion of the school year (“Curriculum Materials”). We have the right to use and to sublicense the use of the Curriculum Materials and the Franchise Operations Manual containing mandatory and suggested specifications, standards, procedures and rules applicable to the System. The Curriculum Materials and the Franchise Operations Manual are and will remain our exclusive property, and are merely loaned or made available to you for the term of the Franchise. We may also loan to you additional manuals and materials developed by us related to aspects of the System. In order to protect our reputation and goodwill, the System and the Marks, you must operate the Drama Kids Business in strict conformance with the Franchise Operations Manual and any additional manuals or materials developed by us that are loaned or made available to you. You acknowledge that your compliance with the Franchise Operations Manual is vitally important to us and other System franchisees and is necessary to protect our reputation and the goodwill of the Marks and to maintain the uniform quality of operation through the System. However, while the Franchise Operations Manual is designed to protect our reputation and the goodwill of the Marks, it is not designed to control the day-to-day operation of the Drama Kids Business.

12.2 You acknowledge that the System may be modified by us, and that modifications to the System may require modifications to the Curriculum Materials, to the Franchise Operations Manual and to any additional manuals or materials developed by us, as long as those modifications do not unreasonably increase your obligations under this Agreement or place excessive economic burdens on the Drama Kids Business. You agree to operate the Drama Kids Business in strict conformance with any modifications to the Curriculum Materials, the Franchise Operations Manual and any additional manuals or materials developed by us. Modifications will be effective on receipt by you, unless otherwise stated by us.

12.3 The provisions of the Franchise Operations Manual, including the mandatory specifications, standards, materials, supplies, equipment, procedures, rules, bulletins, notifications and memoranda applicable to the System, and any modifications that are made by us, constitute provisions of this Agreement as if fully set forth in this Agreement. All references in this Agreement to the provisions of the Franchise Operations Manual mean the provisions of the Franchise Operations Manual, including all modifications and mandatory and recommended specifications, standards, procedures, rules, bulletins and memoranda as of the time they are in effect. These provisions of the Franchise Operations Manual may be distributed to you either as hard copy pages or electronically made available to you in email, or housed on our intranet site. Any method of delivery shall be considered by you to be valid.

12.4 You must at all times ensure that your copies of the Franchise Operations Manual, Curriculum Materials and any additional manuals or materials developed by us are up-to-date and kept in a secure place. If there is any dispute as to their contents, the terms of the master copies of the Franchise Operations Manual, Curriculum Materials, and any additional manuals or materials developed by us and maintained at our headquarters, will be controlling.

12.5 You must treat the Franchise Operations Manual, Curriculum Materials, any additional manuals or materials developed by us and loaned to you that are designated as “confidential,” and the information in those manuals and materials, as confidential, and must take all reasonable precautions to maintain those manuals’ and materials’ confidentiality. You may not, without our prior written consent, copy, duplicate, record or otherwise reproduce the Franchise Operations Manual or any additional manual or material developed by us, in whole or in part, or otherwise make the same available to any person who is not bound by the confidentiality terms of this Agreement or who has not signed a separate confidentiality agreement (see Section 20.2).

### **13. ACCOUNTING AND REPORTING PROCEDURES**

13.1 You must use a computerized record-keeping system as prescribed by us.

13.2 You recognize the importance of financial and statistical analysis, and agree to provide us with a monthly sales report (by the 10th of each month for the preceding month or such other date that we designate) in the form prescribed in the Franchise Operations Manual. All information provided by you to us must be prepared in accordance with methods acceptable to us, consistently applied. We may require you to submit reports to us electronically.

13.3 You are required to regularly and accurately update your accounting records. We may request and if so, you must provide us quarterly and/or annually, within 3 months after your fiscal year end or the end of the most recent quarter with a statement of revenues, expenses and income for the year (or year to date in the case of quarterly statements), and a statement of assets and liabilities as of the end of the year, which statements must be prepared in accordance with generally accepted accounting methods, consistently applied. At our option, we may require this statement to be prepared by an independent certified public accountant in accordance with the standards for a compilation or review. You must provide us with copies of annual tax returns filed by you for the year as to the Drama Kids Business, including federal and

state income tax returns, and with the business names, contact names, addresses and telephone numbers for all facilities at which Drama Kids services and products were offered by you at any time during the year.

13.4 You must submit to us any other financial or statistical reports, records, statements or information that we may reasonably deem to be required or desirable, in the forms and at the times and places reasonably specified by us, in the Franchise Operations Manual or otherwise in writing. We may specify that you use software or web-based applications that give us independent access to your sales records.

13.5 All financial or statistical information provided by you to us must be accurate and correct in all material respects.

13.6 We will have the right to use any financial or statistical information provided by you as we deem appropriate.

13.7 We or our designated agents will have the right, at all reasonable times, to examine, copy and audit your and the Drama Kids Business's books, records and tax returns. If an examination or audit discloses any underpayment of any fee, you must promptly pay the deficient amount plus interest calculated daily from the due date until paid at the lesser of a rate equal to one and one-half percent (1.5%) of the monthly balance of principal and interest or the highest rate of interest allowed by law. If an examination or audit discloses an underpayment or understatement of any amount due us by three percent (3%) or more, or if the examination or audit is made necessary by your failure to furnish required information or documents to us in a timely manner, you must, in addition, reimburse us for the cost of having your books examined or audited. If an examination or audit discloses an underpayment or understatement of any amount due us by five percent (5%) or more for any consecutive 3-month period, we will have the right to terminate the Franchise under Section 26.2(n). These rights and remedies will be in addition to any other rights or remedies we may have under this Agreement or otherwise.

13.8 During and after the term of the Franchise, you must maintain and preserve all books, records and accounts of the Drama Kids Business for at least 7 years after the close of the fiscal year to which the books, records and accounts relate.

#### **14. EQUIPMENT, SOFTWARE, SUPPLIES, SERVICES AND PRODUCTS**

14.1 You may purchase your equipment, software, supplies, services and products from whomever you decide, except that:

(a) You must use equipment, software, supplies, services, and products that meet specifications we prescribe from time to time in the Franchise Operations Manual. The purpose of these specifications is to protect and maintain the goodwill of the System and the Marks. We may require you to upgrade your computer hardware and software and to change the requirements applicable to your computer hardware and software, to the extent that we deem upgrades or changes to be advisable or reasonably necessary. There is no limitation on the frequency of this requirement, but the costs to upgrade or change your computer hardware shall not exceed \$3,000 in any calendar year. You acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to comply with those reasonable new standards that we establish.

(b) You must use the record keeping forms and procedures we provide to you.



(c) Within 60 days after Initial Training, you must use a web-based, online class registration software program that we designate for the purpose of accepting online student registrations and credit card payments from your class schedules that you maintain on our national website. You must allow us limited, independent access to your class and student information, so that we can download reports automatically. You will be required to pay Jackrabbit or such other designated software program provider any monthly or otherwise fees to use such software. You agree to maintain, at all times, credit card relationships with the credit- and debit-card issuers or sponsors, credit card processing vendors (including, among other items, companies that provide for electronic payment, such as near field communication vendors, such as “Apple Pay” and “Google Wallet”), check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems that we may periodically designate as mandatory. You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify.

(d) You must purchase equipment, software, supplies or products with our trademarks from us or suppliers that we approve or designate.

14.2 We reserve the right to inspect the products, supplies and facilities of your suppliers, to determine their conformity with this Section 14. We will maintain and make available to you a list of certain equipment, software, supplies, products and services that meet our specifications. We may modify this list. If you desire to use items or services not on the list, you will so notify us in writing before using the items or services and, if we so request, will provide us samples of the items or services and any relevant data. At your option, we will test any item or service to determine whether it meets the required specifications and will use commercially reasonable efforts to notify you within thirty (30) days after receiving all requested materials and information whether you are authorized to purchase or use such item or service. If we determine that any item or service does not meet the required specifications, you agree that you will not use the item or service in the Drama Kids Business. The supplier of any item or service proposed for use by you under this Section 14.2 may be required to demonstrate to our reasonable satisfaction that:

(a) the supplier meets our specifications, including its quality, quantity, warranty, variety, service and safety specifications, for the item or service and for the facilities used in the production and distribution of the item or service.

(b) the supplier has the capacity to supply franchisee requirements;

(c) the supplier has a sound financial condition and business reputation; and

(d) the supplier will supply items or services to a sufficient number of our franchisees to enable us to economically monitor compliance by the supplier with our specifications.

14.3 We or our related companies may offer to sell to you items or services used in operating a Drama Kids business, which may be purchased by you at your option. We or our related companies will endeavor, to the extent we are able to do so based on total purchases by our franchisees, to negotiate volume purchasing arrangements for items and services, and to offer them to our franchisees at prices not otherwise generally available to the franchisees.

14.4 To the extent we are not the manufacturer of any item or service which we may sell or provide to you, unless specifically stated otherwise in writing, we do not provide any warranty or guarantee to you or any third party, and you may not make any representation to the contrary to any third party. If we

are able to secure from any manufacturer any warranty, guarantee or assumption of liability which we are authorized to convey to you, we will so notify you.

14.5 We or our related companies may require you to make security deposits or advance payments for your purchases of items or services. You agree to pay all invoices rendered by us or our related companies for items or services within 30 days after the dates of the invoices.

## **15. DESIGN AND APPEARANCE OF BUSINESS**

15.1 You are not required to establish a commercial office for the operation of the Drama Kids Business. If, however, you choose to establish and maintain a commercial office, you acknowledge that the design and appearance of the office must be in conformity with the design and appearance of other offices within the System. You must, at your own cost and expense, purchase and install all fixtures, furnishings, equipment, supplies and signage in conformance with the Franchise Operations Manual and our specifications and requirements.

15.2 You may not make noany change to your commercial office design or appearance without our prior written consent, and must maintain and renovate periodically, at your expense, the interior and exterior of the office in the manner and within the time frame reasonably prescribed by us so as to maintain standards of design and appearance consistent with the image of the System. We will have the right to require remodeling changes to the office at your expense no more often than once every 5 years, but you will not be required to make any changes if the remodeling would occur within 1 year of the expiration date of any term of the Franchise.

15.3 You agree to purchase or lease, and to display at your commercial office, whether attached to a building or free-standing, and at any studio facilities, only signs, emblems, logos, lettering and pictorial materials that are in accordance with specifications prescribed by us in the Franchise Operations Manual or otherwise in writing, subject to changes for which we have given our prior written consent. We have the right to revise the specifications for signs, emblems, logos, lettering and pictorial materials and you must promptly alter your signs, etc., at your office and studio facilities to conform to the revised specifications. The alterations will be at your expense if revisions are required no more often than once every 3 years.

15.4 You must maintain your commercial office and all adjacent areas in good, clean, attractive and safe condition at all times. You must, at your expense, undertake all maintenance and make all repairs, replacements, alterations and additions as may be required for that purpose, including periodic cleaning, repainting, repairs and replacement of obsolete fixtures, equipment, and furnishings as we may reasonably require. You must also ensure that any facilities that you use are clean, attractive and safe.

15.5 You, at your or your employees' expense, will cause your instructors, employees and independent contractors to present themselves to clients and prospective clients, in terms of general appearance, dress and accessories, in accordance with written standards prescribed by us in the Franchise Operations Manual or otherwise in writing.

## **16. ADVERTISING AND PROMOTION**

16.1 You agree to contribute, on a monthly basis during the term of the Franchise, one percent (1%) of your Gross Sales to a system wide national advertising and promotional fund ("National Advertising and Promotional Fund Contribution").



16.2 The National Advertising and Promotional Fund will be maintained as follows:

(a) You will contribute to the National Advertising and Promotional Fund on or before the 10<sup>th</sup> day of each month based on your Gross Sales for the preceding month.

(b) Any company-owned Drama Kids Businesses will make contributions to the National Advertising and Promotional Fund on a basis at least equal to that described in Section 16.1.

(c) We will direct all advertising and promotional programs, with the sole and absolute right of approval over agencies, spokespersons, creative concepts, materials, and media placements and allocations used in the programs. You agree that the National Advertising and Promotional Fund is intended to maximize general public recognition and acceptance of the Marks for the benefit of the System, and that we and our designees undertake no obligation in administering the National Advertising and Promotional Fund to make expenditures for you which are equivalent or proportionate to your contributions, or to ensure that you benefit directly or pro rata from the placement of advertising.

(d) You agree that the National Advertising and Promotional Fund may be used to meet the costs of researching, preparing, maintaining, administering and directing advertising and promotional materials and programs (including the costs of preparing and providing promotional brochures and other marketing materials to franchisees in the System, including maintenance and improvements for our web site and social media). All sums contributed to the National Advertising and Promotional Fund will be maintained in a separate account from our general funds and will not be used to defray our general operating expenses, except for reasonable administrative costs and overhead incurred in activities related to the administration or direction of the National Advertising and Promotional Fund (up to fifteen percent (15%)), including conducting market research, preparing and distributing advertising and promotional materials, and collecting and accounting for contributions to the National Advertising and Promotional Fund.

(e) If we expend less than the total of all contributions to the National Advertising and Promotional Fund during any fiscal year, we will have the right to retain those contributions for use in subsequent years. If we expend more than the contributions accumulated in the National Advertising and Promotional Fund during any fiscal year, we will have the right to receive from the National Advertising and Promotional Fund, reimbursement or credit during the same or subsequent years to the extent of the excess expenditure.

(f) An unaudited summary report on the operation of the National Advertising and Promotional Fund will be prepared annually and will be made available to you on request 90 to 120 days after fiscal year end.

(g) Although the National Advertising and Promotional Fund is intended to be of perpetual duration, we retain the right to terminate the National Advertising and Promotional Fund. The National Advertising and Promotional Fund will not be terminated, however, until all contributions have been used for the purposes described above or returned to contributors on a prorated basis.

(h) We have established an advisory council (“Council”) to advise us on advertising policies. The Council serves in an advisory capacity only and has no operational or decision-making power. We retain the right to change or dissolve the Council, and we may determine how members of the Council are selected or elected.

### 16.3 Local Advertising and Use of Advertising Materials.

(a) We recommend, but do not require, that you advertise locally for your Drama Kids Business, including when you open your Drama Kids Business.

(b) Any local advertising and promotional materials must be dignified and conform to specifications in the Franchise Operations Manual. If prescribed advertising or promotional materials are available from us, you may not use any materials other than those prescribed by us, and must pay all reasonable fees and expenses associated with the printing and distribution of those materials. Otherwise, you must submit samples to us and obtain our prior written approval (except as to prices to be charged), of all advertising and promotional materials that you desire to use and that have not been prepared or previously approved by us. If written disapproval is not received by you within 10 days after our receipt of the materials, we will be deemed to have given the required approval. If any advertising or promotional materials previously approved by us are later disapproved, you must discontinue their use promptly on written notice from us. All materials containing our proprietary marks must include the designation trademark <sup>™</sup>, registered trademark <sup>®</sup>, service mark <sup>SM</sup>, copyright <sup>©</sup>, or any other designation we specify. We may require you to withdraw and/or discontinue the use of any promotional materials or advertising, even if previously approved. We must make this requirement in writing, and you have 5 days after receipt of our notice to withdraw and/or discontinue use of the materials or advertising. Your submission of advertising for approval does not affect your right to determine the prices at which you sell your services or products. You must include in any significant display advertisements, and in marketing materials for your Drama Kids Business, in conformance with standards in the Franchise Operations Manual, a notice that the Drama Kids Business is individually owned and operated.

16.4 You acknowledge and agree that we will own all rights to and interest in each telephone number, telephone directory listing, email address, internet sites including social media sites, and domain name used by you that is associated in any manner with your Drama Kids Business and/or with any Mark (“Listing”). You acknowledge and agree that all goodwill arising from or in connection with the use of each Listing will inure to our benefit. Promptly after the expiration, termination, repurchase or transfer of the Franchise, and at your own expense, you will notify all telephone companies with whom you have any Listing and direct them to transfer the Listing to us, or any person we designate; and you will execute any and all documents necessary to complete these transfers.

## 17. INSURANCE

17.1 You must secure before opening the Drama Kids Business, and then must continuously maintain during the term of the Franchise, insurance at your expense, as follows:

(a) Worker’s compensation or similar insurance as required by the law of the state or jurisdiction in which you are engaged in business. This insurance must be maintained for trainees, as well as for those employed or engaged in the operation of the Drama Kids Business.

(b) Automobile liability insurance with a \$1,000,000 combined single limit or a \$500,000/\$1,000,000 split limit for any vehicle you use to operate your Drama Kids Business.

(c) Comprehensive general liability insurance with a limit of at least \$1,000,000, including death or bodily injury to any person not employed or engaged by you, including students enrolled in classes, and damage to property not belonging to you and for which the insured is deemed to be legally liable.



(d) If you maintain a commercial office, insurance on the office, equipment (except portable equipment) and supplies, for loss or damage by fire, windstorm, flood and other risks usually insured against by the owners or lessors of similar property. The insurance must be for at least ninety percent (90%) of the replacement cost of the property. Unless a written waiver is obtained from us, any Drama Kids office sustaining loss or damage must be repaired, restored or rebuilt within 60 days of the date of the loss or damage.

(e) Additional insurance as we may periodically require.

17.2 If circumstances require for the protection of you and us, we, in our sole and absolute right, may increase or modify the insurance limits noted above and may require additional types of insurance. If we determine that any required insurance is not generally available to you at a cost that we, in our sole and absolute judgment, deem to be reasonable, then we may modify the insurance requirements to provide for lower limits until the insurance becomes available at a reasonable cost.

17.3 Each insurance policy maintained by you for the Drama Kids Business must: name you as the insured; name us, and our affiliates, successors, assigns, shareholders, members, partners, officers, directors, employees and agents as additional insureds; require the insurer to defend each person or entity if there is a claim; provide that any liability coverage afforded applies separately to each person or entity against which a claim is brought as though a separate policy had been issued to that person or entity; contain no provision which limits or reduces coverage if there is a claim by one or more additional insured, or by reason of any insurance which may be maintained by us; and provide coverage for your indemnification obligation under Section 24.2 of this Agreement. Coverage for the additional insureds will apply on a primary basis irrespective of any other insurance, whether collectable or not. The insurance company must be authorized to do business in the state where your Drama Kids Business is located and must be approved by us. It must also be rated "A" or better by A.M. Best & Company, Inc. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time.

17.4 Within 30 days after opening the Drama Kids Business and then annually when annual financial statements are provided, you must furnish to us a then-current copy of each insurance policy, including all amendments and endorsements, evidencing the limits noted above or as then required, and proof of premium payments, and providing that the insurance will not be cancelled, amended or modified without 30 days' prior written notice to us, together with evidence of payment of premiums.

17.5 You may not reduce any insurance limit, restrict any insurance coverage, or cancel, alter or amend any insurance policy without our prior written consent. If you fail to obtain or maintain any required insurance, you agree that we may, but are not obligated, to obtain the insurance and that you will reimburse us for the cost of the insurance, and for any reasonable expenses incurred in procuring the insurance, within 30 days of the date of our invoice. You expressly waive any objection to our purchase of insurance under this Section.

## **18. LEGAL COMPLIANCE, TAXES, LICENSES, UTILITIES AND OTHER OBLIGATIONS**

18.1 You must comply with all laws applicable to the operation of the Drama Kids Business, including all administrative and governmental regulations, occupational hazards, health, consumer protection, and unfair or deceptive practices, securing and promptly paying for all licenses, permits and inspections, and promptly paying all withholding, unemployment, occupational, privilege, license, sales, use and income taxes and the like, including all taxes and fees levied and asserted on your business property, and all utility charges assessed or charged to the Drama Kids Business. You agree to comply with all applicable laws pertaining to the privacy of customer, employee, and transactional information ("Privacy

Laws”). You agree to research and proactively ensure that your Drama Kids Business is in compliance with Privacy Laws, which may vary depending on the location of your Drama Kids Business. You also agree to comply with our standards and policies pertaining to Privacy Laws. If there is a conflict between our standards and policies pertaining to Privacy Laws and actual applicable law, you will: (a) comply with the requirements of applicable law; (b) immediately give us written notice of said conflict; and (c) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to Privacy Laws within the bounds of applicable law. You agree not to publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to said policy. You are responsible for your employees’ training, wages, taxes, benefits, safety, work schedules, work conditions, assignments, discipline and termination and for compliance with all workplace laws. We will have no obligation to direct your employees or to operate the business.

18.2 You must promptly satisfy any other indebtedness that you incur in operating the Drama Kids Business.

18.3 You must promptly notify us of the commencement of any action, suit or proceeding, or of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality that may adversely affect the operation of the Drama Kids Business.

18.4 If there is any bona-fide dispute as to any liability for taxes assessed or other indebtedness, you may contest the validity of the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law.

18.5 You agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you certify, represent and warrant that none of your property or interests is subject to being blocked under, and that you and the owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, rules, regulations, policies, lists and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

## 19. **PROPRIETARY MARKS**

19.1 You acknowledge that your use of the Marks is a temporary authorized use under license and that we retain all ownership interests in the Marks and all goodwill generated by the Marks. All uses of the Marks by you will inure to our benefit. You agree to use the Marks only in accordance with the terms of this Agreement and in accordance with the Franchise Operations Manual and acknowledge that the use of the Marks outside the scope of the terms of this Agreement without our prior written consent, is an infringement of our exclusive right, title and interest in and to the Marks. You agree that during the term of the Franchise, and after the repurchase, expiration or termination of the Franchise, you will not, directly or indirectly, commit an act of infringement or contest or aid others in contesting the validity, distinctiveness, secondary meaning, ownership or enforceability of the Marks, or take any other action in derogation of the Marks, and that no monetary amount will be assigned as attributable to any goodwill associated with your use of the System or the Marks.

19.2 You must provide services and products to the public under the service mark, trademark or trade name “DRAMA KIDS” or “DRAMA KIDS INTERNATIONAL” or “DKI ACTING ACADEMY”. Except as we permit in writing, you may not use any Mark, any derivation or modified version of any Mark,



or any confusingly similar mark: as part of any corporate, partnership, firm or other business name, web site address, email address, domain name or other identification in any print, electronic or other medium; or with any prefix, suffix or other modifying word, term, symbol or design, or for any purpose other than operating the Drama Kids Business as permitted under this Agreement. You agree to execute, during or after the term of the Franchise, at our request, any consents necessary for the registration of our corporate name in the state where you conduct the Drama Kids Business.

19.3 If it becomes advisable at any time, in our sole and absolute judgment, for the business to modify or discontinue use of any Mark and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, you agree to comply with our directions to modify or otherwise discontinue the use of the Mark, and/or to use one or more additional or substitute service marks, trademarks, trade names or trade dresses, within a reasonable time after receiving notice from us. You will be responsible for the costs of modifying or discontinuing the use of any trademark, service mark or trade name, or using one or more substitute trademarks, service marks or trade names. We will not be responsible for reimbursing you for any loss of goodwill in connection with the modification or discontinuation of any trademark, service mark or trade name.

19.4 During the term of the Franchise, in conjunction with the use of any Mark, you must identify yourself as the operator of the Drama Kids Business on letterhead sheets, invoices, order forms, receipts, business cards, contracts and similar documents, and, where required by us, on signs. The form and content of the identification must comply with specifications in the Franchise Operations Manual.

19.5 During the term of the Franchise, you must file and maintain requisite trade name or fictitious name registrations, and must execute any documents deemed necessary by us or our counsel to obtain protection for the Marks or maintain their continued validity and enforceability.

19.6 You must notify us within three (3) days if you learn of any use, by any person or entity other than us or another of our franchisees, of any Mark or any name or mark confusingly similar to any Mark.

19.7 You must promptly notify us of any litigation brought or threatened by any person or entity against you, involving any Mark. If we, in our sole and absolute judgment, undertake the defense or settlement of that litigation or claim, we will do so at our own expense, but you agree to execute any documents, and to render any assistance (excluding financial assistance) as may, in the sole and absolute right of our counsel, be reasonably necessary to carry out the defense or settlement. If the defense does not involve issues concerning the operation of your business, we will reimburse you for all reasonable out-of-pocket costs incurred in connection with assisting in the defense or settlement.

19.8 You agree that the use of any Mark contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief.

## **20. TRADE SECRETS AND CONFIDENTIAL INFORMATION**

20.1 You acknowledge that the System involves trade secrets owned by us and that, during your relationship with us, you will acquire knowledge of confidential information, including know-how, sales, organizational, operational and other information concerning the System. All data that you collect, create, provide or otherwise develop (including, but not limited to customer information) is (and will be) owned exclusively by us, and we will have the right to use such data in any manner that we deem appropriate



without compensation to you. Copies and/or originals of such data must be provided to us upon our request. We hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and solely for your use in connection with the business franchised under this Agreement.

20.2 You agree that, without our prior written consent, you will never either during or after the term of the Franchise, use or allow the use of any trade secret or confidential information except in connection with the operation of the Drama Kids Business by persons actively involved in the operation of the business. You further agree that you will not disclose the contents of any manuals, plans, records or other documents relating to the Drama Kids Business to any third party, except a party who is actively involved in the operation of the business and who has a valid need for disclosure. Any third party or employee to whom a trade secret or confidential information is disclosed will be informed that the trade secret or confidential information is confidential and proprietary to us and that it may not be used except under a franchise agreement with us. Notwithstanding the foregoing, the restrictions on the disclosure and use of the trade secrets or confidential information will not apply to disclosure of trade secrets or confidential information: (i) made in confidence to a government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of trade secrets or confidential information to an attorney and for use of the trade secrets or confidential information in such court proceeding, so long as any document containing the trade secrets or confidential information are filed under seal and the trade secrets or confidential information are not otherwise disclosed except pursuant to court order. Each of your Managers, supervisory employees, directors, and independent contractors, and persons attending initial training, must enter into our then-current Confidentiality and Non-competition Agreement, the current form of which is attached to the Franchise Disclosure Document. Furthermore, if you are an entity, each person holding a direct or indirect ownership interest in you must enter into the Owners Agreement, the form of which is attached as Attachment 3.

20.3 You agree to promptly reveal to us discoveries, inventions, innovations or improvements made by you or any of your Managers, instructors, employees or independent contractors relating to materials, devices, methods or processes in any way connected with the System, and further agree that all proprietary interests in the information, materials, devices, methods, techniques, know-how and processes utilizing those discoveries, inventions, innovations and improvements will be our property.

20.4 You agree that use of any trade secret or confidential information contrary to any term of this Agreement is an act of infringement, and that the use will cause irreparable injury to us and entitle us to an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, from a court or agency of competent jurisdiction, court costs, reasonable expenses of litigation, reasonable attorneys' fees, and any other appropriate relief. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing, and expressly waive all claims for damages caused by the wrongful issuance of any injunction.

20.5 You agree that you will not directly or indirectly contest our rights to any copyrighted works, confidential information, or trade secrets. You agree to not communicate with anyone except us, our counsel, or our designees regarding any infringement, challenge, or claim. We will take action as we deem appropriate regarding any infringement, challenge, or claim, and the sole right to control, exclusively, any litigation or other proceeding arising out of any infringement, challenge, or claim under any copyrighted works, confidential information, or trade secrets. You agree to sign any and all instruments and documents, give the assistance, and do acts and things that may, in the opinion of our counsel, be necessary to protect and maintain our interests in any litigation or proceeding, or to protect and maintain our interests in any copyrighted works, confidential information, or trade secrets.

20.6 You agree to notify us within three (3) days after you learn about another's use of language, a visual image, or a recording of any kind, that you perceive to be identical or substantially similar to one of our copyrighted works, confidential information, or trade secrets or if someone challenges your use of our copyrighted works, confidential information, or trade secrets.

## **21. NON-COMPETITION**

21.1 Unless otherwise specified in this Agreement, the term "you" in this Section 21 includes, collectively and individually, each shareholder, member, partner, officer and director ("principal"), and each direct or indirect holder (and each principal of each holder) of any beneficial interest in you, if you are a corporation, limited liability company or partnership ("legal entity").

21.2 You agree that during the term of the Franchise, you will not, directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person or entity, divert or attempt to divert any business or client of the Drama Kids Business to any competitor or other person by direct or indirect inducement or otherwise, but this Section 21 will not prevent you from referring clients in good faith to other businesses, including competitors' businesses, that may be able to provide those clients with services or products not available from the Drama Kids Business.

21.3 You agree that during the term of the Franchise, you will not, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, approach, solicit or otherwise attempt to divert any existing business from a Territory of any other Drama Kids franchisee by any means.

21.4 You acknowledge that certain methods of doing business and other elements comprising the System are unique and distinctive, and have been developed by us at great effort, skill, time and expense; that you will have regular and continuing access to valuable trade secrets, confidential information and valuable training regarding the System; and that you recognize your continuing obligation to promote the Drama Kids Business. You accordingly agree as follows:

(a) During the term of the Franchise, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business located in the United States which offers, or which franchises or licenses others to offer, services or products that are the same as or substantially similar to services or products that are or could be offered by you under this Agreement.

(b) You agree that, for an uninterrupted period of 2 years after the expiration or termination of the Franchise, regardless of the cause of expiration or termination, you will not, without our prior written consent, directly or indirectly, for yourself, or through, on behalf of or in conjunction with any other person or entity, own, operate, engage in, have any interest in, be employed by or perform any service for any business which offers within 20 miles of the Drama Kids Business or any Drama Kids Business operating or under development, or which franchises or licenses others to offer within 20 miles of the Drama Kids Business, services or products that are the same as or substantially similar to services or products that were or could have been offered by you under this Agreement.

21.5 You acknowledge that your violation of any term of this Section 21 will cause irreparable injury to us for which no adequate remedy at law is available. You accordingly consent to the issuance of an order of specific performance and/or a temporary, preliminary or permanent injunction, without bond, prohibiting any conduct by you in violation of any term of this Section 21.

21.6 Each term and subpart of a term of this Section 21 is independent of each other term and subpart of a term of this Agreement. If a term or subpart of a term of this Section 21 is held unreasonable or unenforceable by any court, agency or other tribunal of competent jurisdiction, you agree to be bound by any lesser term or subpart that imposes the maximum duty permitted by law, as if the resulting lesser term or subpart were separately stated in this Section 21, and also agree to be bound by each other subpart of a term of this Agreement.

21.7 You acknowledge that we may, in our sole and absolute right, reduce the scope of any term or subpart of any term in this Section 21 without your consent, effective immediately on written notice from us, and you agree that you will promptly comply with any term or subpart so modified, which will be fully enforceable notwithstanding any other term or subpart of this Agreement.

21.8 You agree that any claim you may have against us, whether or not related to the Drama Kids Business, will not be a defense to the enforcement by us of any term of this Section 21. You further agree that we will be entitled to set off any amounts owed by us to you against any loss or damage to us arising from your breach of this Agreement, including this Section 21.

21.9 This Section 21 will not apply to any ownership by you of less than a five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation.

## **22. INSPECTION BY DKI**

22.1 Our field representative or designee may make an inspection of the Drama Kids Business at any reasonable time to ensure compliance with all terms of this Agreement, which inspection may include interviews of your Manager, instructors, employees and independent contractors to ascertain their knowledge of and compliance with the System, as well as interviews with your clients to determine their level of satisfaction. You agree that the field representative or designee will be allowed to take a physical inventory of the assets of the Drama Kids Business, and to inspect any records of the Drama Kids Business, including your books and financial accounts, at any time during normal business hours. Any inspection will be made at the expense of us or our designee, but if we or our designee must make more than two inspections concerning your repeated or continuing failure to comply with this Agreement, including but not limited to failing to submit required reports; or if we or our designee's inspection results in a finding that royalties were under reported to us by greater than three percent (3%), we will have the right to charge you for the costs of making the inspection concerning your failure to comply, including the reasonable travel, lodging and meal expenses of our field representative or our designee. At the conclusion of his or her inspection, the field representative or designee will prepare a written report. You or your Manager, will be given a copy of the report and will sign a second copy to be sent to us, on which he or she may acknowledge or contest the field representative's or designee's conclusions and observations.

22.2 During any inspection, you agree to cooperate fully and to give any assistance reasonably requested. Promptly after receiving notice of any deficiencies detected in an inspection, you agree to take steps necessary to correct the deficiencies, including if necessary, the temporary closing of the Drama Kids Business. Without limiting our other rights and remedies, we will have the right, if you fail or refuse to act promptly, to make or cause to be made any required corrections and to charge the costs of correction to you.

## **23. FRANCHISEE AS INDEPENDENT CONTRACTOR**

23.1 This Agreement does not create a partnership, joint venture, fiduciary, parent/subsidiary, principal/agent or employer/employee relationship between us and you. You will be an independent contractor with entire control and direction of the Drama Kids Business, subject only to the terms of this



Agreement and the related agreements. The Drama Kids Business will be totally separate from any business that may be operated by us. You will conspicuously identify yourself in all dealings with clients, suppliers, public officials, your personnel and others as the independent owner and operator of the business under a franchise granted by us, and will place notices of independent ownership and operation on signs, forms, business cards, stationery, advertising and other materials as we may require. You will not hold yourself out as our agent, employee, or co-venturer. You acknowledge that we have no responsibility to ensure that the Drama Kids Business is developed and operated in compliance with all applicable laws, ordinances, and regulations and that we shall have no liability in the event the development or operation of Drama Kids Business violates any law, ordinance or regulation, You agree to inform your employees that you alone are their employer and that we are not. We will have no right to hire or fire any of your employees or independent contractors or to exercise any control over those employees or independent contractors, all of whom will be entirely under your control and direction and you will be responsible for their acts and omissions. Upon our request, you and each employee will sign an employment relationship acknowledgement form within seven (7) days stating that you alone are the employer and operate the Drama Kids Business. You will use your legal name on all documents for use with employees and contractors, including but not limited to, employment applications, time cards, pay checks, and employment and independent contractor agreements and will not use the Marks on these documents.

23.2 No party to this Agreement may make any representation tending to create an apparent partnership, joint venture, fiduciary, parent/subsidiary, principal/agent or employer/ employee relationship between us and you. No party may act for or on behalf of any other party in any manner to create obligations or debts binding on the other party, or may make any agreement, warranty or representation on behalf of any other party. No party is responsible for any obligations, debts or expenses of any other party.

23.3 You further agree that fulfillment of any and all of our obligations written in the Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

## **24. INDEMNIFICATION**

24.1 We must indemnify you, your affiliates, successors and assigns, and your principals, for any expenses arising out of any claim for copyright or trademark infringement or unfair competition directly or indirectly related to your authorized use of our materials or the Marks under this Agreement and the provisions of the Franchise Operations Manual, if you notify us in writing within 30 days, or within any shorter period necessary to avoid prejudice, after learning of the claim, and also if we are given the opportunity, if we so choose, in our sole and absolute right, to control the settlement or defense of the claim. You may not settle any claim to which this Section 24.1 applies without our prior written consent.

24.2 You must indemnify us, our affiliates, successors and assigns, and our shareholders, members, partners, officers, directors, employees and agents, for all expenses that we sustain, incur, or become liable for arising out of any claim directly or indirectly related to your operation of the Drama Kids Business or performance or lack of performance under this Agreement (including failure to pay monies payable to us our affiliates), to the extent that the claim does not arise from our gross negligence or wrongful conduct. You must indemnify us for any claims related to your employment or other contractual relationship with your employees, managers, or independent contractors, including any allegation claim, finding or ruling that we are an employer or joint employer of your employees You also must promptly notify us of any claim by or against you directly or indirectly related to your operation of the Drama Kids Business and, on request, must furnish us with copies of any filings in any proceeding involving the claim.

24.3 As used in this Section 24, the word “expenses” includes all losses, compensatory, exemplary or punitive damages, fines, charges, costs, lost profits, attorneys’ fees, accountants’ fees, expert witness fees, expenses, court costs, settlement amounts, judgments, compensation for damages to reputation or goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and costs of recall, refunds, compensation and public notices.

24.4 The indemnification obligations of us and you will survive the expiration or termination of the Franchise for as long as any potential for liability under any applicable law, rule, ordinance, statute or judicial decision remains. In this regard, to the maximum extent permitted by law, we and you each waive the effect of any statute of limitation that would, by lapse of time, limit our indemnification obligations.

## **25. TRANSFERS OF INTEREST**

25.1 Transfer by DKI. We may sell, assign, transfer, convey, give away, pledge, hypothecate, mortgage or otherwise encumber (“transfer”) all or any part of our rights, interests or obligations in this Agreement to any person or entity. On termination or cancellation of our U.S. license, our rights and obligations under this Agreement will be automatically assigned to Helen O’Grady (CI) Ltd or its designee.

### 25.2 Transfer by Franchisee.

(a) Your rights and obligations under this Agreement are personal to you, and we have granted the Franchise in reliance on your (or your principals’) business skill, financial capacity, personal character, and reputation for honesty, integrity and fair dealing. Accordingly, you, and your successors, assigns, and/or principals, may not transfer any interest in you, in this Agreement or any related agreement, in the Franchise or in the Drama Kids Business, without our prior written consent. Any purported transfer not having our prior written consent will be null and void.

(b) We will not unreasonably withhold our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Drama Kids Business, but if a transfer, alone or together with other previous, simultaneous or proposed transfers, would have the effect of transferring either a controlling interest in or operating control of you, this Agreement, any related agreement, the Franchise or the Drama Kids Business, we may, in our sole and absolute right, require as conditions to its consent that:

(i) You are in compliance with the terms of this Agreement;

(ii) The transferee (including anyone with a beneficial interest in the transferee if the transferee is a legal entity) has demonstrated to our satisfaction that the transferee meets our then-current standards being applied to any prospective franchisee. For example, the transferee must demonstrate that it meets our educational, personal, managerial and business standards; possesses a good moral character and a good business reputation; has the aptitude and ability to conduct the Drama Kids Business, as may be shown by prior related experience; has adequate financial resources and capital to operate the Drama Kids Business; is financially responsible and has a good credit rating; will be likely in our sole and absolute judgment to comply with the terms of this Agreement and our then-current franchise agreement and Franchise Operations Manual; and has no direct or indirect connection with any actual or potential competitor of us or any of our franchisees;

(iii) Your debts to us and others relating to the Drama Kids Business have been satisfied;



(iv) You (including anyone with a beneficial interest in you if you are a legal entity) have executed a general release, in a form satisfactory to us, of any claims against us and our shareholders, members, partners, officers, directors, employees and agents, in their corporate and individual capacities;

(v) The transferee (including anyone with a beneficial interest in the transferee if the transferee is a legal entity) has entered into a written transfer agreement, in a form satisfactory to us, assuming and agreeing to discharge your obligations under this Agreement and any related agreements;

(vi) The transferee (including anyone with a beneficial interest in the transferee if the transferee is a legal entity) executes our then-current franchise agreement (excluding any requirement to pay an Initial Franchise Fee) and related agreements (including any owners agreements and guarantees). The then-current franchise agreement and related documents will have the same term expiration date of this Agreement, but may contain terms different from those in this Agreement, including different fees, advertising contributions, training requirements and quotas;

(vii) The transferee and its Manager, if any, have agreed to successfully complete (at the transferee's expense and to our satisfaction), our next-scheduled initial training session;

(viii) You or the transferee has paid, in lieu of paying the Initial Franchise Fee specified in Section 9.1, a transfer fee of \$108,000 to reimburse us for our costs incurred in evaluating the proposed transferee, the transfer terms, providing initial training, and other obligations. The transfer fee is non-refundable, and is fully earned by us when paid;

(ix) We have decided not to exercise our right of first refusal, if any, under Section 25.4;

(x) You have updated your equipment to our then-current specifications in the Franchise Operations Manual;

(xi) We have consented to the material terms and conditions of the transfer, including the price and terms of payment, which will not be so burdensome as to adversely affect the operation of the Drama Kids Business by the transferee;

(xii) In connection with any transfer to a transferee who is referred to you by a third party broker to whom we will owe a commission, finder's fee or other compensation in connection with the sale, you reimburse us for our actual cost; and

(xiii) If any part of the sale price of any transferred interest is to be financed, you agree that all obligations of the transferee under any promissory notes, agreements or security interests reserved by you in the assets of the Drama Kids Business will be subordinate to the obligations of the transferee to pay royalty fees, advertising contributions and other amounts due to us and our affiliated companies, or otherwise to comply with this Agreement or the franchise agreement executed by the transferee.

(c) No transfer in the nature of a grant of a security interest in you, this Agreement, any related agreement, the Franchise or the Drama Kids Business will be permitted without our prior written consent, in our sole and absolute right. If we consent to a transfer in the nature of a grant of a security

interest, and if the holder of the security interest later seeks to exercise your right or assume the interest of you in the Franchise, this Agreement, any related agreement, you or the Drama Kids Business due to a default under any documents related to the security interest, we will have the option to purchase the rights of the secured party by paying all sums then due to the secured party, and the secured party will sign an agreement to that effect before any transfer takes place.

25.3 Transfer to Franchisee's Legal Entity. If a proposed transfer is to a legal entity controlled by you, formed solely for the convenience of ownership, our consent to the transfer may, in our sole and absolute right, be conditioned on the following requirements:

(a) The legal entity's activities will be confined exclusively to operating the Drama Kids Business;

(b) You will own a majority stock interest, membership or partnership interest in the legal entity, and will act as its principal operating officer, managing partner or equivalent;

(c) Each stock certificate of a corporation, evidence of ownership in a limited liability company, certificate of interest in a partnership or any other tangible evidence of ownership interest in a legal entity will have conspicuously endorsed on its face a statement in a form satisfactory to us that it is held subject to, and that further transfer is subject to, all restrictions on transfers in this Agreement;

(d) All principals will jointly and severally guarantee the legal entity's performance and will bind themselves to the terms of this Agreement and any related agreements;

(e) You will maintain a then-current list of all principals and beneficial owners of any class of stock, and furnish the list to us on request; and

(f) Copies of the legal entity's Certificate and Articles of Incorporation, Certificate and Articles of Organization, Certificate and Agreement of Partnership, By-Laws, resolution authorizing entry into this Agreement and any other significant governing documents, promptly will be furnished to us.

#### 25.4 DKI's Right of First Refusal.

(a) If you or any other person or entity at any time determines to sell an interest in you, the Franchise or the Drama Kids Business, a true and complete copy of the offer (and any proposed ancillary agreements) will immediately be submitted to us by you or the other person or entity involved. The offer must apply only to an interest in you, the Franchise or the Drama Kids Business. It must not include the purchase of any of your other property or rights (or those of your principals), but if the offeror proposes to buy any other of your property or rights (or those of principals) under a separate, contemporaneous offer, the price and terms of purchase offered to you (or to your principals) for the interest in you, the Franchise or the Drama Kids Business will reflect the bona-fide price offered and will not reflect any value for any other property or rights. We will have the right, exercisable by written notice delivered to you, or the person or entity involved, within 30 days after receipt of the copy of the offer, to purchase the interest for the price and on the terms and conditions contained in the offer, but we may substitute cash, a cash equivalent, or marketable securities of equal value for any form of payment proposed in the offer. Our credit will be deemed equal to the credit of any proposed purchaser, and we will have not less than 60 days to prepare for closing. If the parties cannot agree on a cash equivalent within a reasonable time, they will either jointly select one appraiser, or three appraisers will be selected (one by us, one by you, and one jointly by the first two appraisers), and his, her or their determination will be binding. The parties will share equally the fees and expenses of any appraiser jointly selected, but each must pay any separately selected appraiser individually. We will be entitled to purchase the interest subject to all customary representations

and warranties given by the seller of the assets of a business or voting stock of an incorporated business, as applicable, including representations and warranties as to ownership, condition and title to stock and/or assets, liens and encumbrances relating to the stock and/or assets, validity of contracts, and liabilities, contingent or otherwise, of any corporation whose stock is purchased. If we do not exercise our right of first refusal, you or the person or entity involved may complete the sale to the purchaser under the terms of the offer subject to our consent to the transfer under Section 25.2(b), but if the sale to the purchaser is not completed within 120 days after receipt of the offer by us, or if there is a material change in the terms of the sale, we will have an additional right of first refusal for 30 days on the same terms and conditions as were applicable to the initial right of first refusal. Our right of refusal is fully assignable by us.

(b) If a proposed transferee is the spouse, child or parent of the proposed transferor, or is a person or entity already holding an equity interest in you or the Drama Kids Business, as of the date of this Agreement, that has been disclosed to us, we will not have any right of first refusal as provided in Section 25.4(a), unless the proposed transferee has a direct or indirect connection with any actual or potential competitor of us or any of our franchisees. However, the transferor must provide written notification of this type of transfer to us at least 30 days before ~~consummation of you complete~~ that transfer.

**25.5 Transfer on Death, Permanent Incapacity or Dissolution.** On the death or permanent incapacity of any person with an interest in you, this Agreement, any related agreement, the Franchise or the Drama Kids Business, or on your dissolution if you are a legal entity, the executor, administrator, personal representative or trustee (“personal representative”) of that person or entity will transfer his, her or its interest to a third party acceptable to us within 240 days after assuming that capacity. Any transfer of this type, including a transfer by devise or inheritance, will be subject to the same requirements as other transfers under this Agreement, but if the transfer is to a spouse, child or parent, the fee required under Section 25.2(b)(viii) will not be required. If the personal representative is unable to meet these conditions, the personal representative of that deceased person will have an additional 60 days to dispose of the interest, which disposition will be subject to the requirements for transfers in this Agreement, including the requirements of this Section 25. If the interest is not disposed of within 60 days, we may terminate this Agreement, or may exercise an option to purchase the Drama Kids Business at fair market value, determined by reference to the income and asset value of the Drama Kids Business as a going concern, but the earnings multiple used to determine the going concern value will be reduced to exclude any goodwill associated with your use of the Marks. The going concern value, which will be determined as of the date of the transfer, will be payable in cash or cash equivalent at closing, unless otherwise agreed by the parties. If the parties fail to agree on a going concern value, three appraisers will be designated (one by us, one by the personal representative, and one by the first two appraisers), and their determination will be binding. The parties will share the appraisers’ fees and expenses equally.

**25.6 Non-Waiver of Claims.** Our consent to a transfer of any interest in you, this Agreement, any related agreement, the Franchise or the Drama Kids Business will not be a waiver of any claims we may have against the transferring party, nor will it be a waiver of our right to demand the transferee’s compliance with the terms of this Agreement.

## **26. DEFAULT AND TERMINATION**

**26.1 Automatic Termination.** Except as may be prohibited by federal bankruptcy law or applicable state law, you will be deemed to be in default under this Agreement, and the Franchise will ~~automatically immediately~~ terminate without notice to you, if you make a general assignment for the benefit of creditors, suffer the filing of an involuntary bankruptcy petition which is not dismissed within 60 days after filing, file a voluntary bankruptcy petition, are adjudicated a bankrupt, or suffer temporary or permanent court-appointed receivership of substantially all of your property; if suit to foreclose any lien or mortgage against the premises or equipment of your business is instituted and not dismissed within 60 days;



if the premises or equipment of your business is sold after levy thereupon by any sheriff, marshal or constable; or if you (or your principals, if you are a legal entity) are convicted of a crime involving moral turpitude.

26.2 Termination upon Notice. Except as may be prohibited by federal bankruptcy law or applicable state law, you will be in default and we may, in our sole and absolute right, terminate the Franchise, without giving you any opportunity to cure the default, effective immediately on giving written notice of termination to you, if:

- (a) You are insolvent (are unable to pay your debts as they come due or have debts that are greater than your assets) and not otherwise subject to automatic termination under Section 26.1;
- (b) You, without our prior written consent, cease to operate the Drama Kids Business;
- (c) You (or your principals if you are a legal entity) are convicted of a felony, a crime involving consumer fraud, or any other crime that is reasonably likely, in our sole and absolute judgment, to have an adverse effect on the System, the Marks, the goodwill associated with the System or the Marks, or our interest in the System or the Marks;
- (d) The operation of the Drama Kids Business is creating a threat or danger to public health or safety;
- (e) You have failed to make timely payments of royalty fees or any other monies owed to us, or have committed defaults of this Agreement, a 2nd time within 12 months of any prior default for which we have given you written notice, or have received 3 notices of default from us, whether or not cured;
- (f) You knowingly make a material, false or incomplete statement in any report submitted to us;
- (g) We discover that you knowingly made a material, false or incomplete statement to us to obtain the Franchise;
- (h) You or any other person or entity purportedly transfers any interest contrary to Section 25;
- (i) You participate in competition contrary to Section 21;
- (j) You improperly disclose the contents of the Franchise Operations Manual or any other information learned or received under this Agreement and designated as “confidential”, contrary to Section 12 or 20;
- (k) An approved transfer is not effected following death, permanent incapacity or dissolution as required by Section 25.5;
- (l) You suffer any federal, state or local tax lien, levy or suit to enforce the same brought against you or your property;
- (m) You fail to open for business within the period specified in Section 5.1 of this Agreement; or



(n) You underpay or under-report any amount by four percent (4%) or more for any consecutive 3-month period.

26.3 Termination after Notice and 30-Day Opportunity to Cure. You will have 30 days, or any greater period permitted by us or required by law, to cure any default for which we have given written notice of termination to you under this Section 26.3, and to provide us with evidence of the cure. If a default is not cured within that period, the Franchise will terminate without the need for further notice to you, effective immediately on the expiration of the cure period. In the event of a default, all of our costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of our administrative employees, shall be paid to us by you within five days after cure, or upon demand by us if such default is not cured. We may give written notice of termination under this Section 26.3 for any failure by you to comply with any term of this Agreement or any requirement in the Franchise Operations Manual. Defaults may include, for example, if:

(a) You fail, refuse or neglect to pay to us or any affiliated company any sum owing when due, or to submit to us any required information when due;

(b) You fail to maintain any standard, specification, procedure or curriculum usage required to be maintained or followed by this Agreement or the Franchise Operations Manual;

(c) You fail, refuse or neglect to obtain our prior written acceptance, approval or consent as required by this Agreement;

(d) You misuse or make any unauthorized use of the System or the Marks, or otherwise materially impair the goodwill associated with or our rights in the System or the Marks;

(e) You or your Manager, if any, fail to comply with the requirement of personal attention in Section 4;

(f) You fail to maintain books and records as specified in the Franchise Operations Manual and other manuals, and in a manner which permits an accurate determination of Gross Sales; or

(g) You fail, refuse or neglect to pay to any third party, including any major supplier, or government taxing or licensing authority, any sum owing when due, or to satisfy any other material obligation relating to the Drama Kids Business.

26.4 Termination with Cause by Franchisee. You may terminate the Franchise with cause, if we have materially defaulted in the performance of any material obligation under this Agreement, and if:

(a) You have given us written notice of termination; and

(b) We have failed to cure a noticed default within 60 days after the notice is given; but if we will be delayed, hindered in or prevented from the performance of any act required by the notice because of strike, labor trouble, inability to procure materials, restrictive governmental law or regulation, riot, insurrection, war or act of war, default of another party, or other reason beyond its control, then performance of the act will be excused for the period of delay, and the period of performance of the act will be extended for a period equivalent to the period of the delay.

The right to termination under this Section 26.4 shall only apply so long as you are in full compliance under this Agreement.



26.5 Termination without Cause by Franchisee. You may terminate the Franchise without cause at any time, if:

- (a) You have given us 180 days' written notice of termination;
- (b) You have satisfied your monetary obligations to us and all other suppliers and clients of your Drama Kids Business; and
- (c) You have executed a general release, in a form satisfactory to us, of all claims against us and our shareholders, members, partners, officers, directors, employees and agents, in their corporate and individual capacities.

## **27. OBLIGATIONS ON REPURCHASE, EXPIRATION OR TERMINATION**

27.1 On repurchase, expiration or termination of the Franchise, in addition to fulfilling your other continuing obligations under this Agreement:

- (a) You promptly will surrender to us or our designee, or, if directed by us, destroy and immediately discontinue the use of, any materials or designations indicating or intending to indicate in any way that you are our franchisee;
- (b) You immediately and permanently will discontinue use of the System and any information received under this Agreement and designated as "confidential";
- (c) You promptly will deliver to us or our designee the Franchise Operations Manual and all other manuals, bulletins, instruction sheets, forms, devices, client, employee and independent contractor lists, and written materials received by you under this Agreement and the student lists compiled by you during the term, without keeping any copies;
- (d) You promptly will pay all charges due for telephone services and Drama Kids telephone listings, assign those telephone listings to us or our designee, and discontinue any social media, radio, newspaper or other advertising which may in any way identify you with our services or products;
- (e) You promptly will take any action necessary to cancel any assumed name or equivalent registration that contains the mark DRAMA KIDS, DRAMA KIDS INTERNATIONAL or any other Mark, and submit to us proof of compliance with this obligation within 30 days after repurchase, expiration or termination;
- (f) At our option and direction, you will assign to us or our designee the lease for the location of your office, if any;
- (g) You must follow any procedures established by us to ensure the expiration of this Agreement creates the least disruption possible to the System, including those procedures set forth in the Franchise Operations Manual.

27.2 You and we will make a prompt and final accounting on repurchase, expiration or termination of the Franchise. Any sums owed under this Agreement, any sums related to the Drama Kids Business owed to third parties, and any other sums related to the Drama Kids Business owed for judgments or otherwise, promptly will be paid by the owing party.



## **28. ENTIRE AGREEMENT; EXECUTION DATE; MODIFICATION**

28.1 This Agreement and the related agreements are the entire agreement of the parties, superseding all prior written or oral agreements of the parties concerning the same subject matter. However, nothing in this Agreement or any related agreement is intended to disclaim our representations made in the Franchise Disclosure Document. Except for those permitted by this Agreement to be made unilaterally by us, including our right to modify the Franchise Operations Manual and System, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. The terms of this Agreement are binding on the parties, and on their heirs, executors, administrators, successors and assigns.

28.2 The execution date of this Agreement is the date it is countersigned by us.

28.3 Except as otherwise specified in this Agreement, this Agreement may not be modified except in a written agreement signed by the parties.

28.4 This Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original.

## **29. INTERPRETATION**

29.1 The caption headings of this Agreement are for convenience only and should in no way affect the manner in which any term of this Agreement is interpreted.

29.2 Whenever the context requires, the singular includes the plural, the plural includes the singular, the whole includes any part, and any gender includes all other genders.

29.3 The following words have the following meanings in this Agreement and any related agreements: “including” means “including but not limited to”; “will” means “shall”; and “repeatedly” means “at least 3 times”.

29.4 Whenever this Agreement gives us the right to perform an act in the future, that act may be performed “from time to time”, when we choose, in our sole and absolute right, unless stated otherwise in this Agreement.

29.5 If two or more parties sign this Agreement for you or as guarantors for you, their liability is joint and several.

29.6 This Agreement is governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the laws of the State of Florida.

29.7 No provision herein expressly identifying any term or breach of this Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material.

## **30. PARTIAL INVALIDITY**

30.1 If any Section of this Agreement is determined to be wholly invalid, that determination will not be deemed to affect the validity of any other Section. The parties agree that the remaining Sections will be deemed to be in full force and effect as if the parties had executed them after removal of the invalid Section. If any Section is determined to be partially invalid, the remainder of that Section will continue to be enforceable if in accordance with the intent of the parties.



30.2 If any applicable and binding law or rule of any jurisdiction requires greater prior notice of the termination of or refusal to renew the Franchise than is required by this Agreement or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the notice and/or action required by the law or rule will be substituted for the notice or action requirements of this Agreement, or the invalid or unenforceable provision, specification, standard or operating procedure will be modified to the extent required to be valid and enforceable. The modifications to this Agreement will be effective only in the jurisdiction requiring them, and this Agreement will be enforced as originally made and entered into in all other jurisdictions.

### **31. WAIVER AND ESTOPPEL**

31.1 No failure of us to exercise any right reserved to us under this Agreement, or to insist on compliance by you with any term of this Agreement, and no custom or practice of the parties at variance with any term of this Agreement, will constitute a waiver of our right to demand compliance with any term of this Agreement. Waiver by us of any default will not affect or impair our rights as to any subsequent default of the same or a different nature; nor will any delay, forbearance or omission by us to exercise any right as to any default of any term of this Agreement affect, impair or be a waiver by us of any right as to any subsequent default. Our rights and remedies under this Agreement are cumulative, and our exercise or enforcement of any right or remedy under this Agreement will not preclude us from exercising or enforcing any other right or remedy to which we are entitled.

31.2 If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests; (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith; and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised.

### **32. DISPUTE RESOLUTION**

32.1 Mediation. Without limiting our rights and remedies under Section 26 and except as set forth in Section 32.3 below, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Agreement, or any of the parties' respective rights and obligations arising out of this Agreement, shall be submitted first to non-binding mediation prior to a hearing in binding arbitration. Such mediation shall take place in the city closest to our principal place of business (currently Fort Myers, Florida) under the auspices of the American Arbitration Association ("AAA"), or other mediation service acceptable to us in our sole discretion, in accordance with AAA's Commercial Mediation Procedures then in effect. You may not commence any action against us or our affiliates with respect to any such claim unless mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by us. The parties shall each bear their own costs of mediation and shall share equally the filing fee imposed by AAA and the mediator's fees. We reserve the right to specifically enforce our right to mediation. Prior

to mediation, and before commencing any legal action against us or our affiliates with respect to any such claim or dispute, you must submit a notice to us, which specifies in detail, the precise nature and grounds of such claim or dispute.

32.2 Binding Arbitration. If the parties cannot fully resolve and settle a dispute through mediation as set forth in Section 32.1, all unresolved issues involved in the dispute shall be, at the request of either party, submitted to final and binding arbitration to be conducted in the city closest to our principal place of business (currently Fort Myers, Florida) by AAA (if AAA or any successor thereto is no longer in existence at the time arbitration is commenced or is no longer available for arbitration in such city, you and we will agree on another arbitration organization to conduct the arbitration proceeding), in accordance with AAA's Commercial Arbitration Rules and otherwise as set forth below on an individual basis (not a class action). In any arbitration proceeding, each party will submit or file any claim that would constitute a compulsory counterclaim as defined by the Federal Rules of Civil Procedure within the same proceeding as the claim it relates to. Any claim that is not submitted or filed as required is forever barred. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement including, but not limited to any claim that all or any part of this Agreement is void or voidable:

(a) Notice of Arbitration. Either party may initiate the arbitration proceeding by making a written demand to the other party, and both parties will then be obligated to engage in arbitration. The demand for arbitration must be served on the other party within the period provided by the applicable statute of limitations, and must contain a statement setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. A demand for arbitration will not operate to stay, postpone or rescind the effectiveness of any termination of this Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

(b) Selection of Arbitrator. Arbitration will be conducted before a single, neutral arbitrator who is familiar with legal disputes of the type at issue and who has franchise business or contract experience. The parties will mutually agree on the selection of the arbitrator; however, if the parties have not agreed on the selection of an arbitrator within 30 days after the arbitration demand, either party may request AAA or successor organization, to appoint a qualified arbitrator.

(c) Discovery. All discovery must be completed within 60 days following appointment of an arbitrator, unless otherwise agreed by the parties. Depositions will be limited to a maximum of five per party and will be held within 30 days after making a request. Additional depositions may be scheduled only with the permission of the arbitrator and for good cause shown. Each deposition will be limited to a maximum of six hours duration. Should a dispute arise over the extent of or propriety of any discovery request, the arbitrator will make a final determination after hearing each party's position.

(d) Statement of Case. At least five days before the scheduled hearing, each party must deliver to the arbitrator and to the other party a written summary of its position on the issues in dispute.

(e) Arbitrator's Decision. The arbitrator will issue a written decision within ten days after conclusion of the hearing, explaining the basis for the decision. Judgment upon the decision rendered by the arbitrator may be entered in any court having jurisdiction. This decision will be binding upon both parties. The arbitrator will have authority to assess actual damages

sustained by reason of any breach or wrongful termination of this Agreement, including monetary damages and interest on unpaid amounts from date due, specific performance, injunctive and declaratory relief, and legal fees and costs, but will not have any authority to amend or modify the terms of this Agreement or to assess exemplary or punitive damages. Except for claims excluded from mediation and arbitration herein, the arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Agreement including, but not limited to any claim that all or any part of this Agreement is void or voidable.

(f) Time Schedule. Any award will be made within nine months of the filing of the notice of intention to arbitrate and the arbitrator will agree to comply with this schedule before accepting appointment. The parties will use due diligence to meet the foregoing time schedule, and the arbitrator will have the right to impose appropriate sanctions against any party who fails to comply with the agreed-upon time schedule. The arbitrator will use his best efforts to comply with the foregoing time schedule, but may unilaterally modify it if, in his opinion, modification is necessary for a proper and just resolution of the dispute. The parties may jointly modify the agreed-upon time schedule, subject to the arbitrator's approval.

(g) Arbitration Expenses. The fees of, and authorized costs incurred by, the arbitrator will be shared equally by the parties, and each party will bear all of its own costs of arbitration; provided, however, that the arbitration decision will provide that the substantially prevailing party will recover from the other party its actual costs and expenses (including arbitrator's fees and expenses, and attorney fees and expenses) incurred in connection with the dispute.

(h) Confidentiality. The entire arbitration proceedings and related documents are confidential. Except as necessary to enforce the decision of the arbitrator hereunder, all conduct, statements, promises, offers, views and opinions, whether oral or written, made in the course of the arbitration by any of the parties, their agents, employees or representatives and by the arbitrator, are confidential. These matters will not be discoverable or admissible for any purposes, including impeachment, in any litigation or other proceeding involving the parties, and will not be disclosed to anyone who is not an agent, employee, expert witness, or representative for any of the parties; however, evidence otherwise discoverable or admissible is not excluded from discovery or admission as a result of its use in the arbitration.

(i) Acknowledgement. The parties acknowledge that nothing herein shall delay or otherwise limit our rights and remedies under Section 26 of this Agreement. A notice or request for arbitration or mediation will not operate to stay, postpone, or rescind the effectiveness of any demand for performance or notice of termination under this Agreement.

32.3 Disputes Not Subject to Mediation or Arbitration. Notwithstanding the foregoing, the following will not be subject to mediation or arbitration under Sections 32.1 or 32.2 and you or we may immediately file a lawsuit in accordance with this Section 32.3 with respect to any of the following:

(i) any action that involves an alleged breach of any restrictive covenant under Sections 19, 20, or 21;

(ii) any action petitioning specific performance to enforce your use of the Marks or the System or to prevent unauthorized duplication or use of the Marks or the System;

(iii) any action for equitable relief, including without limitation, seeking preliminary or permanent injunctive relief, specific performance, or other relief in the nature of equity, including an action to enjoin an alleged violation or harm (or imminent risk of violation or harm) to any of our rights in our intellectual property, copyrights, Marks, the System, or in any of our specialized training, trade secrets, or other confidential information, brought at any time including prior to or during the pendency of any mediation or arbitration proceedings under Sections 32.1 or 32.2;

(iv) any action seeking compliance with post-termination obligations set forth in Section 27; or

(v) any action for possession of any interest in personal property.

32.4 Venue. All disputes and claims must be mediated, arbitrated, and if applicable, litigated in the principal city closest to our principal place of business (currently Fort Myers, Florida); provided that we have the option to bring suit against any you in any state or federal court within the jurisdiction where your Drama Kids Business is or was located or where any of your owners lives for those claims brought in accordance with Section 32.3. The parties consent to the exercise of personal jurisdiction over them by these courts, and to the propriety of venue in these courts for the purpose of this Agreement, and the parties waive any objections that they would otherwise have in this regard. Each of the parties specifically waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other party with respect thereto.

32.5 Fees and Costs. If we or you must enforce this Agreement in an arbitration or judicial proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable fees for accountants, attorneys, expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and other dispute-related expenses. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable attorneys' fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. If there is a mixed decision involving an award of money or money equivalent and equitable relief, the arbitrator will award the above fees to the party that it deems has substantially prevailed over the other party using reasonable business and arbitrator's judgment. We reserve the right, but have no obligation, to advance your share of the costs of any arbitration proceeding for such arbitration proceeding to take place, and by doing so will not be deemed to have waived or relinquished our right to seek recovery of those costs in accordance with this Section 32.5. If either party commences any legal action or proceeding in any court in contravention of the terms of this Section, that party shall pay all costs and expenses that the other party incurs in the action or proceeding, including, without limitation, costs and attorneys' fees as described in this Section 32.5.

32.6 JURY TRIAL, CLASS ACTION & PUNITIVE DAMAGES WAIVER. WE AND YOU IRREVOCABLY WAIVE: (I) TRIAL BY JURY; (II) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES; AND (III) THE RIGHT TO RECOVER EXEMPLARY OR PUNITIVE DAMAGES.

32.7 Survival. We and you (and your Owners) agree that the provisions of this Section 32 shall apply during the term of this Agreement and continue to apply following the termination, expiration, or non-renewal of this Agreement. We and you agree to fully perform all obligations under this Agreement during the entire mediation, arbitration or litigation process.



32.8 Limitation on Actions. We and you agree that any legal action of any kind by a party arising out of or relating to this Franchise Agreement or a default of this Franchise Agreement must be commenced within one (1) year from the occurrence of the facts giving rise to any such claim or action or such claim or action will be barred provided, however, that the forgoing limitation shall not apply where required by applicable law, to the parties indemnification obligations under this Franchise Agreement or to the Litigation Exceptions.

### 33. NOTICES AND PAYMENTS

33.1 Any notice, report, or payment required to be given under this Agreement will be deemed to be given when delivered: by certified, registered or other receipted mail; by receipted courier or delivery service; by email; or personally. If delivery has not occurred after at least two of these methods have been used, any notice required to be given under this Agreement will be deemed to be given 3 days after being posted by first-class mail, postage prepaid.

33.2 Notices to us will be sent to our address as stated in this Agreement or to any other address we may specify to you in writing. Notices to you will be sent to the address of the Drama Kids Business as stated in this Agreement or any other address you may specify to us in writing.

### 34. ACCEPTANCES, APPROVALS AND CONSENTS

34.1 Acceptances, approvals and consents required by this Agreement will not be unreasonably withheld or delayed.

34.2 Whenever this Agreement requires our prior acceptance, approval, or consent, you will make a timely written request to us for the acceptance, approval or consent, which will be obtained in writing.

34.3 We assume no liability or obligation to you by providing any acceptance, approval, consent or suggestion to you, or by delaying action on or denying any request for an acceptance, approval or consent.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Agreement on the day and year first above written.

*(Signatures on following page)*

**FRANCHISOR:**  
DRAMA KIDS INTERNATIONAL, INC.,  
a Florida corporation

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**  
[INSERT NAME OF FRANCHISEE],  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT 1**

**FRANCHISE DATA SHEET**

The “Effective Date” set forth in the introductory Paragraph of the Franchise Agreement is:  
\_\_\_\_\_.

The Franchise Owner set forth in the introductory Paragraph of the Franchise Agreement is:  
\_\_\_\_\_.

Section 2.1- the Territory is defined as follows: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Section 9.1-The Initial Franchise Fee is: \$ \_\_\_\_\_.

**FRANCHISOR:**  
DRAMA KIDS INTERNATIONAL, INC.,  
a Florida corporation

**FRANCHISEE:**  
[INSERT NAME OF FRANCHISEE],  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



**ATTACHMENT 2**

**LEGAL ENTITY INFORMATION SHEET**

*Legal Entity Name:* \_\_\_\_\_

*State/Date of Formation:* \_\_\_\_\_

*Principals\*:*

_____	_____	_____
% Interest	Title	Name
_____	_____	_____
% Interest	Title	Name
_____	_____	_____
% Interest	Title	Name
_____	_____	_____
% Interest	Title	Name
_____	_____	_____
% Interest	Title	Name

**\*If any principals are entities, please list the owners of such entities up through the individuals.**

***Documents:***

	<u>Not</u>	<u>Provided</u>	<u>To Be</u>
	<u>Required</u>	<u>to Us</u>	<u>Us Within</u>
			<u>30 Days</u>
Certificate and Articles of Incorporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate and Articles of Association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Certificate and Agreement of Partnership	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
By-Laws or Operating Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution Authorizing Franchise Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Conditions: No      Yes

The legal entity's activities must be confined exclusively to operating the Drama Kids Business.      

\_\_\_\_\_ (or another person with our written consent) must act as the legal entity's Manager (as defined in the Franchise Agreement).      

Each principal must sign the Owners Agreement (Attachment 3).      

The legal entity must maintain a current list of all principals and other beneficial owners, and must furnish the list to us on request.      

***(Signature Page Follows)***



**FRANCHISOR:**  
DRAMA KIDS INTERNATIONAL, INC.,  
a Florida corporation

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**  
[INSERT NAME OF FRANCHISEE],  
a(n) [state] [limited liability company /  
partnership / corporation]

Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Or if Franchisee is an individual(s)

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_

Sign: \_\_\_\_\_  
individually

Printed Name: \_\_\_\_\_



## ATTACHMENT 3

### OWNERS AGREEMENT

As a condition to the execution by Drama Kids International, Inc. (“we” or “us”), of a Franchise Agreement with \_\_\_\_\_ (“Franchisee”), each of the undersigned individuals (“Owners”), who constitute all of the owners of a direct or indirect beneficial interest in Franchisee, covenant and agree to be bound by this Owners Agreement (“Owners Agreement”).

#### **1. Acknowledgments.**

1.1 **Franchise Agreement.** Franchisee entered into a franchise agreement with us effective as of \_\_\_\_\_, 20\_\_ (“Franchise Agreement”). Capitalized words not defined in this Owners Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 **Role of Owners.** Owners are the beneficial owners of all of the direct and indirect equity interest, membership interest, or other equity controlling interest in Franchisee and acknowledge there are benefits received and to be received by each Owner, jointly and severally, and for themselves, their heirs, legal representatives and assigns. Franchisee’s obligations under the Franchise Agreement, including the confidentiality and non-compete obligations, would be of little value to us if Franchisee’s direct and indirect owners were not bound by the same requirements. Under the provisions of the Franchise Agreement, Owners are required to enter into this Owners Agreement as a condition to our entering into the Franchise Agreement with Franchisee. Owners will be jointly and severally liable for any breach of this Owners Agreement.

#### **2. Non-Disclosure and Protection of Confidential Information.**

2.1 **Confidentiality.** Under the Franchise Agreement, we will provide Franchisee with specialized training, proprietary trade secrets, and other Confidential Information relating to the establishment and operation of a franchised business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential, will also be deemed Confidential Information for purposes of this Owners Agreement.

2.2 **Immediate Family Members.** Owners acknowledge that they could circumvent the purpose of Section 2.1 by disclosing Confidential Information to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). Owners also acknowledge that it would be difficult for us to prove whether Owners disclosed the Confidential Information to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 2.1 if any member of his or her immediate family uses or discloses the Confidential Information or engages in any activities that would constitute a violation of the covenants listed in Section 3, below, if performed by Owners. However, Owners may rebut this presumption by furnishing evidence conclusively showing that Owners did not disclose the Confidential Information to the family member.



### 3. Covenant Not To Compete.

3.1 Non-Competition During and After the Term of the Franchise Agreement. Owners acknowledge that as a participant in our system, they will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which we have developed. The provisions of the Franchise Agreement governing Franchisee's restrictions on competition both during the term of the Franchise Agreement and following the expiration or termination of the Franchise Agreement are hereby incorporated into this Owners Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Owners Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Owners Agreement as we may seek against Franchisee under the Franchise Agreement.

3.2 Construction of Covenants. The parties agree that each such covenant related to non-competition will be construed as independent of any other covenant or provision of this Owners Agreement. If all or any portion of a covenant referenced in this Section 3 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, Owners agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 3.

3.3 Our Right to Reduce Scope of Covenants. Additionally, we have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any covenant referenced in this Section 3 of this Owners Agreement, without Owners' consent (before or after any dispute arises), effective when we give Owners written notice of this reduction. Owners agree to comply with any ~~covenant as so~~ modified modifications to the covenants.

### 4. Guarantee.

4.1 Payment. Owners will pay us (or cause us to be paid) all monies payable by Franchisee under the Franchise Agreement whether now or in the future on the dates and in the manner required for payment in the relevant agreement.

4.2 Performance. Owners unconditionally guarantee full performance and discharge by Franchisee of all of Franchisee's obligations under the Franchise Agreement whether now or in the future on the date and times and in the manner required in the relevant agreement.

4.3 Indemnification. Owners will indemnify, defend and hold harmless us, all of our affiliates, and the respective shareholders, directors, partners, employees, and agents of such entities, against and from all losses, damages, costs, and expenses which we or they may sustain, incur, or become liable for whether now or in the future by reason of: (a) Franchisee's failure to pay the monies payable (to us or any of our affiliates) pursuant to the Franchise Agreement, or to do and perform any other act, matter, or thing required by the Franchise Agreement; or (b) any action by us to obtain performance by Franchisee of any act, matter, or thing required by the Franchise Agreement.

4.4 No Exhaustion of Remedies. Owners acknowledge and agree that we will not be obligated to proceed against Franchisee or exhaust any security from Franchisee or pursue or exhaust any remedy, including any legal or equitable relief against Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Owners Agreement, and the enforcement of such obligations can take place before, after, or contemporaneously with, enforcement of any of Franchisee's debts or obligations under the Franchise Agreement.

4.5 Waiver of Notice. Without affecting Owners' obligations under this Section 4, we can extend, modify, or release any of Franchisee's indebtedness or obligation, or settle, adjust, or compromise any claims against Franchisee, all without notice to the Owners. Owners waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Franchisee.

4.6 Effect of Owner's Death. Upon the death of an Owner, the estate of such Owner will be bound by the obligations in this Section 4, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Owners will continue in full force and effect.

4.7 Waiver of Acceptance, Default and Defenses. Owners waive: (i) acceptance and notice of acceptance by us of the forgoing undertakings; (b) protest and notice of default to any party with respect to the indebtedness or non-performance of any obligations hereby guaranteed; and (c) any and all other notices and legal or equitable defenses, right of setoff, claim or counterclaim whatsoever to which they may be entitled at any time hereunder.

4.8 Continuing Nature. Owners agree that each of the obligations in this Section 4 shall be continuing and shall not be discharged by: (i) the insolvency of Franchisee or the payment in full of all of the obligations at any time; (ii) the power or authority or lack thereof of Franchisee to incur the obligations; (iii) the validity or invalidity of any of the obligations; (iv) the existence or non-existence of Franchisee as a legal entity; (v) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; or (vi) any right of offset, counterclaim or defense of any Owner, including, without limitation, those which have been waived by Owners pursuant to this Franchise Owners Agreement.

## 5. Transfers.

Owners acknowledge and agree that we have granted the Franchise Agreement to Franchisee in reliance on Owners' business experience, skill, financial resources and personal character. Accordingly, Owners agree: a) not to sell, encumber, assign, transfer, convey, pledge, merge or give away any direct or indirect interest in this Franchisee, unless Owners first comply with the sections in the Franchise Agreement regarding transfers and assignment, and b) that any attempt to do so will be a breach of this Owners Agreement and the Franchise Agreement.

## 6. Notices.

6.1 Method of Notice. Any notices given under this Owners Agreement shall be in writing and delivered in accordance with the provisions of the Franchise Agreement.

6.2 Notice Addresses. Our current address for all communications under this Owners Agreement is:

Drama Kids International, Inc.  
15271 McGregor Blvd.  
Suite 16-282  
Fort Myers, Florida 33908

The current address of each Owner for all communications under this Owners Agreement is designated on the signature page of this Owners Agreement. Any party may designate a new address for notices by giving written notice to the other parties of the new address according to the method set forth in the Franchise Agreement.



## **7. Enforcement of This Owners Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Owners Agreement shall be subject to the dispute resolution provisions of the Franchise Agreement. This agreement to engage in such dispute resolution process shall survive the termination or expiration of this Owners Agreement.

7.2 Choice of Law; Jurisdiction and Venue. This Owners Agreement and any claim or controversy arising out of, or relating to, any of the rights or obligations under this Owners Agreement, and any other claim or controversy between the parties, will be governed by the choice of law and jurisdiction and venue provisions of the Franchise Agreement.

7.3 Provisional Remedies. We have the right to seek from an appropriate court any provisional remedies, including temporary restraining orders or preliminary injunctions to enforce Owners' obligations under this Owners Agreement. Owners acknowledge and agree that there is no adequate remedy at law for Owners' failure to fully comply with the requirements of this Owners Agreement. Owners further acknowledge and agree that, in the event of any noncompliance, we will be entitled to temporary, preliminary, and permanent injunctions and all other equitable relief that any court with jurisdiction may deem just and proper. If injunctive relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Owners expressly waive all claims for damages they incurred as a result of the wrongful issuance.

## **8. Miscellaneous.**

8.1 No Other Agreements. This Owners Agreement constitutes the entire, full and complete agreement between the parties, and supersedes any earlier or contemporaneous negotiations, discussions, understandings or agreements. There are no representations, inducements, promises, agreements, arrangements, or undertakings, oral or written, between the parties relating to the matters covered by this Owners Agreement, other than those in this Owners Agreement. No other obligations, restrictions or duties that contradict or are inconsistent with the express terms of this Owners Agreement may be implied into this Owners Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Owners Agreement), no amendment, change or variance from this Owners Agreement will be binding on either party unless it is mutually agreed to by the parties and executed in writing. Time is of the essence.

8.2 Severability. Each provision of this Owners Agreement, and any portions thereof, will be considered severable. If any provision of this Owners Agreement or the application of any provision to any person, property or circumstances is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Owners Agreement will be unaffected and will still remain in full force and effect. The parties agree that the provision found to be invalid or unenforceable will be modified to the extent necessary to make it valid and enforceable, consistent as much as possible with the original intent of the parties (i.e. to provide maximum protection for us and to effectuate the Owners' obligations under the Franchise Agreement), and the parties agree to be bound by the modified provisions.

8.3 No Third Party Beneficiaries. Nothing in this Owners Agreement is intended to confer upon any person or entity (other than the parties and their heirs, successors and assigns) any rights or remedies under or by reason of this Owners Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Owners Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Owners Agreement will be construed according to its fair meaning, and not strictly for or against either



party. All words in this Owners Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation

8.5 Binding Effect. This Owners Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Owners Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors and (permitted) assigns.

8.6 Successors. References to “Franchisor” or “the undersigned,” or “you” include the respective parties' heirs, successors, assigns or transferees.

8.7 Non-waiver. Our failure to insist upon strict compliance with any provision of this Owners Agreement shall not be a waiver of our right to do so. Delay or omission by us respecting any breach or default shall not affect our rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Owners Agreement shall be cumulative.

8.8 No Personal Liability. You agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Owners Agreement, or based on any oral communications which may be ruled to be binding in a court of law, shall be our sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with us shall be personally liable to you for any reason.

8.9 Owners Agreement Controls. In the event of any discrepancy between this Owners Agreement and the Franchise Agreement, this Owners Agreement shall control.

**(Signatures on following page)**

IN WITNESS WHEREOF, the parties have entered into this Owners Agreement as of the effective date of the Franchise Agreement.

**OWNER(S):**

Sign: \_\_\_\_\_  
Printed Name: [Insert Name of Owner]  
Address: [Insert Address of Owner]

Sign: \_\_\_\_\_  
Printed Name: [Insert Name of Owner]  
Address: [Insert Address of Owner]

Sign: \_\_\_\_\_  
Printed Name: [Insert Name of Owner]  
Address: [Insert Address of Owner]

Drama Kids International, Inc. hereby accepts the agreements of the Owner(s) hereunder.

**DRAMA KIDS INTERNATIONAL, INC.**

By: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. DK1071420



**EXHIBIT C**

**LIST OF CURRENT AND FORMER FRANCHISEES**



**Current Franchisees as of December 31, 2023/2024:**

**ARIZONA**

Suzanne Kaplan  
8208 E. Balfour Dr.  
Tucson, AZ 85710  
520-304-2876

Bradenton, FL 34211  
941-922-8121

Rachael Biehler  
1533 Morning Star Drive  
Clermont, FL 34714  
352-552-2631

**CALIFORNIA**

Megan Jewell  
31816 Via Perdiz  
Coto de Caza, CA 92679  
949-280-2080

Alissa Clifton  
1115 White Point Rd.  
Niceville, FL 32578  
850-279-4008

~~Tony Liu  
642 Cherry Street  
Brea, CA 92821  
626-392-8866~~

Faith Gavelek (~~2 Franchises~~)  
1971 W. Lumsden Dr.  
Suite 118  
Brandon, FL 33511  
(813)-758-4874

Jennifer Downs  
32560 Lama Ct  
Temecula, CA 92592  
951-344-9599

Latascha Williamson  
116 Molassas Ct.  
St. Johns, FL 32259  
334-444-8349

**COLORADO**

Sam Finger  
PO Box 3515  
Telluride 84135  
970-708-1285

**GEORGIA**

Valeria Marto  
6749 Bridge Way  
Columbus, GA 31904  
706-320-1980

**FLORIDA**

~~**DELAWARE**~~

~~Courtney Clarke  
612 Hawley St.  
Wilmington, DE 19805  
302-477-1025~~

Tiffany Talsky  
192 Sentinel Pl.  
Marietta, GA 30067  
678-493-7775

**FLORIDA**

Bridgett Bateman  
276 Candlebark Drive  
Jacksonville, FL 32225  
904-257-5752

~~**IDAHO**~~

~~Mike Nelson  
2924 E. Rosso Pl.  
Caldwell, ID 83605  
208-968-5437~~

Andrew and Jessica Berent  
14351 59th Cir E

**INDIANA**

Chris Fenn  
1235 Springbrook Ct.  
Crown Point, IN 46307  
219-307-2147



**MARYLAND**

Michelle Durr  
12400 Gladly Retreat Circle  
Bowie, MD 20720  
301-805-4372

Laurie Bonner  
2905 Gold Mine Road  
Brookeville, MD 20833  
301-384-4008

**MASSACHUSETTS**

Heather Dunham  
3 Spring St.  
Taunton, MA 02780  
774-501-1728

**MICHIGAN**

~~Rachael Harrell  
P.O. Box 865  
Traverse City, MI 49685  
231-432-8764~~

**MINNESOTA**

Ray Smart  
190 Stony Creek Rd  
Mankato MN 56001  
507-995-0629

**NEVADA**

Tina Nowak  
7219 Silver Spirit St.  
Las Vegas, NV 89131  
702-870-4354

**NEW JERSEY**

Michelle Porraro  
75 Washington Valley Rd  
Bedminster, NJ 07921  
201-303-1980

~~Jessica Sawyer  
319 Holly Parkway,  
Williamstown, NJ 08094  
856-737-7704~~

Melissa Schnappauf  
314 Prospect Avenue  
Neptune, NJ 07753  
(732)-915-6013

**NEW YORK**

Deanna Stickles-Bach  
14 McNutt Ave.  
Albany, NY 12205  
518-458-1313

~~Kathy Sweeney  
28 Stewart Street  
Floral Park, NY 11001  
516-360-5026~~

Sandee Leonhard  
68 Raymond Place  
Hewlett, NY 11557  
516-374-3222

Emily Mattice-Roll  
3090 Main Street  
Caledonia, NY 14423  
585-943-4323

Ying Yen  
P.O. Box 912  
New York, NY 10021  
646-201-9449

**NORTH CAROLINA**

Pam Barrans  
6160 Fording Creek Ln  
Kernersville, NC 27284  
(336)-754-4385

Rachael Cohen  
2822 Walker Road  
Matthews, NC 28105  
914-216-6032



**OHIO**

Nicole Chaplin  
1182 Onondago Avenue  
Akron, OH 44305  
330-592-3845

Steve and Holly Hanson  
7661 Lydia Dr.  
Lewis Center, OH 43035  
740-201-1070

**PENNSYLVANIA**

Courtney Clarke  
612 Hawley St.  
Wilmington, DE 19805  
302-477-1025

**SOUTH CAROLINA**

Sharon Cruse  
3004 Treadwell Street  
Mt. Pleasant, SC 29466  
317-294-1026

Lea Seaton  
410 Croft Street  
Greenville, SC 29609  
(214)-533-9251

Sharyl Sutton-Troiani  
1536 Burnswick Drive  
Johns Island, SC 29455  
(912)-224-7854

**TEXAS**

Brett Colbeth  
4408 Sage Lane  
Melissa, TX 75454  
310-721-5753

Sandra Detamore  
14080 FM 775  
Floresville, TX 78114  
830-216-7222

~~Jordan Hopf  
4619 Worth St.  
Dallas, TX 75246  
952-797-3512~~

Davila Hernandez  
7103 Glen Chase Court  
Houston, TX 77095  
281-855-2555

Corrie and Judson McCulloch  
101 Midnight Sun  
Spicewood, TX 78669  
(917)-991-9241

~~Ann Marie Morris  
1510 Kempsford Drive  
Katy, TX 77450  
(281) 829-2287~~

Toni Rogers  
8700 Blackwater Creek  
McKinney, TX 75070  
214-592-4066

Tricia Foster (2 Franchises)  
8301 Lakeview Pkwy  
Suite 111-135  
Rowlett, TX 75088  
972-772-3233

**VIRGINIA**

Jen Drake  
43109 Stonecottage Place  
Ashburn, VA 20147  
717-579-2307

**WASHINGTON**

~~Lisa Loomis  
11336 Trilogy Parkway  
Redmond, WA 98053  
425-654-0699  
Cassandra Welliver (2 Franchises)  
2410 13th Avenue South  
Seattle, WA 98144  
425-654-0699~~



**Franchisees with Unopened Outlets as of December 31, 20232024:**

**DELAWARE**

Courtney Clarke  
612 Hawley St.  
Wilmington, DE 19805  
302-477-1025

**FLORIDA**

~~None~~Faith Gavelek  
1971 W. Lumsden Dr.  
Suite 118  
Brandon, FL 33511  
813-758-4874

**Former Franchisees:**

The name and last known address of every franchisee who had a Drama Kids Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during the period January 1, ~~2023~~2024 to December 31, ~~2023~~2024, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document are listed below. If you buy this Franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

~~Chris Klinger~~  
~~4215 Donna Drive~~  
~~Benton AR 72015~~  
~~501-374-3761~~

~~Suzi Raseo~~  
~~30700 PGA Drive~~  
~~Sorrento, FL 32776~~  
~~407-625-4848~~

~~Robert and Jennifer Jarrett~~  
~~9421 Paragon Ct~~  
~~Owings Mills, MD 21117~~  
~~844-372-6200~~

~~Pamela Kornfeld~~  
~~5019 Cherry Blossom Circle~~  
~~West Bloomfield, MI 48324~~  
~~248-770-9675~~

~~Jarad Benn~~  
~~6800 Blue Church Road South~~  
~~Coopersburg, PA 18036~~  
~~267-227-0075~~



~~Yolanda Olmstead~~  
~~17357 Kennebeck Lane~~  
~~Shrewsbury, PA 17361~~  
~~717-318-3972~~

### **CALIFORNIA**

Tony Liu  
642 Cherry Street  
Brea, CA 92821  
626-392-8866

### **IDAHO**

Mike Nelson  
2924 E. Rosso Pl.  
Caldwell, ID 83605  
208-968-5437

### **MICHIGAN**

Rachael Harrell  
P.O. Box 865  
Traverse City, MI 49685  
231-432-8764

### **NEW JERSEY**

Jessica Sawyer  
319 Holly Parkway,  
Williamstown, NJ 08094  
856-737-7704

### **NEW YORK**

Kathy Sweeney  
28 Stewart Street  
Floral Park, NY 11001  
516-360-5026

### **TEXAS**

Jordan Hopf  
4619 Worth St.  
Dallas, TX 75246  
952-797-3512

Ann Marie Morris  
1510 Kempsford Drive  
Katy, TX 77450  
281-829-2287

### **WASHINGTON**

Cassandra Welliver (2 Franchises)  
2410 13th Avenue South  
Seattle, WA 98144  
425-654-0699





**EXHIBIT D**

**FINANCIAL STATEMENTS**



**DRAMA KIDS INTERNATIONAL, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023, 2022, AND 2021**

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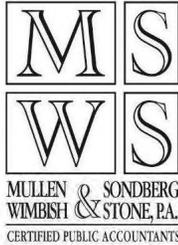


**MULLEN SONDBERG WIMBISH & STONE, PA**  
CERTIFIED PUBLIC ACCOUNTANTS



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888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of  
Drama Kids International, Inc.  
Fort Myers, FL

### Opinion

We have audited the accompanying financial statements of Drama Kids International, Inc. (a Florida corporation), which comprise the balance sheet as of December 31, 2023, and the related statements of income, retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2023 financial statements referred to above present fairly, in all material respects, the financial position of Drama Kids International, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Drama Kids International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirement 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.

### Prior Period Financial Statements

The financial statements of Drama Kids International, Inc. as of December 31, 2022 and December 31, 2021 were audited by other auditors whose reports dated March 7, 2023 and March 9, 2022, respectively, expressed an unmodified opinion on those statements.

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To the Board of Directors and Shareholder of  
Drama Kids International, Inc.

### **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 Drama Kids International, Inc.'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.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Drama Kids International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Drama Kids International, Inc.'s ability to continue as a going concern for a reasonable period of time.

To the Board of Directors and Shareholder of  
Drama Kids International, Inc.

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont.)**

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.

*Mullen Sondberg Wimbish & Stone*

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland  
February 13, 2024

Drama Kids International, Inc.  
BALANCE SHEETS  
December 31, 2023, 2022, and 2021

ASSETS			
	2023	2022	2021
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 477,116	\$ 470,269	\$ 555,874
Deferred selling costs, current portion	29,254	32,374	38,441
Total current assets	506,370	502,643	594,315
<b>OTHER ASSETS</b>			
Deferred selling costs, net of current portion	106,520	82,746	56,349
Trademark rights	3,134	3,134	3,134
Curriculum	33,997	33,997	33,997
Total other assets	143,651	119,877	93,480
Total assets	\$ 650,021	\$ 622,520	\$ 687,795
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Deferred revenue, current portion	\$ 54,014	\$ 62,348	\$ 73,299
Due to Ad Fund	28,037	28,037	28,037
Total current liabilities	82,051	90,385	101,336
<b>LONG-TERM LIABILITIES</b>			
Deferred revenue, net of current portion	225,076	192,822	147,295
Total liabilities	307,127	283,207	248,631
<b>STOCKHOLDER'S EQUITY</b>			
Capital stock, no par value, 5,000 shares authorized; 1,000 shares issued and outstanding	135,000	135,000	135,000
Additional paid in capital	15,000	15,000	15,000
Retained earnings	192,894	189,313	289,164
Total stockholder's equity	342,894	339,313	439,164
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 650,021</b>	<b>\$ 622,520</b>	<b>\$ 687,795</b>

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

Drama Kids International, Inc.  
STATEMENTS OF INCOME  
Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
INCOME			
Royalties	\$ 599,713	\$ 458,677	\$ 278,597
Franchise sales	149,917	236,807	159,118
Advertising fund and technology fees	90,149	76,994	53,703
Online student fees	-	33,719	124,491
Total income	<u>839,779</u>	<u>806,197</u>	<u>615,909</u>
OPERATING EXPENSES			
	<u>536,051</u>	<u>464,908</u>	<u>500,040</u>
NET INCOME BEFORE OTHER INCOME	<u>303,728</u>	<u>341,289</u>	<u>115,869</u>
OTHER INCOME			
Payroll Protection Program proceeds	-	-	59,435
NET INCOME	<u>\$ 303,728</u>	<u>\$ 341,289</u>	<u>\$ 175,304</u>

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

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Drama Kids International, Inc.  
 STATEMENTS OF RETAINED EARNINGS  
 Years Ended December 31, 2023, 2022, and 2021

	2023	2022	2021
Balance, beginning of the year	\$ 189,313	\$ 289,164	\$ 163,860
Net income	303,728	341,289	175,304
Distributions to stockholder	(300,147)	(441,140)	(50,000)
Balance, end of year	\$ 192,894	\$ 189,313	\$ 289,164

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

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Drama Kids International, Inc.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 303,728	\$ 341,289	\$ 175,302
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in operating assets:			
Deferred selling costs	(20,654)	(20,330)	59,718
Increase (decrease) in operating liabilities:			
Accrued expenses	-	-	(16,274)
Deferred revenue	23,920	34,576	(39,985)
Net cash provided by operating activities	<u>306,994</u>	<u>355,535</u>	<u>178,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Distributions to stockholder	(300,147)	(441,140)	(50,000)
Net cash used in investing activities	<u>(300,147)</u>	<u>(441,140)</u>	<u>(50,000)</u>
Net change in cash	6,847	(85,605)	128,761
Cash at beginning of year	<u>470,269</u>	<u>555,874</u>	<u>427,113</u>
Cash at end of year	<u>\$ 477,116</u>	<u>\$ 470,269</u>	<u>\$ 555,874</u>

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

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023, 2022, and 2021

Note 1 - Summary of Significant Accounting Policies

Description of Business

Drama Kids International, Inc. (the "Company") provides a variety of drama-related educational programs primarily for children and young adults, ages 4 to 17, using a progressive curriculum that enables students to develop acting skills, public speaking skills, creative thinking and leadership skills, confidence, self-esteem, and a positive approach to life. Classes are held by the Company's franchise network of owners located across the USA. The Company uses its own internally created curriculum, as well as third party licensed materials, and drama lessons owned by Helen O'Grady International, (CI) Ltd. The Company has entered into an Intellectual Property Services Agreement with Helen O'Grady International, (CI) Ltd. whereby the Company has an exclusive 20 year license through 2026, with a 20 year renewal option to use the Helen O'Grady lessons throughout the USA and receive additional business services in exchange for a stipulated annual fee to Helen O'Grady International, (CI) Ltd. Helen O'Grady lessons modified by the Company for use in the USA are owned by the Company.

Basis of Accounting

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements are prepared on the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents represent deposits in checking and savings accounts and certificates of deposit with maturities of ninety days or less.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2023, 2022, and 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Furniture and Equipment

Furniture and equipment is stated at cost. Depreciation is determined using the modified accelerated cost recovery system (MACRS) over the estimated useful lives of the assets, which range from 3 to 7 years. Management believes MACRS reasonably reflects the useful lives of property. During 2023, 2022 and 2021 the Company recorded no depreciation expense. As all furniture and equipment are fully depreciated, the accounts have not been presented.

Deferred Selling Costs

Management estimates the allocable portion of salaries and related costs of those actively involved in selling franchises. Those costs are amortized on a straight-line basis over the initial franchise term and the amortized costs are included in operating expenses on the income statements. Unamortized selling costs are presented as deferred selling costs on the balance sheets. If a franchise closes before the expiration of the initial term, unamortized costs are written off in the year of closure.

Deferred Revenue

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Revenue from franchise sales is amortized over the initial franchise term. Unamortized amounts are presented on the balance sheets as deferred revenue. If a franchise closes before the expiration of the initial term, unamortized deferred revenue is recorded as income in the year of closure.

Curriculum

The Company evaluates whether the curriculum has been impaired and, if so, writes down the to the estimated impaired value. Internal curriculum costs are expensed as incurred.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2023, 2022, and 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Contracts with Customers

The Company's revenues are from contracts with customers and are comprised of franchise revenue, which is comprised of royalties, national Advertising Fund contributions, technology fees, initial and successor franchise fees, and transfer fees. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides. Additionally, the Company is required under the franchise agreement to provide training which is considered a distinct service. Management estimates the cost of the distinct service based on allocable salaries and related costs of those involved in providing training. The cost of the distinct service is recognized as revenue when training is completed. Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise revenues over the term of the franchise agreement. Under the franchise agreements, advertising contributions paid by franchisees must be spent on advertising, marketing and related activities. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, technology fees as well as Advertising Fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized when collected. Franchise renewal and transfer fees cover the Company's costs associated with renewal and transfer activities and are recognized when paid. Additionally, under *ASC 606*, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Under the previous standards, initial franchise fees were recognized as revenue when the related franchisees signed a franchise agreement, paid the initial fees and completed the Company's new franchisee training. Successor franchise fees and transfer fees were recognized as revenue upon execution of a new franchise agreement.

Revenue Recognition - Royalties

Franchise royalties are payable monthly by franchisees and are reported as revenue as the royalties are received.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2023, 2022, and 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Advertising Fund

The Company established the Advertising Fund for the creation and development of marketing, advertising, and related programs and materials for all programs located in the United States. On behalf of the Advertising Fund, the Company collects 1% of gross monthly revenues from franchisees, in accordance with the provisions of the franchise agreements, which is reflected as revenue on the income statements in combination with technology fees collected from franchisees. The use of amounts received by the Advertising Fund is restricted to advertising, public relations, administrative expenses and programs to increase sales and further enhance the public reputation of the brand. The Company reports all assets and liabilities held by the Advertising Fund within the financial statements. Beginning in 2019, with the adoption of *ASC 606*, the Company records all revenues of the Advertising Fund as revenue and all expenses of the Advertising Fund within the operating expenses on the statements of income. The Company provides administrative services to the Advertising Fund and charges the Advertising Fund a fee for providing those services. These services include accounting, information technology, data processing, product development, legal and administrative support, and other operating expenses. In 2021, the Company did not charge the administrative fee to the Advertising Fund. For the years ended December 31, 2023 and 2022, the fee was \$6,000 and \$5,653, respectively.

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Income Taxes

The Company has elected to be treated as an S Corporation for income tax purposes with taxable profits or losses accounted for by the shareholder. Accordingly, there is no income tax expense.

Measure of Operations

The statements of income report all changes in retained earnings, including changes in retained earnings from operating and nonoperating activities. Operating activities consist of those items attributable to the Company's ongoing program services. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature. Nonoperating activities for the year ended December 31, 2021 consist of revenue from the Paycheck Protection Program (See Note 5). There were no such items noted for the years ended December 31, 2023 and 2022.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2023, 2022, and 2021

Note 1 - Summary of Significant Accounting Policies (Cont.)

Reclassification

Certain reclassifications of prior year balances were made to conform to current year presentation.

Note 2 - Concentration of Cash Balances

During December 31, 2023, 2022, and 2021, the Company maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company monitors the credit worthiness of these financial institutions and has not experienced any losses on its cash.

Note 3 - Advertising Fund

Under the terms of the Drama Kids International Franchise Agreement, franchisees are required to pay 7% of gross tuition fees to a system wide advertising and promotional fund (the Advertising Fund). The Advertising Fund is maintained by the Company in a separate bank account identified for such purpose. The Company directs the advertising and promotional programs and is reimbursed by the Advertising Fund for costs incurred. If the Company expends less than the contributions received from franchisees, it has the right to retain the excess contributions for use in subsequent years. The excess of revenues received over expenditures is recorded as a liability on the balance sheets. As of December 31, 2023, 2022 and 2021, the Advertising Fund account cash balances were \$9,872, \$12,067 and \$10,580, respectively.

Note 4 - Income Taxes

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's assets and liabilities, income and expense, or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2023, 2022 and 2021.

The Company is subject to routine audits by taxing jurisdictions: however, there are currently no audits for any tax periods in progress

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2023, 2022, and 2021

Note 5 - Payroll Protection Program

The Company applied for and received a loan of \$59,435 under the Payroll Protection Program (PPP). On August 17, 2021, the Company was notified that the Small Business Administration approved the forgiveness of the entire loan balance. The proceeds from the PPP loan are reported as other income on the statements of income.

Note 6 - Subsequent Events

The Company has evaluated subsequent events through February 13, 2024 which is the date the financial statements were available to be issued, and determined that there are no items requiring disclosure through that date.

**DRAMA KIDS INTERNATIONAL, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024, 2023, AND 2022**



**MULLEN SONDBERG WIMBISH & STONE, PA**  
CERTIFIED PUBLIC ACCOUNTANTS

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888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of  
Drama Kids International, Inc.  
Fort Myers, FL

### Opinion

We have audited the accompanying financial statements of Drama Kids International, Inc. (a Florida corporation), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, retained earnings and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 2024 and 2023 financial statements referred to above present fairly, in all material respects, the financial position of Drama Kids International, 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 Drama Kids International, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirement 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.

### Prior Period Financial Statements

The financial statements of Drama Kids International, Inc. as of December 31, 2022 were audited by other auditors whose reports dated March 7, 2023, expressed an unmodified opinion on those statements.

- 1 -

To the Shareholder of  
Drama Kids International, Inc.

### **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 Drama Kids International, Inc.'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 audits.
- 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 audits 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 Drama Kids International, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Drama Kids International, Inc.'s ability to continue as a going concern for a reasonable period of time.

To the Shareholder of  
Drama Kids International, Inc.

**Auditor's Responsibilities for the Audit of the Financial Statements (Cont.)**

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 audits.

*Mullen Sondberg Wimbish & Stone*

MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland  
February 14, 2025

Drama Kids International, Inc.  
BALANCE SHEETS  
December 31, 2024, 2023, and 2022

ASSETS			
	2024	2023	2022
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 334,510	\$ 477,116	\$ 470,269
Deferred selling costs, current portion	23,571	29,254	32,374
Total current assets	358,081	506,370	502,643
<b>OTHER ASSETS</b>			
Deferred selling costs, net of current portion	82,949	106,520	82,746
Trademark rights	3,134	3,134	3,134
Curriculum	33,997	33,997	33,997
Total other assets	120,080	143,651	119,877
Total assets	\$ 478,161	\$ 650,021	\$ 622,520
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accrued expenses	\$ 4,500	\$ -	\$ -
Deferred revenue, current portion	36,638	54,014	62,348
Due to Ad Fund	28,037	28,037	28,037
Total current liabilities	69,175	82,051	90,385
<b>LONG-TERM LIABILITIES</b>			
Deferred revenue, net of current portion	160,250	225,076	192,822
Total liabilities	229,425	307,127	283,207
<b>STOCKHOLDER'S EQUITY</b>			
Capital stock, no par value, 5,000 shares authorized:			
1,000 shares issued and outstanding	135,000	135,000	135,000
Additional paid in capital	15,000	15,000	15,000
Retained earnings	98,736	192,894	189,313
Total stockholder's equity	248,736	342,894	339,313
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b>\$ 478,161</b>	<b>\$ 650,021</b>	<b>\$ 622,520</b>

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

Drama Kids International, Inc.  
 STATEMENTS OF INCOME  
 Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
<b>INCOME</b>			
Royalties	\$ 609,231	\$ 590,703	\$ 457,061
Franchise sales	105,402	149,917	236,807
Advertising fund and technology fees	89,071	90,149	76,994
Interest income	12,922	9,010	1,616
Online student fees	-	-	33,719
Total income	816,626	839,779	806,197
<b>OPERATING EXPENSES</b>	<b>610,368</b>	<b>536,051</b>	<b>464,908</b>
<b>NET INCOME</b>	<b>\$ 206,258</b>	<b>\$ 303,728</b>	<b>\$ 341,289</b>

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

Drama Kids International, Inc.  
 STATEMENTS OF RETAINED EARNINGS  
 Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
Balance, beginning of the year	\$ 192,894	\$ 189,313	\$ 289,164
Net income	206,258	303,728	341,289
Distributions to stockholder	(300,416)	(300,147)	(441,140)
Balance, end of year	\$ 98,736	\$ 192,894	\$ 189,313

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

Drama Kids International, Inc.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 206,258	\$ 303,728	\$ 341,289
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in operating assets:			
Deferred selling costs	29,254	(20,654)	(20,330)
Increase (decrease) in operating liabilities:			
Accrued expenses	4,500	-	-
Deferred revenue	<u>(82,202)</u>	<u>23,920</u>	<u>34,576</u>
Net cash provided by operating activities	<u>157,810</u>	<u>306,994</u>	<u>355,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Distributions to stockholder	<u>(300,416)</u>	<u>(300,147)</u>	<u>(441,140)</u>
Net cash used in investing activities	<u>(300,416)</u>	<u>(300,147)</u>	<u>(441,140)</u>
Net change in cash	(142,606)	6,847	(85,605)
Cash at beginning of year	<u>477,116</u>	<u>470,269</u>	<u>555,874</u>
Cash at end of year	<u>\$ 334,510</u>	<u>\$ 477,116</u>	<u>\$ 470,269</u>

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

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024, 2023, and 2022

Note 1 - Summary of Significant Accounting Policies

Description of Business

Drama Kids International, Inc. (the "Company") provides a variety of drama-related educational programs primarily for children and young adults, ages 4 to 17, using a progressive curriculum that enables students to develop acting skills, public speaking skills, creative thinking and leadership skills, confidence, self-esteem, and a positive approach to life. Classes are held by the Company's franchise network of owners located across the USA. The Company uses its own internally created curriculum, as well as third party licensed materials, and drama lessons owned by Helen O'Grady International, (CI) Ltd. The Company has entered into an Intellectual Property Services Agreement with Helen O'Grady International, (CI) Ltd. whereby the Company has an exclusive 20 year license through 2026, with a 20 year renewal option to use the Helen O'Grady lessons throughout the USA and receive additional business services in exchange for a stipulated annual fee to Helen O'Grady International, (CI) Ltd. Helen O'Grady lessons modified by the Company for use in the USA are owned by the Company.

Basis of Accounting

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements are prepared on the accrual basis of accounting; therefore, revenue is recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2024, 2023, and 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Furniture and Equipment

Furniture and equipment is stated at cost. Depreciation is determined using the modified accelerated cost recovery system (MACRS) over the estimated useful lives of the assets, which range from 3 to 7 years. Management believes MACRS reasonably reflects the useful lives of property. During 2024, 2023 and 2022 the Company recorded no depreciation expense. As all furniture and equipment are fully depreciated, the accounts have not been presented.

Deferred Selling Costs

Management estimates the allocable portion of salaries and related costs of those actively involved in selling franchises. Those costs are amortized on a straight-line basis over the initial franchise term and the amortized costs are included in operating expenses on the income statements. Unamortized selling costs are presented as deferred selling costs on the balance sheets. If a franchise closes before the expiration of the initial term, unamortized costs are written off in the year of closure.

Deferred Revenue

Revenue from franchise sales is amortized over the initial franchise term. Unamortized amounts are presented on the balance sheets as deferred revenue. If a franchise closes before the expiration of the initial term, unamortized deferred revenue is recorded as income in the year of closure.

Curriculum

The Company evaluates whether the curriculum has been impaired and, if so, writes down the to the estimated impaired value. Internal curriculum costs are expensed as incurred.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2024, 2023, and 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Royalties, Franchise Sales, Advertising, and Technology Fees

The Company's revenues are from contracts with customers and are comprised of franchise revenue, which is comprised of royalties, national Advertising Fund contributions, technology fees, initial and successor franchise fees, and transfer fees. The Company's primary performance obligation under the franchise license is granting certain rights to use the Company's intellectual property, and all other services the Company provides. Additionally, the Company is required under the franchise agreement to provide training which is considered a distinct service. Management estimates the cost of the distinct service based on allocable salaries and related costs of those involved in providing training. The cost of the distinct service is recognized as revenue when training is completed. Royalties, including franchisee contributions to national advertising funds, are calculated as a percentage of franchise revenues over the term of the franchise agreement. Under the franchise agreements, advertising contributions paid by franchisees must be spent on advertising, marketing and related activities. Initial and successor franchise fees are payable by the franchisee upon signing a new franchise agreement or successor franchise agreement, and transfer fees are paid to the Company when one franchisee transfers a franchise agreement to a different franchisee. Franchise royalties, technology fees as well as Advertising Fund contributions, represent sales-based royalties that are related entirely to the Company's performance obligation under the franchise agreement and are recognized when franchisees report their sales. Franchise renewal and transfer fees cover the Company's costs associated with renewal and transfer activities and are recognized when paid. Additionally, under *ASC 606*, initial franchise fees are recognized as revenue on a straight-line basis over the term of the respective franchise agreement. Franchise royalties are payable monthly by franchisees and are reported as revenue when the royalties are received.

Advertising Fund

The Company established the Advertising Fund for the creation and development of marketing, advertising, and related programs and materials for all programs located in the United States. On behalf of the Advertising Fund, the Company collects 1% of gross monthly revenues from franchisees, in accordance with the provisions of the franchise agreements, which is reflected as revenue on the income statements in combination with technology fees collected from franchisees. The use of amounts received by the Advertising Fund is restricted to advertising, public relations, administrative expenses and programs to increase sales and further enhance the public reputation of the brand. The Company reports all assets and liabilities held by the Advertising Fund within the financial statements. Beginning in 2019, with the adoption of *ASC 606*, the Company records all revenues of the Advertising Fund as revenue and all expenses of the Advertising Fund within the operating expenses on the statements of income. The Company provides administrative services to the Advertising Fund and charges the Advertising Fund a fee for providing those services. These services include accounting, information technology, data processing, product development, legal and administrative support, and other operating expenses. For the years ended December 31, 2024, 2023 and 2022, the fee was \$-0-, \$6,000, and \$-0- respectively.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2024, 2023, and 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Taxes

The Company has elected to be treated as an S Corporation for income tax purposes with taxable profits or losses accounted for by the shareholder. Accordingly, there is no income tax expense.

Note 2 - Concentration of Cash Balances

During December 31, 2024, 2023, and 2022, the Company maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Company monitors the credit worthiness of these financial institutions and has not experienced any losses on its cash.

Note 3 - Advertising Fund

Under the terms of the Drama Kids International Franchise Agreement, franchisees are required to pay 1% of gross tuition fees to a system wide advertising and promotional fund (the Advertising Fund). The Advertising Fund is maintained by the Company in a separate bank account identified for such purpose. The Company directs the advertising and promotional programs and is reimbursed by the Advertising Fund for costs incurred. If the Company expends less than the contributions received from franchisees, it has the right to retain the excess contributions for use in subsequent years. As of December 31, 2024, 2023 and 2022, the Advertising Fund account cash balances were \$8,122, \$9,872 and \$12,068, respectively.

Note 4 - Income Taxes

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions in which it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's assets and liabilities, income and expense, or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2024, 2023 and 2022.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Drama Kids International, Inc.  
NOTES TO FINANCIAL STATEMENTS (Cont.)  
December 31, 2024, 2023, and 2022

Note 5 - Subsequent Events

The Company has evaluated subsequent events through February 14, 2025 which is the date the financial statements were available to be issued, and determined that there are no items requiring disclosure through that date.

**EXHIBIT E**

**STATE ADDENDA  
AND AGREEMENT RIDERS**



## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR DRAMA KIDS INTERNATIONAL, INC.

The following modifications are made to the Drama Kids International, Inc. (“**Franchisor**,” “**us**,” “**we**,” or “**our**”) Franchise Disclosure Document (“**FDD**”) given to franchisee (“**Franchisee**,” “**you**,” or “**your**”) and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement between you and us dated \_\_\_\_\_, 20\_\_\_\_ (“**Franchise Agreement**”). When the term “**Franchisor’s Choice of Law State**” is used, it means Florida. When the term “**Supplemental Agreements**” is used, it means none.

Certain states have laws governing the franchise relationship and franchise documents. Certain states require modifications to the FDD, Franchise Agreement and other documents related to the sale of a franchise. This State-Specific Addendum (“**State Addendum**”) will modify these agreements to comply with the state’s laws. The terms of this State Addendum will only apply if you meet the requirements of the applicable state independently of your signing of this State Addendum. The terms of this State Addendum will override any inconsistent provision of the FDD, Franchise Agreement or any Supplemental Documents. This State Addendum only applies to the following states: California, Hawaii, Illinois, Iowa, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Ohio, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

If your state requires these modifications, you will sign this State Addendum along with the Franchise Agreement and any Supplemental Agreements.

#### CALIFORNIA

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

The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the Franchise be delivered together with the FDD 14 days prior to execution of agreement.

California Corporations Code Section 31125 requires us to give to you an FDD approved by the Department of Financial Protection and Innovation before we ask you to consider a material modification of your Franchise Agreement.

The Franchise Agreement contains provisions requiring binding arbitration with the costs being awarded to the prevailing party. The arbitration will occur in ~~the state where the Franchisee’s Drama Kid’s business is located~~ Florida. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement ~~or Supplemental Agreements~~ restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. If so, the parties shall each bear their own costs of mediation and shall share equally the filing fee and the mediator’s fees.

The Franchise Agreement ~~and Supplemental Agreements require~~ requires the application of the law of the state ~~where the Franchisee’s Drama Kid’s business is located~~ of Florida. This provision may not be enforceable under California law.



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

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 ~~or Supplemental Agreements contain~~contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement ~~and Supplemental Agreements provide~~provides for termination upon bankruptcy. Any such provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. SEC. 101 et seq.).

The Franchise Agreement contains a covenant not to compete provision which extends beyond the termination of the Franchise. Such provisions may not be enforceable under California law.

Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable. Any such provisions contained in the Franchise Agreement ~~or Supplemental Agreements~~ may not be enforceable.

You must sign a general release of claims if you renew or transfer your Franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516).

Our website has not been reviewed or approved by the California Department of Financial Protection and Innovation. Any complaints concerning the content of this website may be directed to the California Department of Financial Protection and Innovation at [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

Item 6 is amended to state the highest interest rate allowed by law in California is 10% annually.

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.

## HAWAII

The following is added to the Cover Page:

**THIS FRANCHISE WILL BE/HAS BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED IN THIS FRANCHISE DISCLOSURE DOCUMENT IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO**



**YOU OR SUBFRANCHISOR AT LEAST SEVEN (7) DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN (7) DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY YOU, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH US AND YOU.**

Registered agent in the state authorized to receive service of process:

Commissioner of Securities of the State of Hawaii  
Department of Commerce and Consumer Affairs  
Business Registration Division  
335 Merchant Street, Room 203  
Honolulu, Hawaii 96813

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.

The status of the Franchisor's franchise registrations in the states which require registration is as follows:

1. States in which this proposed registration is effective are listed on the third page of the FDD on the page entitled, "State Effective Dates."
2. States which have refused, by order or otherwise, to register these Franchises are:  
None
3. States which have revoked or suspended the right to offer the Franchises are:  
None
4. States in which the proposed registration of these Franchises has been withdrawn are:  
None

## **ILLINOIS**

Sections 4 and 41 and Rule 608 of the Illinois Franchise Disclosure Act states that court litigation must take place before Illinois federal or state courts and all dispute resolution arising from the terms of this Agreement or the relationship of the parties and conducted through arbitration or litigation shall be subject to Illinois law. The FDD, Franchise Agreement and Supplemental Agreements are amended accordingly.



The governing law or choice of law clause described in the FDD and contained in the Franchise Agreement and Supplemental Agreements is not enforceable under Illinois law. This governing law clause shall not be construed to negate the application of Illinois law in all situations to which it is applicable.

Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void.” The Franchise Agreement is amended accordingly. To the extent that the Franchise Agreement would otherwise violate Illinois law, such Agreement is amended by providing that all litigation by or between you and us, arising directly or indirectly from the Franchise relationship, will be commenced and maintained in the state courts of Illinois or, at our election, the United States District Court for Illinois, with the specific venue in either court system determined by appropriate jurisdiction and venue requirements, and Illinois law will pertain to any claims arising under the Illinois Franchise Disclosure Act.

Item 17.v, Choice of Forum, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

Item 17.w, Choice of Law, of the FDD is revised to include the following: “provided, however, that the foregoing shall not be considered a waiver of any right granted upon you by Section 4 of the Illinois Franchise Disclosure Act.”

The termination and non-renewal provisions in the Franchise Agreement and the FDD may not be enforceable under Sections 19 and 20 of the Illinois Franchise Disclosure Act.

Under Section 705/27 of the Illinois Franchise Disclosure Act, no action for liability under the Illinois Franchise Disclosure Act can be maintained unless brought before the expiration of three (3) years after the act or transaction constituting the violation upon which it is based, the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to you of a written notice disclosing the violation, whichever shall first expire. To the extent that the Franchise Agreement is inconsistent with the Illinois Franchise Disclosure Act, Illinois law will control and supersede any inconsistent provision(s).

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.

See the last page of this Exhibit E for your required signature.

## **INDIANA**

Item 8 of the FDD is amended to add the following:

Under Indiana Code Section 23-2-2.7-1(4), we will not accept any rebates from any person with whom you do business or associate in relation to transactions between you and the other person, other than for compensation for services rendered by us, unless the rebate is properly accounted for and submitted to you.



Item 17 of the FDD is amended to add the following:

Indiana Code 23-2-2.7-1(7) makes it unlawful for us to unilaterally terminate your Franchise Agreement unless there is a material violation of the Franchise Agreement and termination is not in bad faith.

Indiana Code 23-2-2.7-1(5) prohibits us to require you to agree to a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Act.

The “Summary” column in Item 17.r. of the FDD is deleted and the following is inserted in its place:

No competing business for two (2) years within the Territory.

The “Summary” column in Item 17.t. of the FDD is deleted and the following is inserted in its place:

Notwithstanding anything to the contrary in this provision, you do not waive any right under the Indiana Statutes with regard to prior representations made by us.

The “Summary” column in Item 17.v. of the FDD is deleted and the following is inserted in its place:

Litigation regarding Franchise Agreement in Indiana; other litigation in Franchisor’s Choice of Law State. This language has been included in this Franchise Disclosure Document as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement, including all venue provisions, is fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on federal pre-emption under the Federal Arbitration Act.

The “Summary” column in Item 17.w. of the FDD is deleted and the following is inserted in its place:

Indiana law applies to disputes covered by Indiana franchise laws; otherwise Franchisor’s Choice of Law State law applies.

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Indiana:

1. The laws of the State of Indiana supersede any provisions of the FDD, the Franchise Agreement, or Franchisor’s Choice of Law State law, if such provisions are in conflict with Indiana law.
2. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the Franchise without good cause or in bad faith, good cause being defined under law as including any material breach of the Franchise Agreement, will supersede the provisions of the Franchise Agreement relating to termination for cause, to the extent those provisions may be inconsistent with such prohibition.
3. Any provision in the Franchise Agreement that would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Law is void to the extent that such provision violates such law.



4. The covenant not to compete that applies after the expiration or termination of the Franchise Agreement for any reason is hereby modified to the extent necessary to comply with Indiana Code 23-2-2.7-1 (9).
5. The following provision will be added to the Franchise Agreement:

No Limitation on Litigation. Despite the foregoing provisions of this Agreement, any provision in the Agreement which limits in any manner whatsoever litigation brought for breach of the Agreement will be void to the extent that any such contractual provision violates the Indiana Deceptive Franchise Practices Law.

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.

## **IOWA**

Any provision in the Franchise Agreement or a compliance questionnaire which would require you to prospectively assent to a release, assignment, novation, waiver or estoppel which purports to relieve any person from liability imposed by the Iowa Business Opportunity Promotions Law (Iowa Code Ch. 551A) is void to the extent that such provision violates such law.

The following language will be added to the Franchise Agreement:

### **NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within three (3) business days from the above date. If you cancel, any property traded in, any payments made by you under the contract or sale, and any negotiable instrument executed by you will be returned within ten (10) business days following receipt by the seller of your cancellation notice, and any security interest arising out of the transaction will be canceled.

If you cancel, you must make available to the seller at your residence or business address, in substantially as good condition as when received, any goods delivered to you under this contract or sale; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller's expense and risk.

If you do not agree to return the goods to the seller or if the seller does not pick them up within twenty (20) days of the date of your notice of cancellation, you may retain or dispose of the goods without any further obligation.

To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Drama Kids International, Inc., 15271 McGregor Blvd., Suite 16-282, Fort Myers, FL 33908, or send a fax to Drama Kids International, Inc. at (800) 435-6450 not later than midnight of the third business day after the Effective Date.



I hereby cancel this transaction.

Franchisee: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## **MARYLAND**

### AMENDMENTS TO FRANCHISE DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENTS

Item 17 of the FDD and the Franchise Agreement are amended to state: “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.”

Item 17 of the FDD and sections of the Franchise Agreement are amended to state: “A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the Franchise.”

The Franchise Agreement 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.”

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.).

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.

## **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.**

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

- (a) A prohibition on your right to join an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver, or estoppel which



deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

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

(d) A provision that permits us to refuse to renew your Franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us 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) you are prohibited by the Franchise Agreement 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 you do not receive at least six (6) months' advance notice of our intent not to renew the Franchise.

(e) A provision that permits us 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 the State of Michigan. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

(i) the failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

(ii) the fact that the proposed transferee is a competitor of us or our subfranchisor.

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

(iv) your or proposed transferee's failure to pay any sums owing to us or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

(h) A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants to us 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 us the right to acquire the assets of a Franchise for the market or appraised value of such assets if you have breached the lawful provisions of the Franchise Agreement and have failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you 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.**

Any questions regarding this notice should be directed to:

State of Michigan  
Department of Attorney General  
Consumer Protection Division  
Attn: Franchise  
670 Law Building  
525 W. Ottawa Street  
Lansing, Michigan 48913  
Telephone Number: (517) 373-7117

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.

**MINNESOTA**

Despite anything to the contrary in the Franchise Agreement, the following provisions will supersede and apply to all Franchises offered and sold in the State of Minnesota:

1. Any provision in the Franchise Agreement which would require you to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statutes, Sections 80C.01 to 80C.22 will be void to the extent that such contractual provision violates such law.
2. Minnesota Statute Section 80C.21 and Minnesota Rule 2860.4400J prohibit the franchisor from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the FDD or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of Minnesota.
3. Minn. Rule Part 2860.4400J prohibits a franchisee from waiving his rights to a jury trial or waiving his rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. Any provision in the Franchise Agreement which would require you to waive your rights to any procedure, forum or remedies provided for by the laws of the State of Minnesota is deleted from any agreement relating to Franchises offered and sold in the State of Minnesota; provided, however, that this paragraph will not affect the obligation in the Franchise Agreement relating to arbitration.
4. With respect to Franchises governed by Minnesota law, we will comply with Minnesota Statute Section 80C.14, Subds. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement; and that consent to the transfer of the Franchise will not be unreasonably withheld.



5. Item 13 of the FDD is hereby amended to state that we will protect your rights under the Franchise Agreement to use the Marks, or indemnify you from any loss, costs, or expenses arising out of any third-party claim, suit or demand regarding your use of the Marks, if your use of the Marks is in compliance with the provisions of the Franchise Agreement and our System standards.
6. Minnesota Rule 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release. As a result, the FDD and the Franchise Agreement, which require you to sign a general release prior to renewing or transferring your Franchise, are hereby deleted from the Franchise Agreement, to the extent required by Minnesota law.
7. The following language will appear as a new paragraph of the Franchise Agreement:
 

No Abrogation. Pursuant to Minnesota Statutes, Section 80C.21, nothing in the dispute resolution section of this Agreement will in any way abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80.C.
8. Minnesota Statute Section 80C.17 states that no action for a violation of Minnesota Statutes, Sections 80C.01 to 80C.22 may be commenced more than three (3) years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. Item 6 of the FDD and Section 9.409 of the Franchise Agreement is hereby amended to limit the insufficient funds fee to \$30 per occurrence pursuant to Minnesota Statute 604.113.
10. 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.

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 SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT 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:

With the exception of what is stated above, the following applies 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 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.

4. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**": You may terminate the agreement on any grounds available by law.

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

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

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

7. Receipts - Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring that you sign a general release, estoppel or waiver as a condition of renewal and/or assignment may not be enforceable as they relate to releases of the North Dakota Franchise Investment Law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the FDD, the Franchise Agreement, and the Supplemental Agreements relating to choice of law may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to liquidated damages and/or termination penalties may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Any sections of the FDD, the Franchise Agreement, and the Supplemental Agreements requiring you to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the FDD and Section 21 of the Franchise Agreement disclose the existence of certain covenants restricting competition to which Franchisee must agree. The Commissioner has held that covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The FDD and the Franchise Agreement are amended accordingly to the extent required by law.

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.

**OHIO**

The following language will be added to the front page of the Franchise Agreement:

You, the purchaser, may cancel this transaction at any time prior to midnight of the fifth business day after the date you sign this agreement. See the attached notice of cancellation for an explanation of this right.

Initials \_\_\_\_\_ Date \_\_\_\_\_

**NOTICE OF CANCELLATION**

\_\_\_\_\_ (enter date of transaction)

You may cancel this transaction, without penalty or obligation, within five (5) business days from the above date. If you cancel, any payments made by you under the agreement, and any negotiable instrument executed by you will be returned within ten (10) business days following the seller’s receipt of your cancellation notice, and any security interest arising out of the transaction will be cancelled. If you cancel, you must make available to the seller at your business address all goods delivered to you under this agreement; or you may, if you wish, comply with the instructions of the seller regarding the return shipment of the goods at the seller’s expense and risk. If you do make the goods available to the seller and the seller does not pick them up within 20 days of the date of your notice of cancellation, you may retain or dispose of them without further obligation. If you fail to make the goods available to the seller, or if you agree to return them to the seller and fail to do so, then you remain liable for the performance of all obligations under this agreement. To cancel this transaction, mail or deliver a signed and dated copy of this cancellation notice or any other written notice to Drama Kids International, Inc., 15271 McGregor Blvd., Suite 16-282, Fort Myers, FL 33908, or send a fax to Drama Kids International, Inc. at (800) 435-6450 not later than midnight of the fifth business day after the Effective Date.

I hereby cancel this transaction.

Franchisee:

Date: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Its: \_\_\_\_\_

**RHODE ISLAND**

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.” The FDD, the Franchise Agreement, and the Supplemental Agreements are amended accordingly to the extent required by law.

The above language has been included in this FDD as a condition to registration. The Franchisor and the Franchisee do not agree with the above language and believe that each of the provisions of the Franchise Agreement and the Supplemental Agreements, including all choice of law provisions, are fully enforceable. The Franchisor and the Franchisee intend to fully enforce all of the provisions of the Franchise Agreement, the Supplemental Agreements, and all other documents signed by them, including but not limited to, all venue, choice-of-law, arbitration provisions and other dispute avoidance and resolution provisions and to rely on



federal pre-emption under the Federal Arbitration Act.

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.

## **SOUTH DAKOTA**

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.

## **VIRGINIA**

Item 17(h). The following is added to Item 17(h):

“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 or Supplemental Agreements involve the use of undue influence by the Franchisor to induce a franchisee to surrender any rights given to franchisee under the Franchise, that provision may not be enforceable.”

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the FDD for Drama Kids International, Inc. for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 8 and 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.

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

## **WASHINGTON**

### **ADDENDUM TO FRANCHISE AGREEMENT AND FRANCHISE DISCLOSURE DOCUMENT**

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

On October 3, 2019, Franchisor entered into an Assurance of Discontinuance ("AOD") with the Washington Attorney General's office ("AGO"). Under the AOD Franchisor agreed to permanently discontinue the use of and to no longer enforce "no-poach" language in Franchisor's agreements which restricted the ability of franchisees to hire the employees from competing franchisees and from Franchisor's corporate locations. Franchisor further agreed to notify the AGO of any efforts by a franchisee in Washington to enforce any existing "no-poach" provision, to proactively remove "no-poach" language from each Washington franchisee's franchise agreement and to remove "no-poach" language from all other Drama Kids franchisees' agreements upon renewal.

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.



## WISCONSIN

The Wisconsin Fair Dealership Law, Chapter 135 of the Wisconsin Statutes supersedes any provision of the Franchise Agreement if such provision is in conflict with that law. The Franchise Disclosure Document, the Franchise Agreement and the Supplemental Agreements are amended accordingly.

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.

*(Signatures on following page)*



**APPLICABLE ADDENDA**

If any one of the preceding Addenda for specific states (“**Addenda**”) is checked as an “Applicable Addenda” below, then that Addenda shall be incorporated into the Franchise Disclosure Document, Franchise Agreement and any other specified agreement(s) entered into by us and the undersigned Franchisee. To the extent any terms of an Applicable Addenda conflict with the terms of the Franchise Disclosure Document, Franchise Agreement and other specified agreement(s), the terms of the Applicable Addenda shall supersede the terms of the Franchise Agreement.

- |                          |            |                          |              |                          |              |
|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|
| <input type="checkbox"/> | California | <input type="checkbox"/> | Michigan     | <input type="checkbox"/> | Rhode Island |
| <input type="checkbox"/> | Hawaii     | <input type="checkbox"/> | Minnesota    | <input type="checkbox"/> | South Dakota |
| <input type="checkbox"/> | Illinois   | <input type="checkbox"/> | New York     | <input type="checkbox"/> | Virginia     |
| <input type="checkbox"/> | Iowa       | <input type="checkbox"/> | North Dakota | <input type="checkbox"/> | Washington   |
| <input type="checkbox"/> | Indiana    | <input type="checkbox"/> | Ohio         | <input type="checkbox"/> | Wisconsin    |
| <input type="checkbox"/> | Maryland   |                          |              |                          |              |

Dated: \_\_\_\_\_, 20\_\_

**FRANCHISOR:**

DRAMA KIDS INTERNATIONAL, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. 071823



**EXHIBIT F**

**FRANCHISE OPERATIONS MANUAL  
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## **EXHIBIT G**

### **CONTRACTS FOR USE WITH THE DRAMA KIDS FRANCHISE**

The following contracts contained in Exhibit G are contracts that Franchisee is required to utilize or execute after signing the Franchise Agreement in the operation of the Drama Kids Business. The following are the forms of contracts that Drama Kids International, Inc. uses as of the Issuance Date of this Franchise Disclosure Document. If they are marked “Sample,” they are subject to change at any time.



**EXHIBIT G-1**

**DRAMA KIDS FRANCHISE**

**SAMPLE GENERAL RELEASE AGREEMENT**

**WAIVER AND RELEASE OF CLAIMS**

This Waiver and Release of Claims (“Release”) is made as of \_\_\_\_\_, 20\_\_ by \_\_\_\_\_, a(n) \_\_\_\_\_ (“Franchisee”), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, “Releasor”) in favor of Drama Kids International, Inc., a Florida corporation (“Franchisor,” and together with Releasor, the “Parties”).

**WHEREAS**, Franchisor and Franchisee have entered into a Franchise Agreement (“Agreement”) pursuant to which Franchisee was granted the right to own and operate a Drama Kids business;

**WHEREAS**, (Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee/enter into a successor franchise agreement/amend the Agreement) or (the Agreement is being terminated/or indicate other reason for the requirement of this waiver and release), and Franchisor has consented to such (transfer/successor franchise agreement/amendment/termination/other reason); and

**WHEREAS**, as a condition to Franchisor’s consent to (transfer the Agreement/enter into a successor franchise agreement/amend the Agreement/terminate the Agreement/other reason), Releasor has agreed to execute this Release upon the terms and conditions stated below.

**NOW, THEREFORE**, in consideration of Franchisor’s consent, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows:

1. **Representations and Warranties**. Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred, or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims, or obligations being terminated and released hereunder. Each individual executing this Release on behalf of Franchisee represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release.

2. **Release**. Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns, and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit, and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries, or related companies, divisions, and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the “Released Parties”), from any and all claims, liabilities, damages, expenses, actions, or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions, or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto, except to the extent such liabilities are payable by the applicable indemnified party



in connection with a third party claim. Releasor represents and warrants to the Released Parties, and agrees, that it may later learn of new or different facts, but that still, it is Releasor's intention to fully, finally, and forever release all of the claims that are released above. This includes the Releasor's waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor").

3. Nondisparagement. Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit, or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business, or their reputation.

4. Confidentiality. Releasor agrees to hold in strictest confidence and not disclose, publish, or use the existence of, or any details relating to, this Release to any third party without Franchisor's express written consent, except as required by law.

5. Miscellaneous.

a. Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred.

b. This Release shall be construed and governed by the laws of the State of Florida.

c. Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor.

d. In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees.

e. All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders, and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release.

f. This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

g. If one or more of the provisions of this Release shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal, or unenforceable provision had not been contained herein.

h. Releasor agrees to do such further acts and things and to execute and deliver such additional agreements and instruments as any Released Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby.



i. This Release is inapplicable with respect to claims arising under the Washington Franchise Investment Protection Act, chapter 19.100 RCW, and the rules adopted thereunder in accordance with RCW 19.100.220.

**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

[INSERT NAME OF FRANCHISEE]  
a(n) [state] [limited liability company / partnership /  
corporation]

By Sign: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FRANCHISEE'S OWNERS:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 092122060524



## EXHIBIT G-2

### DRAMA KIDS FRANCHISE

#### SAMPLE CONFIDENTIALITY AND NONCOMPETITION AGREEMENT

This Confidentiality and Noncompetition Agreement (“Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Drama Kids International, Inc., a Florida corporation, and its successors and assigns (“us”, “we” or “our”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Competitive Business*” means any business that: (i) sells or offers to sell products the same as or similar to the type of products sold by you in and/or from the Franchisee Territory (including, but not limited to, the products we authorize); or (ii) provides or offers to provide services the same as or similar to the type of services sold by you in and/or from the Franchisee Territory (including, but not limited to, the services we authorize), but excludes a Drama Kids business operating pursuant to a franchise agreement with us.

“*Copyrights*” means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow franchisees to use, sell, or display in connection with the marketing and/or operation of a Drama Kids business or the solicitation or offer of a Drama Kids franchise, whether now in existence or created in the future.

“*Franchisee*” means the Drama Kids franchisee for which you are a manager or officer.

“*Franchisee Territory*” means the territory granted to you pursuant to a franchise agreement with us.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Drama Kids business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Drama Kids business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Drama Kids business, including “DRAMA KIDS,” and any other trademarks, service marks, or trade names that we designate for use by a Drama Kids business. The term “Marks” also includes any distinctive trade dress used to identify a Drama Kids business, whether now in existence or hereafter created.

“*Prohibited Activities*” means any or all of the following: (i) owning, operating, or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent, or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly-traded company that is a Competitive Business); (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); and/or (iii) inducing or attempting to induce any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.



“*Restricted Period*” means the two-year period after you cease to be a manager or officer of Franchisee’s Drama Kids business; provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the “*Restricted Period*” means the one-year period after you cease to be a manager or officer of Franchisee’s Drama Kids business.

“*Restricted Territory*” means the geographic area within: (i) a 20-mile radius from Franchisee’s Drama Kids business (and including the premises of the approved location of Franchisee); and (ii) a 20-mile radius from all other Drama Kids businesses that are operating or under development as of the beginning of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the “*Restricted Territory*” means the geographic area within a ten-mile radius from Franchisee’s Drama Kids business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of a Drama Kids business, including Know-how, proprietary programs and products, Manual, and operating system.

**2. Background.** You are a manager or officer of Franchisee. As a result of this relationship, you may gain knowledge of our System. You understand that protecting the Intellectual Property and our System are vital to our success and that of our franchisees and that you could seriously jeopardize our entire System if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

**3. Know-How and Intellectual Property.** You agree: (i) you will not use the Know-how in any business or capacity other than the Drama Kids business operated by Franchisee; (ii) you will maintain the confidentiality of the Know-how at all times; (iii) you will not make unauthorized copies of documents containing any Know-how; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how; and (v) you will stop using the Know-how immediately if you are no longer a manager or officer of Franchisee’s Drama Kids business. You further agree that you will not use all or part of the Intellectual Property or all or part of the System for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee. These restrictions on Know-how, Intellectual Property and the System shall not apply to any information which is information publicly known or becomes lawfully known in the public domain other than through a breach of this Agreement or is required or compelled by law to be disclosed, provided that you will give reasonable notice to us to allow us to seek protective or other court orders.

**4. Unfair Competition During Relationship.** You agree not to unfairly compete with us at any time while you are a manager or officer of Franchisee’s Drama Kids business by engaging in any Prohibited Activities.

**5. Unfair Competition After Relationship.** You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the Prohibited Activity.

**6. Immediate Family Members.** You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, grandparent or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have



violated the terms of this Agreement if any member of your immediate family: (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities; or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

**7. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other Drama Kids franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours in the event of the entry of such injunction will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action that you may have against us, our owners or our affiliates, or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This Agreement will be governed by, construed, and enforced under the laws of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

c. Each section of this Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration, and geographic area.

d. You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory, and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law.

*(Signature on following page)*



EXECUTED on the date stated below.

Date \_\_\_\_\_

Signature \_\_\_\_\_

Typed or Printed Name \_\_\_\_\_



**EXHIBIT G-3**

**DRAMA KIDS FRANCHISE**

**SAMPLE CONFIDENTIALITY AGREEMENT**

This Confidentiality Agreement (“Agreement”) is entered into by the undersigned (“you”) in favor of Drama Kids International, Inc., a Florida corporation, and its successors and assigns (“us”), upon the terms and conditions set forth in this Agreement.

**1. Definitions.** For purposes of this Agreement, the following terms have the meanings given to them below:

“*Copyrights*” means all works and materials for which we or our affiliate(s) have secured common law or registered copyright protection and that we allow Drama Kids franchisees to use, sell, or display in connection with the marketing and/or operation of a Drama Kids Business, whether now in existence or created in the future.

“*Drama Kids Business*” means a business that provides drama-based programs for children and teenagers ages 4 to 17 and other related products and services using our Intellectual Property.

“*Franchisee*” means the Drama Kids franchisee for which you are an employee, independent contractor, agent, representative, or supplier.

“*Intellectual Property*” means, collectively or individually, our Marks, Copyrights, Know-how, Manual, and System.

“*Know-how*” means all of our trade secrets and other proprietary information relating to the development, construction, marketing, and/or operation of a Drama Kids Business, including, but not limited to, methods, techniques, specifications, proprietary practices and procedures, policies, marketing strategies, and information comprising the System and the Manual.

“*Manual*” means our confidential operations manual for the operation of a Drama Kids Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a Drama Kids Business, including “DRAMA KIDS” and any other trademarks, service marks, or trade names that we designate for use by a Drama Kids Business. The term “Marks” also includes any distinctive trade dress used to identify a Drama Kids Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of a Drama Kids Business, including Know-how, proprietary programs and products, confidential operations manuals, and operating system.

**2. Background.** You are an employee, independent contractor, agent, representative, or supplier of Franchisee. Because of this relationship, you may gain knowledge of our Intellectual Property. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees, and that you could seriously jeopardize our entire Franchise System if you were to use such Intellectual Property in any way other than as described in this Agreement. In order to avoid such damage, you agree to comply with this Agreement.

**3. Know-How and Intellectual Property: Nondisclosure and Ownership.** You agree: (i) you will not use the Intellectual Property in any business or capacity other than for the benefit of the Drama Kids Business operated by Franchisee or in any way detrimental to us or to the Franchisee; (ii) you



will maintain the confidentiality of the Intellectual Property at all times; (iii) you will not make unauthorized copies of documents containing any Intellectual Property; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Intellectual Property; and (v) you will stop using the Intellectual Property immediately if you are no longer an employee, independent contractor, agent, representative, or supplier of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performing your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

The Intellectual Property is and shall continue to be the sole property of Drama Kids International, Inc. You hereby assign and agree to assign to us any rights you may have or may acquire in such Intellectual Property. Upon the termination of your employment or engagement with Franchisee, or at any time upon our or Franchisee's request, you will deliver to us or to Franchisee all documents and data of any nature pertaining to the Intellectual Property, and you will not take with you any documents or data or copies containing or pertaining to any Intellectual Property.

**4. Immediate Family Members.** You acknowledge you could circumvent the purpose of this Agreement by disclosing Intellectual Property to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Intellectual Property to family members. Therefore, you agree you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Intellectual Property. However, you may rebut this presumption by furnishing evidence conclusively showing you did not disclose the Intellectual Property to the family member.

**5. Covenants Reasonable.** You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Agreement will cause substantial and irreparable damage to us and/or other Drama Kids franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense, or cause of action you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

**7. Miscellaneous.**

a. Although this Agreement is entered into in favor of Drama Kids International, Inc., you understand and acknowledge that your employer/employee, independent contractor, agent, representative, or supplier relationship is with Franchisee and not with us, and for all purposes in connection with such relationship, you will look to Franchisee and not to us.

b. If we pursue legal remedies against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.



c. This Agreement will be governed by, construed, and enforced under the laws of Florida, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

d. Each section of this Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

EXECUTED on the date stated below.

Date \_\_\_\_\_

Signature \_\_\_\_\_

Typed or Printed Name \_\_\_\_\_

Rev.032916



**EXHIBIT G-4**

**AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM**

**Franchisee Information:**

Franchisee Name	Business No.
Franchisee Mailing Address (street)	Franchisee Phone No.
Franchisee Mailing Address (city, state, zip)	
Contact Name, Address and Phone number (if different from above)	
Franchisee Fax No.	Franchisee Email Address

**Bank Account Information:**

Bank Name		
Bank Mailing Address (street, city, state, zip)		
<input type="checkbox"/> Checking <input type="checkbox"/> Savings		
Bank Account No.	(check one)	Bank Routing No. (9 digits)
Bank Mailing Address (city, state, zip)	Bank Phone No.	

**Authorization:**

Franchisee hereby authorizes Drama Kids International, Inc. (“Franchisor”) to initiate debit entries to Franchisee’s account with the Bank listed above, and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee’s account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

Rev. 032916

**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**



**EXHIBIT G-5**

**DRAMA KIDS FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment (“**Agreement**”) is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between Drama Kids International, Inc. (“**Franchisor**”), a Florida corporation, \_\_\_\_\_ (“**Former Franchisee**”), the undersigned owners of Former Franchisee (“**Owners**”) and \_\_\_\_\_, a [State] [corporation/limited liability company] (“**New Franchisee**”).

**RECITALS**

WHEREAS, Franchisor and Former Franchisee entered into that certain franchise agreement dated \_\_\_\_\_, 20\_\_\_\_ (“**Former Franchise Agreement**”), in which Franchisor granted Former Franchisee the right to operate a Drama Kids franchise located at \_\_\_\_\_ (“**Franchised Business**”); and

WHEREAS, Former Franchisee desires to assign (“**Requested Assignment**”) the Franchised Business to New Franchisee, New Franchisee desires to accept the Requested Assignment of the Franchised Business from Former Franchisee, and Franchisor desires to approve the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon the terms and conditions contained in this Agreement, including that New Franchisee sign Franchisor’s current form of franchise agreement together with all exhibits and attachments thereto (“**New Franchise Agreement**”), contemporaneously herewith.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and agreements herein contained, the parties hereto hereby covenant, promise, and agree as follows:

1. Payment of Fees. In consideration for the Requested Assignment, Former Franchisee acknowledges and agrees to pay Franchisor the Transfer Fee, as required under the Franchise Agreement (“**Franchisor’s Assignment Fee**”).

2. Assignment and Assumption. Former Franchisee hereby consents to assign all of its rights and delegate its duties with regard to the Former Franchise Agreement and all exhibits and attachments thereto from Former Franchisee to New Franchisee, subject to the terms and conditions of this Agreement, and conditioned upon New Franchisee’s signing the New Franchise Agreement pursuant to Section 5 of this Agreement.

3. Consent to Requested Assignment of Franchised Business. Franchisor hereby consents to the Requested Assignment of the Franchised Business from Former Franchisee to New Franchisee upon receipt of the Franchisor’s Assignment Fee from Former Franchisee and the mutual execution of this Agreement by all parties. Franchisor waives its right of first refusal set forth in the Former Franchise Agreement.

4. Termination of Rights to the Franchised Business. The parties acknowledge and agree that effective upon the date of this Agreement, the Former Franchise Agreement shall terminate and all of Former Franchisee’s rights to operate the Franchised Business are terminated and that from the date of this



Agreement only New Franchisee shall have the sole right to operate the Franchised Business under the New Franchise Agreement. Former Franchisee and the undersigned Owners agree to comply with all of the covenants in the Former Franchise Agreement that expressly or by implication survive the termination, expiration, or transfer of the Former Franchise Agreement. Unless otherwise precluded by state law, Former Franchisee shall execute Franchisor's current form of General Release Agreement.

5. New Franchise Agreement. New Franchisee shall execute the New Franchise Agreement for the Franchised Business (as amended by the form of Addendum prescribed by Franchisor, if applicable), and any other required contracts for the operation of a Drama Kids franchise as stated in Franchisor's Franchise Disclosure Document.

6. Former Franchisee's Contact Information. Former Franchisee agrees to keep Franchisor informed of its current address and telephone number at all times during the three-year period following the execution of this Agreement.

7. Acknowledgement by New Franchisee. New Franchisee acknowledges and agrees that the purchase of the rights to the Franchised Business ("**Transaction**") occurred solely between Former Franchisee and New Franchisee. New Franchisee also acknowledges and agrees that Franchisor played no role in the Transaction and that Franchisor's involvement was limited to the approval of Requested Assignment and any required actions regarding New Franchisee's signing of the New Franchise Agreement for the Franchised Business. New Franchisee agrees that any claims, disputes, or issues relating New Franchisee's acquisition of the Franchised Business from Franchisee are between New Franchisee and Former Franchisee, and shall not involve Franchisor.

8. Representation. Former Franchisee warrants and represents that it has not heretofore assigned, conveyed, or disposed of any interest in the Former Franchise Agreement or Franchised Business. New Franchisee hereby represents that it received Franchisor's Franchise Disclosure Document and did not sign the New Franchise Agreement or pay any money to Franchisor or its affiliate for a period of at least 14 calendar days after receipt of the Franchise Disclosure Document.

9. Notices. Any notices given under this Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. priority mail, delivery confirmation, or via email, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or email address appearing on the records of the sending party.

10. Further Actions. Former Franchisee and New Franchisee each agree to take such further actions as may be required to effectuate the terms and conditions of this Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Agreement, the term "**Affiliates**" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida.



**IN WITNESS WHEREOF**, the parties have executed this Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

DRAMA KIDS INTERNATIONAL, INC.

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**FORMER FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

**NEW FRANCHISEE:**

\_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Rev. 031821



**EXHIBIT H**

**STATE EFFECTIVE DATES**



## State Effective Dates

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

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	March 29, 2024 <u>Pending</u>
Indiana	April 2, 2024 <u>Pending</u>
Michigan	July 16, 2024 <u>Pending</u>
Minnesota	March 26, 2024 <u>Pending</u>
Virginia	March 19, 2024 <u>Pending</u>
Wisconsin	March 15, 2024 <u>Pending</u>

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.

**EXHIBIT I**

**RECEIPT**



**RECEIPT**  
**(Retain This Copy)**

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

If Drama Kids International, 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.

Under Iowa law, if applicable, Drama Kids International, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Drama Kids International, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Drama Kids International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Doug Howard, 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908; (800) 435-6450
Faith Gavelek, 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908; (800) 435-6450

Issuance Date: ~~March 15, 2024~~ March 14, 2025

I received a disclosure document issued ~~March 15, 14, 2025~~ March 14, 2024 which included the following exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Franchise Agreement
- Exhibit C List of Current and Former Franchisees
- Exhibit D Financial Statements
- Exhibit E State Addenda and Agreement Riders
- Exhibit F Franchise Operations Manual Table of Contents
- Exhibit G Contracts for use with the Drama Kids Franchise
- Exhibit H State Effective Dates
- Exhibit I Receipts

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**PLEASE RETAIN THIS COPY FOR YOUR RECORDS.**



**RECEIPT  
(Our Copy)**

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

If Drama Kids International, 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.

Under Iowa law, if applicable, Drama Kids International, Inc. must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Drama Kids International, Inc. to give you this disclosure document at least ten business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. New York requires you to receive this disclosure document at the earlier of the first personal meeting or ten business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Drama Kids International, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580, and the appropriate state agency identified on Exhibit A.

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- Exhibit G Contracts for use with the Drama Kids Franchise
- Exhibit H State Effective Dates
- Exhibit I Receipt

\_\_\_\_\_  
Date Signature Printed Name

\_\_\_\_\_  
Date Signature Printed Name

Rev. 012417

**Please sign this copy of the receipt, date your signature, and return it to Drama Kids International, Inc., 15271 McGregor Blvd., Suite 16-282, Fort Myers, Florida 33908.**

