

Type of Fee ⁽¹⁾	Amount	Due Date	Remarks
			Determination of our then-current fee is subject to increase based on changes to the CPI (see note 1).
Class Scheduling and Registration Software Fee	Currently estimated to range between \$50 and \$100 per month, depending on student volume	Monthly	This “ <u>Software Fee</u> ” is payable to our designated vendor beginning 60 days after completion of initial training. <u>Once you have more than 250 students at your Drama Kids Business, the Software Fee increases to \$100 per month.</u>
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.
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 ⁽⁴⁾	\$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 ⁽¹⁾	Amount	Due Date	Remarks
Transfer Fee ⁽⁵⁾	\$8,000	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.

Notes:

- 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 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). In such event, we have the right to increase these fees by a maximum of 20% per year, calculated cumulatively over the term of the Franchise Agreement. Additionally, we may also increase fees by the amount of any increases in fees from third parties for the underlying products or services, as applicable, which will be added to the capped fee increase. 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.
- 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.
- You must pay us a monthly Royalty Fee equal to the greater of 8% of your Gross Sales or the Minimum Royalty which, in part, supports ongoing brand development and system resources. The Royalty Fee begins to accrue in the month in which your Drama Kids Business is established and



Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is To Be Made
	Low	High			
Software Fees ⁽⁴⁾	\$50	\$50	As incurred	As incurred	Third Parties
Travel, Lodging, and Meals for Initial Training	\$500	\$2,000	As incurred	As incurred	Third Parties
Insurance ⁽⁵⁾	\$1,000	\$2,000	As incurred	As incurred	Third Parties
Additional Funds - (3 Months) ⁽⁶⁾	\$2,450	\$4,450	As incurred	As incurred	Third Parties and Us
TOTAL ESTIMATED INITIAL INVESTMENT⁽⁷⁾	\$43,500	\$54,500			

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 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. The Drama Kids business model is designed to operate without a required leased office, retail location, or require inventory purchases. Franchisees typically operate from a home office and conduct classes in third-party facilities such as schools and community centers. As a result, the initial investment does not include build-out costs or leasehold improvements.
4. Software Fees. You must begin paying the Software Fee beginning 60 days after completion of initial training. This fee is payable to Jackrabbit Class third-party student registration platform used by you to accept and process student registrations. The Software Fees are between \$50 and \$100 per month, depending on student volume at your Drama Kids Business. Because you are required to open your Drama Kids Business within 90 days of completion of initial training, we estimate you will pay one month of Software Fees before opening. This estimate is based on \$50 per month because a new Drama Kids Business will typically have a corresponding student volume. The Software Fee is \$100 per month when you have more than 250 students at your Drama Kids Business.
5. 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



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

THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

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.

