

ITEM 1
THE FRANCHISOR, ITS PREDECESSORS AND AFFILIATE

The Franchisor is Kinderdance International, Inc. and is referred to in this offering circular as "we," "us," or "our." "You" means a person who buys a franchise from us. If you are a corporation, partnership or other entity, certain provisions of our Franchise Agreement also will apply to your owners. This offering circular indicates when your owners also are covered by a particular provision.

We are an Arizona corporation, incorporated on April 15, 1982. Our principal business address is 1333 Gateway Dr. Suite 1003, Melbourne, Florida 32901. Our agent in this state for service of process is disclosed in Exhibit F. We conduct business under our corporate name, under the name "**Kinderdance International**" and under the service mark "**Kinderdance**."

Our Franchise Program.

We grant franchises for the operation of children's dance education businesses ("**Kinderdance Businesses**") that use our primary service marks: "**KINDERDANCE**," and "**KINDERGYM**" (the "**Marks**") in a specified geographic Territory (the "**Territory**"). Kinderdance Businesses operate under distinctive business formats, systems, methods, procedures, designs and specifications, all of which we may improve, further develop or otherwise modify from time to time (collectively, the "**Kinderdance System**"). Kinderdance Businesses work exclusively with the 4 Kinderdance Programs: **KINDERDANCE**, **KINDERCOMBO**, **KINDER-GYM** and **KINDER-TOT**. We grant franchises for Kinderdance Businesses in accordance with our franchise agreement. A copy of it is attached as Exhibit B.

Our leading program, the **KINDERDANCE** Program, was designed and developed for three to five year old children based on sound principle, theories, knowledge, and research findings in the field of early childhood education and dance. The primary goal of the **KINDERDANCE** Program is for each child to acquire a love for learning while feeling comfortable and confident with their individual movement potential and personality. The **KINDERDANCE** Program is an "Education Through Dance" program concerned with the total development of the child, including the perceptual motor, psychomotor, and affective domains. Preschoolers are taught the basics of Ballet, Tap, Acrobatics and Creative Dance, which are blended with numbers, colors, shapes and words. The three-year developmental program is designed to meet the needs of Daycare Centers, Nursery Schools and numerous other diversified locations.

The **KINDERCOMBO** Program was designed to meet the needs of the older child, six to eight years old, whose attention span and motor abilities are more refined. A combination beginning Ballet and Tap class is the foundation of this program, stressing poise, grace, balance, flexibility, strength, rhythm and knowledge of terminology developed through center and cross floor work, and sequencing of patterns in dance.

The **KINDERGYM** Program was designed to meet the needs of three to five year old children desiring more emphasis in general movement, motor development, gymnastics and fitness blended with colors, numbers, shapes and words.

The **KINDERTOT** Program is a Pre-Kinderdance Program for two year olds, designed to develop motor skills, movement creativity, body awareness, Pre-Ballet, Tap and Acrobatics readiness skills which are blended with colors, numbers and shapes. It is taught with age appropriate music and songs.

Collectively, we refer to the KINDERDANCE, KINDER-COMBO, KINDER-GYM, and KINDER-TOT programs as the "**Kinderdance Programs.**" Kinderdance Businesses generally teach the Kinderdance Programs at Child Care centers, pre-schools, public and private schools, YMCA's, military bases, and numerous other diversified locations.

You are not required to maintain an office or studio to operate your Kinderdance Business, but you must operate your Kinderdance Business according to our business formats, methods, procedures, designs, layouts, standards and specifications.

We offer Bronze, Silver and Gold franchises. Bronze Level franchises restrict you to teaching at a maximum of 10 locations and do not allow you to hire and train teachers. Silver franchises restrict you to teaching at a maximum of 20 locations in your Territory. Gold franchises allow you to teach Kinderdance Programs at an unlimited number of locations in your Territory. Also, we grant exclusive operating territories to Gold franchise owners. We charge a lower initial franchise fee for a Bronze Level franchise but charge a higher royalty. We charge a higher initial franchise fee for Gold franchises but also a lower royalty. Gold Franchise Owners can choose to meet their sales quotas on their own or through assisting other franchisees in their Territory that are either Bronze Franchises or Silver Franchises. Gold Franchise Owners who choose this option help us solicit prospective franchisees, help train them and provide continuing support to them. In exchange for these services, we compensate them with a portion of the initial franchise fees and royalties from the franchisees that they have solicited and provide services to. See Items 5 and 6. Exhibit B, Schedule 6 is a copy of our form of "Bronze Addendum", which modifies our Franchise Agreement for our Bronze Level program. Exhibit B, Schedule 7 is a copy of our Conversion Addendum. Exhibit B, Schedule 5 is a copy of our standard form of "Gold Addendum" which modifies the Franchise Agreement for our Gold program. See Item 5.

Our Business.

We have been offering franchises for Kinderdance Businesses since February 1, 1985. We conducted a Kinderdance Business ourselves since our incorporation on April 15, 1982 until 1985. We then sold it to a franchisee. We do not engage in other business activities and have not offered franchises in other lines of business. We have no affiliates and no predecessors.

Competition.

You will be competing with other young children's dance, motor development, gymnastics and fitness educational programs. Competitors may include public and private schools, YMCA's, dance academies, gymnastic programs and schools, churches and other providers of physical education for children. Your products and services will be offered to children in the general public. The market for children's dance education programs is developed in some areas and developing in other areas, depending on the existing programs in the particular area.

Regulations.

We are not aware of any federal, state or local laws, regulations or ordinances that specifically relate to the operation of Kinderdance Businesses, other than those affecting businesses generally. Most of the sites in which you will teach will be daycare centers or educational institutions that may have to comply with various federal, state and local laws, rules and regulations. However, those laws, rules and regulations should not affect your operation and we are not aware of any special licensing required to operate your Kinderdance Business at those locations.

Nevertheless, we are aware of at least one instance in which a local California regulator took the position that the instructors for Kinderdance Businesses needed to comply with various requirements of the California health and safety code for licensees of child daycare centers. We were able to resolve the matter without the need for any special licensing. It is possible that other California regulators, as well as regulators of other states, may take similar positions.

There are several private music licensing companies that may require Kinderdance Franchisees to pay a licensing fee in order to use music for which the licensing companies have licensing authorization. The basic Kinderdance original music is exempt from these fees.

If you acquire a Gold franchise and act as our Area Representative, you will be required to comply with applicable federal and state franchise laws. These laws regulate the offer and sale of franchises and what activities you may engage in when doing so. Some of these laws require preparation and delivery of franchise disclosure documents at certain times. Some states may require registration of the franchise program before you can assist us in offering franchises in that state. In addition, certain states may require our Area Representatives to register as a broker or subfranchisor.

ITEM 2 **BUSINESS EXPERIENCE**

President, Treasurer and Director: Carol Kay Harsell.

Ms. Harsell established the American Academy of Dance, Inc. in Scottsdale, Arizona in September, 1979. She developed the Kinderdance Programs while working with the American Academy of Dance. Ms. Harsell incorporated Kinderdance International, Inc. on April 15, 1982, and has been our President, Treasurer and a Director ever since.

Vice President, Secretary and Director: Bernard Friedman.

Mr. Friedman has been our Vice-President, Secretary and a Director since our incorporation. Mr. Friedman is a co-founder of Kinderdance International, Inc. and has been an officer and director since then. His primary responsibilities are in sales and marketing, including franchise development.

See Exhibit C for information on any franchise brokers we use. Gold Franchises that have chosen to act as our Area Representative in their Territory may be considered franchise brokers.

ITEM 3 **LITIGATION**

No litigation is required to be disclosed in this Offering Circular.

See Exhibit C for any litigation involving franchise brokers.

ITEM 4 **BANKRUPTCY**

No person previously identified in Items 1 or 2 of this offering circular has been involved as a debtor in proceedings under the U.S. Bankruptcy Code required to be disclosed in this Item.

ITEM 5

INITIAL FRANCHISE FEE

We currently charge an initial franchise fee that varies depending on whether you purchase a Bronze, Silver or Gold franchise (the "**Initial Franchise Fee**"). The Initial Franchise Fee for the Bronze franchise is \$12,000 and limits the Franchisee to ten locations in a non-exclusive area and does not allow you to hire and train teachers. The Initial Franchise Fee for a Silver franchise is \$18,000, and limits the franchisee to 20 locations in a non exclusive area. The Initial Franchise Fee for a Gold franchise is \$28,000 with unlimited locations. All levels are awarded a marketing area consisting of approximately 400,000 population with approximately 250-400 marketing locations.

You must pay the initial franchise fee in cash in a lump sum when you sign the Franchise Agreement, although we may finance a portion of it. See Item 10. This fee is fully earned when the franchise agreement is executed, and is non-refundable, except that we may, at any time before you successfully complete initial training, cancel the franchise agreement and refund the fee, less expenses incurred, if we decide that you should not operate a Kinderdance business. We estimate our expenses will be in the range of \$5,000 to \$7,000.

Except for the circumstance described in this Item 5, we do not give refunds of the initial franchise fee.

In consideration for the Initial Franchise Fee we: (a) grant you a franchise to operate a Kinderdance Business; (b) provide you with initial training; and (c) provide you with an initial supply of materials, business development forms and bookkeeping and accounting forms (collectively, the "**Kinderdance Materials**" with values from approximately \$850.00 to \$2,000.00 depending upon the level of franchise awarded).

ITEM 6

OTHER FEES

Name of Fee¹	Amount	Due Date	Remarks
Initial Inventory	Bronze \$100 Silver \$250 Gold \$500	Prior to initial training	You are expected to keep a small inventory of children's dancewear items for resale.
Royalty ^{2,3,6} - Bronze	Minimum of \$200 per month ⁴ or fifteen percent (15%) of your monthly Gross Sales, whichever is more.	Payable on 10th day of each month.	Gross Sales are the total of all products and services sold and all income you derive from operating the Kinderdance Business. The obligation to pay the minimum royalty of \$200 per month does not commence until the beginning of the 6th calendar month after completion of training. The minimum royalty is reduced to \$100 per month during the months of June, July and August.
Royalty ^{2,3,4} - Silver	Minimum of \$300 per month ⁴ or a variable percentage of 7-10% of your monthly Gross Sales, whichever is more.	Payable on 10th day of each month.	Gross Sales are the total of all products and services sold and all income you derive from operating the Kinderdance Business. The obligation to pay the minimum royalty of \$300 per month does not commence until the beginning of the 6th calendar month after completion of training. The minimum

Name of Fee ¹	Amount	Due Date	Remarks
			royalty is reduced to \$150 per month during the months of June, July and August.
Royalty ² - Gold	Greater of \$500.00 per month ⁴ or a variable percentage of 6-7%, whichever is more.	Payable on 10th day of each month.	Gross Sales are the total of all products and services sold and all income you derive from operating the Kinderdance Business. The obligation to pay the minimum royalty of the greater of \$500.00 per month thereafter does not commence until the beginning of the 6th calendar month after completion of training.
Advertising Contribution	3% of monthly Gross Sales	Payable on 10th day of each month	These funds are added to the Advertising Fund and used to advertise Kinderdance Businesses.
Training of Employees	\$500 per employee, plus expenses, if we train at Melbourne, Florida. \$150 per training kit may be required for each employee if we have certified you to train and you train.	15 days after billing	Training of your employees is provided if requested by you. You must also pay travel and lodging costs if we train. We may certify you to train your employees, in which case you may purchase a training kit for each employee you train. We provide initial training for 2 people under the Gold program, and for 1 person under the Silver or Bronze program, at no additional charge. Bronze Level franchises are prohibited from hiring or training employees.
Additional Kinderdance Materials	Amount determined by our materials price list from time to time	15 days after billing	You may purchase additional Kinderdance materials from us from time to time.
Transfer	Bronze - \$3,000 Silver - \$5,000 Gold - \$8,000	Prior to consummation of transfer	Payable when the Franchise Agreement or a controlling interest in you is transferred.
Renewal Fee	10% of our then current initial franchise fee	Upon signing new franchise agreement	Our renewal franchise fee will not include the purchase of any Kinderdance Materials.
Audit	Cost of inspection or audit	15 days after billing	Payable only if you fail to furnish reports, supporting records or other required information or if you underpay us by 5% or more for the audit period.
Interest	Lesser of 1.5% per month or highest contract rate of interest allowed by law	15 days after billing	Payable on all overdue amounts. Begins from the date of underpayment.
Costs and Attorneys' Fees	Will vary under circumstances	As incurred	Payable upon your failure to comply with the Franchise Agreement.
Indemnification	Will vary under circumstances	As incurred	You have to reimburse us for our defense costs and damages if claims are made against us arising from your Kinderdance Business operations.

Name of Fee ¹	Amount	Due Date	Remarks
Testing	Cost of Testing	15 days after billing	This covers the costs of testing new products or inspecting new suppliers you propose.
Penalty (FINE)	\$250.00	As incurred	Payable per annual conference for any of the first three conferences not attended after initial training.
On Site Training ⁴	\$200.00 per diem plus lodging and travel expense	As incurred	Payable in advance when Franchisee requests additional on site training not included with initial Franchise Fee.

- 1 All fees are imposed by and payable to us. All fees are non-refundable.
- 2 You must also pay any federal, state, or local taxes imposed on the royalties, in accordance with applicable laws and regulations.
- 3 If you are a Bronze or Silver franchise owner and wish to upgrade to a more expensive Franchise, you will be given full credit towards the purchase price of the Upgraded Franchise for any franchise fees previously paid for the Bronze or Silver Franchise.
- 4 You must pay for your trainees' and attendees' salaries and benefits, and for their travel, lodging and meal expenses. If you request our trainers or if they must travel to give you training, you must pay us the then-current per diem charges for those trainers and must reimburse us for their actual and reasonable travel, lodging and meal expenses.
- 5 The minimum monthly Royalty is payable for the remainder of the term upon early termination, per Franchise Agreement section 17.1.
- 6 Should you fail to attend any of the first three annual conferences after your initial training, you will be subject to a fine in the amount of Two Hundred Fifty Dollars (\$250.00) per absence; as per Franchise Agreement section 5.3.
- 7 If you are a Bronze Level franchise owner (you can operate up to 10 locations in your Territory), the royalty payment is the greater of \$200 per month or fifteen percent (15%) of your monthly gross sales. Bronze Level franchises are prohibited from hiring or training employees. The minimum royalty for a Bronze franchise is reduced to \$100 per month during the months of June, July and August.
- 8 If you are a Silver franchise owner the royalty is the greater of \$300 per month or the amount determined in accordance with the following schedule:

Monthly Gross Sales	Royalty
Up to \$5,999.99	10%
From \$6,000 to \$6,999.99	9%
From \$7,000 to \$7,999.99	8%
\$8,000 and above	7%

- The minimum royalty for a Silver franchise is reduced to \$150 per month during the months of June, July and August.
- 9 If you acquire a Gold franchise and choose to develop your Territory with additional franchisees, we will compensate you as follows:
 - (a) An amount equal to 40% of the initial franchise fee paid to us for franchisees operating in your Territory for which you were responsible for procuring the sale and for which you provide training. We will pay you this compensation in 2 installments: ½ on our receipt of the underlying initial franchise fee and ½ on opening of the business; and
 - (b) We will pay you an amount based on the royalties we have collected from franchisees operating in your Territory (other than for any you own and operate) that you solicited and were the procuring cause for the sale and for whom you provide training and support services (and except for any franchisees operating in the Territory before you became our Area Representative), equal to 25%

of the royalties we receive during the preceding calendar month. We will pay these amounts to you on or before the 20th day of each month based on the amounts we collect during the immediately preceding month. Our compensation to you automatically ends when the Franchise Agreement ends. We may set off against any compensation we owe you any amounts you owe us. See Exhibit B, Schedule 5, for the Gold Addendum.

ITEM 7
INITIAL INVESTMENT
BRONZE LEVEL

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1) Initial Inventory	\$12,000 \$100	On signing Franchise Agreement	Lump Sum	No	Us
Travel and Living Expenses while Training (2)	\$450-\$1,000	During training	As Incurred	No	Third Parties
Insurance (3)	\$400-\$600	Annually	As Agreed	No	Insurers
Additional Funds (4)	\$2,000-\$4,000(4)	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (5)	\$14,950-\$17,700				

SILVER LEVEL

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1) Initial Inventory	\$18,000 \$250	On signing Franchise Agreement	Lump Sum	No	Us
Travel and Living Expenses while Training (2)	\$450-\$1,000	During training	As Incurred	No	Third Parties
Insurance (3)	\$400-\$600	Annually	As Agreed	No	Insurers
Additional Funds (4)	\$2,000-\$4,000(4)	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (5)	\$21,100-\$23,850				

GOLD LEVEL

Expenditures	Estimated Amount or Estimated Low-High Range	When Payable	Method of Payment	Whether Refundable	To Whom Paid
Initial Franchise Fee (1) Initial Inventory	\$28,000 \$500	On signing Franchise Agreement	Lump Sum	No	Us
Travel and Living Expenses while Training (2)	\$450-\$1,000	During training	As Incurred	No	Third Parties
Insurance (3)	\$400-\$600	Annually	As Agreed	No	Insurers
Additional Funds (4)	\$2,000-\$4,000(4)	As Incurred	As Incurred	No	Third Parties
TOTAL ESTIMATED INITIAL INVESTMENT (5)	\$31,350-\$34,100				

Explanatory Notes.

1. The current initial franchise fee is \$12,000.00 for the Bronze Level, \$18,000 for Silver, and \$28,000 for Gold, payable in a lump sum in cash upon the signing of the Franchise Agreement. See Item 5 for details. The initial franchise fee is refundable only under the circumstances described in Item 5. As part of the initial franchise fee, we include an initial supply of Kinderdance Materials. We may provide financing for part of the Initial Franchise Fee. See Item 10 for information on financing part of the Initial Franchise Fee.

2. Travel and living expenses during training can vary greatly, depending on the distance traveled to the training center, mode of transportation, type of accommodations, and style of living.

3. You must maintain comprehensive general liability insurance with a limit of not less than \$1 million. An estimated annual premium for that insurance is \$350.00 to \$400.00. In addition, you must maintain automobile liability insurance with a \$500,000 combined single limit or a \$250,000/\$500,000 split limit, and worker's compensation or similar insurance as required by law on all employees. Most franchisees already carry automobile liability insurance equaling or exceeding the type required, or are able to upgrade their insurance to the type required for an estimated annual cost of \$100.00 to \$200.00. An estimated annual premium for worker's compensation insurance is \$45 to \$450, based on estimated premium rates of \$.50 to \$1.00 per \$100 of salary paid.

4. You may need these additional funds to operate the franchised business during its 6-month initial phase to cover operating expenses which are in excess of typical start-up revenues. These include expenses including marketing, promotional, travel, office supply, teacher training, printing, camcorder and telephone expenses, and monthly royalty and advertising fees. These figures are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures; your management skill, experience and business acumen; local economic conditions; the local market for your products and services; the prevailing wage rate; competition; and the sales Level reached during the initial period.

5. We relied on our many years of experience in the Kinderdance Business to compile these estimates. We have based our estimates on the assumption that you will operate your Kinderdance Business from your home and will not need to lease office space. If you choose to maintain a commercial office, we must approve your proposed lease or purchase agreement and the appearance of the proposed office. Many variables, including region, neighborhood, condition and size, will affect the cost of a commercial office. You should review these figures carefully with a business advisor before making any decision to purchase the franchise.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Purchase Restrictions.

You are not currently required to purchase or lease anything from us, our designee, or a designated supplier, relating to the establishment or operation of a Kinderdance Business except for an initial inventory package. We offer "KINDERDANCE PRODUCTS" such as Kinderdance shirts, leotards, dance clothing and other items for sale. You may purchase them for resale to customers at your option. Currently, we are the only supplier of Kinderdance products. We do not earn any revenues from your purchases in accordance with our specifications and standards, other than from the sale of Kinderdance products. In the year ending December 31, 2004 our revenues from the sale of Kinderdance products to Franchise owners for resale was \$157,715.00 or 21.44% of our total revenues of \$735,570.00.

Specifications and Standards.

We estimate that there will be no additional cost for equipment and services purchased with our specifications in connection with the establishment of your Kinderdance business. Optional equipment and services may be purchased and we estimate that the cost of such optional services and equipment should not exceed (\$500.00). You must operate your Kinderdance Business according to our System Standards. System Standards may regulate, among other things, the types, models and brands of suggested equipment, signs, products, materials and supplies to be used in operating your Kinderdance Business. Our System Standards may impose minimum requirements for delivery, performance, warranties, design, appearance and other restrictions. We will notify you in our Operations Manual or other communications, of our standards and specifications.

If you want to use any item that does not meet our System Standards, you must first submit to us sufficient information, specifications and samples. This information may include photographs. We will then determine whether the item complies with our System Standards. We may charge you a reasonable fee to cover the costs we incur in making this determination. We will notify you of our decision within a reasonable time. We may base our decision on such factors as quality and reliability. We currently have no specified procedures for this process. We prefer to handle these matters informally since we receive few, if any requests. We do not require you to purchase from approved or designated suppliers, except for the Kinderdance products we sell.

Insurance.

In addition to the purchases or leases described above, you must at all times during the term of the Franchise Agreement maintain in full force and effect certain types of insurance in amounts as we set forth in the Franchise Agreement. Such insurance must insure against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the conduct of your Kinderdance Business. All such liability insurance policies must name us as an additional insured and must provide us with 10 days prior written notice of termination expiration, or cancellation. The cost of this insurance coverage will vary depending on the insurance carrier's charges, terms of payment, and your insurance history. All costs of insurance must be borne by you.

Miscellaneous.

Except as described above, neither we nor our affiliates currently derive revenue or other material consideration as a result of required purchases or leases. There currently are no purchasing or

distribution cooperatives. We currently do not negotiate purchase arrangements with suppliers for the benefit of franchisees. However, we have the right to negotiate purchase arrangements with suppliers for the benefit of franchisees, and to derive revenue or other material consideration as a result of required purchases or leases, but intend to do so only if there will be a net cost saving to franchisees from the particular arrangement. If you chose to purchase or lease supplies manufactured or distributed by us, we will attempt to make a reasonable profit from the sale or lease of those items.

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS. IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS OFFERING CIRCULAR.

Obligation	Section in Agreement	Item in Offering Circular
(a) Site selection and acquisition/lease	Section 2.2 of Franchise Agreement	Items 1, 7 and 12
(b) Pre-opening purchases	Sections 4.1-4.3 and 10.1 of Franchise Agreement	Items 5, 6, 7, 8 and 16
(c) Site development and other pre-opening requirements	Sections 4.1-4.3 of Franchise Agreement	Items 6, 7 and 11
(d) Initial and ongoing training	Section 5 of Franchise Agreement; Section 4 of Gold Addendum; Section 4 of Bronze Addendum; Section 3c of College Support Program Addendum; Sections 15-16 of Gold Addendum	Item 11
(e) Opening	Sections 4.4 and 6.3 of Franchise Agreement; Section 16 of Gold Addendum	Item 11
(f) Fees	Sections 3.7, 5.4, 10 and 12 of Franchise Agreement; Sections 5 and 6 of Gold Addendum; Sections 5 and 6 of Bronze Addendum; Section 4 of Conversion Addendum; Section 14 of Gold Addendum	Items 5, 6 and 7
(g) Compliance with standards and policies/Operating Manual	Sections 6 and 11 of Franchise Agreement; Sections 15-16 of Gold Addendum	Item 11
(h) Trademarks and proprietary information	Sections 7 and 9 of Franchise Agreement	Items 13 and 14
(i) Restrictions on products/services offered	Sections 4 and 11 of Franchise Agreement; Sections 2 and 3 of Gold Addendum; Sections 2 and 3 of Bronze Addendum	Items 11 and 16
(j) Warranty and customer service requirements	None in Franchise Agreement; Section 16 of Gold Addendum	N/A
(k) Territorial development and sales quotas	Section 2 of Franchise Agreement; Section 8 of Gold Addendum; Section 2 of Bronze Addendum; Sections 2 and 3 of College Support Program Addendum	Item 12
(l) On-going product/service purchases	Sections 10.6, 11.6 and 11.7 of Franchise Agreement	Items 6 and 8

Obligation	Section in Agreement	Item in Offering Circular
(m) Maintenance, appearance and remodeling requirements	Sections 3.4, 4.1, 4.2, 6.1, 6.2, 11.1 and 11.2 of Franchise Agreement	Item 11
(n) Insurance	Section 11.8 of Franchise Agreement	Items 7 and 8
(o) Advertising	Section 12 of Franchise Agreement	Items 6, 7 and 11
(p) Indemnification	Section 8.4 of Franchise Agreement	Item 6
(q) Owner's participation/management/staffing	Section 2.6 of Franchise Agreement	Items 11 and 15
(r) Records and reports	Section 13 of Franchise Agreement	Item 11
(s) Inspections and audits	Section 14 of Franchise Agreement	Item 6
(t) Transfer ²	Section 15 of Franchise Agreement	Item 17
(u) Renewal	Sections 3.2-3.8 of Franchise Agreement	Item 17
(v) Post-termination obligations	Section 17 of Franchise Agreement	Item 17 and Section 7 of the College Support Program Addendum
(w) Non-competition covenants 1-2	Sections 9.5 and 17.5 of Franchise Agreement	Item 17
(x) Dispute resolution	Sections 18.7-18.9 and 19 of Franchise Agreement	Item 17

NOTES:

- 1 We require you to require your employees to sign a "Covenant Not to Compete."
- 2 We require you to require your child to sign a "Covenant Not to Compete" when you are operating under the terms of the College Support Program Addendum.

ITEM 10 FINANCING

We offer direct financing to qualified applicants. The financing is offered for the establishment of the Kinderdance Business and relates only to: (a) the payment of the Initial Franchise Fee, and (b) the fee to convert from a Bronze to a Silver franchise. We will not finance the conversion fee unless you have fully paid any amounts owed for the initial franchise fee. The terms of the financing are contained in a promissory note ("**Note**"). You sign the Note simultaneously with the Franchise Agreement if we finance a portion of the Initial Franchise Fee. There are no payments received by the Franchisor from any person for the placement of such financing. The form of Note is attached as Exhibit B, Schedule 11. The following table summarizes the financing terms of the Note:

Topic	Financing Terms	Remarks
1. Item Financed	Initial Franchise Fee and conversion fee to full-time status.	Minimum Down Payment is 50% of the amount financed.
2. Amount Financed	\$5,000 Maximum (Note, Section 2)	To be applied towards the initial franchise fee, or the conversion fee.
3. Term	12-24 months (Note, Section 2)	12-24 months.
4. APR%	12 - 18% (Note, Section 1)	Varies depending on creditworthiness.
5. Monthly Payment	\$250 - \$450 (Note, Section 2)	Varies depending on interest rate, term and amount financed
6. Prepayment Penalty	None	N/A

Topic	Financing Terms	Remarks
	(Note, Section 3)	
7. Security Required	Personal Guaranty	Guaranty required if you are a corporation, partnership or other entity.
8. Liability Upon Default	Default Interest - 18% Late Fee - 5% Collection Costs Breach of Franchise Agreement (Note, Sections 4, 5 and 8)	A default under the Note is a breach of the Franchise Agreement. On default you must pay us all collection costs, attorneys' fees, court costs, etc.
9. Loss of Legal Rights	You waive presentment, demand, protest of demand, protest and non-payment. (Note Section 6)	N/A
10. Assignment	None (Note, Section 11)	We do not sell, assign or discount financing to third parties; but we have the right to do so.
11. Payments	None	We do not receive any payments for placement of financing.
12. Electronic Transfers	We may require payment by electronic transfer (Note, Section 14)	If you do not give us the forms, you will default.
13. Setoff Rights	We may setoff from any amounts due to you the amount you owe us. (Note, Section 13)	

ITEM 11 **FRANCHISOR'S OBLIGATIONS**

Except as listed below, we need not provide any assistance to you.

Pre-Opening Obligations.

Before you open your Kinderdance Business, we will:

1. As discussed in Item 8, identify the recommended equipment, materials and supplies suggested to begin operations. (Franchise Agreement – Schedule 3)
2. Loan you one copy of the Operations Manual. (Franchise Agreement – Section 6.1)
3. Train you (or your representative if you are a Silver or Gold Level). (Franchise Agreement - Section 5.1) This training is described in detail later in this Item.
4. Furnish you with an initial supply of Kinderdance Materials during the initial training program (Franchise Agreement - Section 10.1)

Operational Obligations

During your operation of the Kinderdance Business we will:

1. Within 180 days of the Initial Training Period, and for a period of time to be determined by us, we will make available at your request, one of our representatives on site for the purpose of further training, presentation of dance materials, and facilitating the operation of your Kinderdance Business. Our representative will assist you in establishing, standardizing and refining procedures and techniques essential to the operation of your Kinderdance Business. There is no extra fee for this initial assistance for Silver and Gold Level Franchises (minimal charge for Bronze Level Franchises).
2. We provide continuing advisory services which include consultation on promotional, business, teaching, or operational problems, with analysis of your sales, marketing and financial statements. In addition, when available, we will supply you with materials and bulletins on sales, marketing developments, products, teaching, dance, gymnastics and fitness techniques, either without charge or according to our then-current price lists.
4. Furnish you with guidance on Kinderdance System Standards. Our guidance and assistance will relate to: sales and marketing; coordinating activities of Kinderdance franchisees; local advertising and promotional programs; children's dance and motor development education, and changes in the above. This guidance will, at our discretion, be furnished in our Operations Manual, administrative bulletins, written reports and recommendations, other written materials and/or during telephone consultations, training programs, meetings, conferences or personal consultations and/or consultations at our offices or a mutually convenient place. (Franchise Agreement – Sections 6.1 and 6.2)
5. Furnish you, at your request, with additional on site training, for a fee of \$200.00 per diem plus lodging and travel expense. (Franchise Agreement – Sections 5.3 and 5.4) (See Item 6 above)
5. Loan you one copy of the Operations Manual that we generally furnish to franchisees for use in operating Kinderdance Businesses. The Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules ("**System Standards**") that we prescribe from time to time. The Operations Manual may be modified periodically to reflect changes in System Standards. (Franchise Agreement - Section 6.1)
6. Issue, modify and supplement System Standards for Kinderdance Businesses. We may periodically modify System Standards, which may accommodate regional or local variations as we determine, and these modifications may require you to invest additional capital in your Kinderdance Business and/or incur higher operating costs. However, these modifications will not alter your fundamental status and rights under the Agreement. (Franchise Agreement - Section 11)
7. Inspect and observe the operations of your Kinderdance Business from time to time to assist you in complying with the Franchise Agreement and all System Standards. (Franchise Agreement - Section 14)
8. If you buy a Gold franchise, then:
 - (a) we will not grant any additional Kinderdance franchises in the Territory as long as you meet certain minimum performance standards (Gold Addendum – Section 2). See Item 12.

- (b) If you choose to act as our Area Representative, we will compensate you for soliciting franchisees and providing training and support services. See Note 9 of Item 6. (Gold Addendum – Section 14).
- (c) Provide you with access to our Area Representative Manual if we develop one (Gold Addendum – Section 15).
- (d) We will prepare franchise offering materials, including disclosure documents, and file them with government agents where appropriate (Gold Addendum – Section 17).

Websites.

You acknowledge and agree that any Website constitutes "advertising" under this Agreement. Any Website you develop or utilize must meet all other terms and conditions for advertising described in this Agreement. For this purpose, a "**Website**" means an interactive electronic document, contained in a network of computers linked by communications software, that you operate or authorize others to operate and that refers to your Kinderdance Business, the Kinderdance Programs, the Marks, us, and/or the Kinderdance System. The term "**Website**" includes Internet and World Wide Web home pages. You must not establish any Website without our prior written approval of its form, content and information presented due to our substantial interest in protecting the Marks, the Kinderdance Programs, the Kinderdance System and the Confidential Information.

Advertising Fund

We have established, maintain and administer an advertising fund (the "**Advertising Fund**"). All franchisees are obligated to contribute to the Advertising Fund such amounts that we prescribe from time to time (see Item 6, "Advertising" section). (Franchise Agreement - Section 12). If we (or our affiliates) operate any Kinderdance Business, then they will also contribute to the Advertising Fund in the same manner as Franchisees.

We will dispense the Advertising Fund for the primary purpose of the development and production of marketing materials for the benefit of our franchise system as a whole.

We will direct all programs financed by the Advertising Fund. We will decide the creative concepts, materials and endorsements used and the geographic, market and media placement and allocation of the programs. We will use a national or regional advertising agency as our in-house advertising department. The Advertising Fund is used to pay the costs of preparing and producing video, audio and written advertising materials; administering regional and multi-regional advertising programs, including, without limitation, purchasing direct mail and other media advertising and employing advertising, promotion and marketing agencies to provide assistance; supporting public relations and market research and other advertising, promotion and marketing activities; and reimbursing Franchise Owners for approved local advertising and promotion in accordance with such programs as we adopt from time to time. Franchise Owners can also purchase various promotional items from us using these funds; e.g., banners, magnetic car signs, outdoor signs and logo license plates, such supplies to be added or deleted from time to time at the option of Kinderdance. The Advertising Fund will periodically furnish you with samples of advertising, marketing, promotional formats and materials at no cost. Multiple copies of such materials will be furnished to you at our direct cost of producing them, plus any related shipping, handling and storage charges.

The Advertising Fund will be accounted for separately from our other funds. It will not be used to defray any of our general operating expenses (except for reasonable salaries, administrative costs, travel expenses and overhead as we may incur in activities related to the administration of the Advertising Fund). We may spend, on behalf of the Advertising Fund, in any fiscal year an amount

greater or less than the aggregate contribution of all Kinderdance Businesses to the Advertising Fund in that year. The Advertising Fund may borrow from us or others to cover deficits or invest any surplus for future use. Any unused funds will be carried over to the following year. All interest earned by the Advertising Fund will be used to pay advertising costs before other assets of the Advertising Fund are expended. We will prepare an annual, unaudited financial statement for the Advertising Fund and furnish it to you upon written request. We may cause the Advertising Fund to be incorporated or operated through a separate entity at any time.

The Advertising Fund is intended to maximize recognition of the Marks and patronage of Kinderdance Businesses. We will endeavor to utilize the Advertising Fund to develop advertising and marketing materials and programs and to place advertising that will benefit all Kinderdance Businesses, but we do not ensure that: (a) Advertising Fund expenditures in or affecting any geographic area are proportionate or equivalent to the contributions to the Advertising Fund by Kinderdance Businesses operating in that geographic area; or (b) that any Kinderdance Business will benefit directly or in proportion to its contribution to the Advertising Fund. We assume no other obligation regarding collecting amounts due to, or maintaining, directing or administering, the Advertising Fund.

Your contributions to the Advertising Fund will generally be on a uniform basis with other franchisees, but we reserve the right to defer or reduce contributions of a Franchisee. Also, upon 30 days prior written notice to you, we may reduce or suspend contributions to, and operations of the Advertising Fund or terminate it. If we terminate the Advertising Fund, all unspent monies will be distributed to the franchisees in proportion to their respective contributions to the Advertising Fund during the preceding 12-month period.

There currently are no franchisee advertising councils or advertising cooperatives that advise us on advertising policies.

Neither we, nor any of our affiliates, receive any payment for providing goods or services to the Advertising Fund.

We utilize some of the Advertising Fund to attend certain trade shows and conventions and to advertise in certain publications. Although these activities are not designed principally for the solicitation of prospective franchisees, we do obtain leads for new franchises through these activities.

During the year ending December 31, 2005, the Advertising Fund collected a total of \$81,963, in addition to \$34,490.00 which was carried over from 2004 or a total of \$116,453.00 which was spent as follows:

Category	Amount Spent	Percent of Total
1. Trade Shows	\$ 12,803.00	18.46%
2. Print Ads *(a)	\$ 27,679.00	29.89%
3. Print Ads *(b)	\$ 299.00	.98%
4. Production Costs	\$ 10,328.00	.74%
5. Advertising Co-op	\$ 9,174.00	7.46%
6. Web Page	\$ 159.00	.24%
7. Administration	\$ 7,500.00	5.65%
8. Surplus to 2005	\$ 48,511.00	36.58%
TOTAL	\$116,453.00	100%

- * (a) Advertising directed towards customers of Franchisees
- * (b) Advertising directed towards new franchisee prospects

More information concerning the Advertising Fund is contained in Items 6, and 9 of this Offering Circular.

Local Advertising and Promotion.

All advertising, promotion and marketing must be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we prescribe from time to time. Samples of all advertising, promotional and marketing materials that we have not prepared or previously approved must be submitted for approval before you use them. If you do not receive written disapproval within 15 days after we receive the materials, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have disapproved. (Franchise Agreement - Section 12) (See Item 7)

Operations Manual.

The table of contents to our Operations Manual is attached as Exhibit D.

Teaching Location.

We do not require you to obtain our approval of teaching locations. All locations must however, meet the Standards. If you want to open your own teaching location for Kinderdance program instruction, you must identify it with the Marks; i.e. (Miss Jane's Kinderdance Center, or Miss Karen's Kinderdance Center, etc.).

Cash Registers/Computer Systems.

We currently do not require you to buy or use electronic cash register or computer systems.

Time of Opening.

We estimate that there will be an interval of five to seven weeks between the signing of the Franchise Agreement and the opening of the Kinderdance Business, but the interval may vary based upon such factors as your ability to obtain a teaching location, the length of time it takes you to sign up your initial classes, completing training, and your compliance with local laws and regulations. You may not begin business until: (1) pre-opening training has been completed to our satisfaction; and (2) the Initial Franchise Fee and all other amounts then due to us have been paid. You must begin business within three months after completing your initial training. (Franchise Agreement - Section 4.3)

Training.

Before the Kinderdance Business opens, we will provide you with initial training on the basic Kinderdance Programs and the operation of a Kinderdance Business. We will provide five to seven days of training at our Melbourne, Florida headquarters. Although there are no additional fees for this initial training, you are responsible for all travel and living expenses which you incur in connection with training. COMPLIMENTARY HOTEL ACCOMMODATIONS (ONE ROOM) DURING INITIAL TRAINING FOR UP TO SIX DAYS AND NIGHTS ARE REIMBURSED BY KINDERDANCE AFTER SUCCESSFUL COMPLETION OF THE INITIAL TRAINING PROGRAM (hotel location must

be approved by Kinderdance). We charge a separate tuition fee for training more than one person per Silver Level Franchise Owner or more than 2 persons per Gold Level Franchise Owner.

We anticipate that training will be conducted after the Franchise Agreement has been signed. We plan to be flexible in scheduling training to accommodate our personnel and you. There currently are no fixed (i.e., monthly or bi-monthly) training schedules. The instructors supervising the training are Carol Kay Harsell and Bernard Friedman. Their background is described in Item 2. As of our most recent fiscal year end, we provided the following training:

Subject	Time Begun	Instructional Material	Hours of ¹ Classroom Training	Hours of ¹ On the Job Training	Instructor ²
Personnel	Note 1	Manual		1-2 days	Carol Harsell
Administration	Note 1	Manual		1-2 days	Carol Harsell
Sales	Note 1	Manual		1-2 days	Bernard Friedman
Advertising	Note 1	Manual		1-2 days	Bernard Friedman
Dance education	Note 1	Manual & Video		1-2 days	Carol Harsell
Gymnastics education	Note 1	Manual & Video		1-2 days	Carol Harsell
Childhood education	Note 1	Manual		1-2 days	Carol Harsell
Safety	Note 1	Manual		1-2 days	Carol Harsell

¹ It is the nature of Kinderdance Businesses that all aspects of training are integrated, that is, there are no definitive starting and stopping times. On the Job Training is conducted within 180 days of the initial training period for Silver and Gold Level franchises (minimal charge for Bronze Level Franchises).

² The instructors have been working with Kinderdance Programs, have concentrated in the areas they will be teaching, and are identified in Item 2.

We do not have a training program set up for franchisees who acquire a Gold franchise and choose to act as our Area Representative. However, we may develop one and, if so, you must attend and complete it if you want to act as our Area Representative.

You (or your managing owner) must attend our annual Continuing Education Conference for advanced training in Kinderdance®, Kindergym® and Kindercombo and participate in the continuing education workshops that we provide at the conferences. You are allowed three absences from the annual conference during the term of the Franchise Agreement. We do not charge for the annual conference but you are responsible for all of your costs. (see Item 6).

ITEM 12 **TERRITORY**

Silver and/or Bronze Franchises.

The franchise is granted for a specific Territory ("**Territory**"). You and we must agree on the location of the Territory before signing the Franchise Agreement. Without our prior written consent, you must not operate your Kinderdance Business from more than: (a) 10 locations within the Bronze

Territory; or (b) 20 locations within the Silver Territory. The Territory will generally consist of one or more counties or other political boundaries.

We do not grant exclusive territories, but we do warrant that we will not appoint more than 1 Silver or Bronze Level franchise per each unit of 100,000 population, or portion of it, in your Territory. County population figures will be determined according to the most recent United States census report. You must not attempt to underbid, or, by whatever means, approach clients which are then currently an active client of an existing Kinderdance Business in the Territory.

We (and our affiliates) retain the right to establish, operate, and grant to others the right to establish and operate, Kinderdance Businesses anywhere, on such terms and conditions as we deem appropriate.

There is no minimum sales quota which you must meet in order to maintain territorial rights in the Silver or Bronze Level Franchise Program.

Gold Franchises.

The Franchise allows you to operate a Kinderdance Business solely in the Territory. If you participate in the Gold Franchise Program, as long as you are in full compliance with this Agreement, continue to pay the minimum royalty, and meet the minimum annual gross sales quota, you will have:

- (a) the exclusive right to operate a Kinderdance Business within, and market and sell the services offered by Kinderdance Businesses using the Marks to customers located in the Territory; and

- (b) the non-exclusive right to market and sell services offered by Kinderdance Businesses using the Marks to customers located outside of the Territory, providing you receive written approval from Kinderdance but not within a geographic area exclusively awarded to another Kinderdance franchise owner or one of our affiliates or reserved for us.

In return, you must **not** operate your Kinderdance Business within, solicit customers or offer services offered by Kinderdance Businesses to any customers located or doing business within, a geographic area exclusively awarded to another Kinderdance franchise owner, or one of our affiliates or reserved for us, without prior written consent. You acknowledge that we may grant a franchise to anyone in any geographic area other than the Territory with no obligation or compensation to you whatsoever. We may do so at any time (without any compensation to you) so that your operations outside of your Territory are at your own risk. Also, your exclusive rights in the Territory are subject to the rights of other Kinderdance Franchise owners already operating there. We will disclose any to you.

The Territory will be generally defined by city and/or county boundaries. The Territory is described in Exhibit B, Schedule 2 to the franchise agreement at the time of execution of the franchise agreement. The Territory generally includes a population of 400,000 or more as determined by the most recent U.S. census figures, but may be more or less.

To retain exclusive rights in the Territory, you must meet the minimum annual Gross Sales quotas (which are noncumulative from year to year) specified in Exhibit B, Schedule 5 to the Gold Addendum of the Franchise Agreement. During the initial term of a franchise agreement, those quotas are:

Year 1	\$35,000	Year 6	\$150,000
Year 2	\$70,000	Year 7	\$150,000
Year 3	\$110,000	Year 8	\$150,000
Year 4	\$150,000	Year 9	\$150,000
Year 5	\$150,000	Year 10	\$150,000

Additionally, effective with the beginning of the 4th year of operations and continuing each year thereafter, you must maintain a minimum of 25 active teaching locations.

If you choose to act as our Area Representative, then you may satisfy the performance requirements consisting of the sales quotas and teaching location requirements, on your own and with other franchisees that you solicit to operate in your Territory.

When you sign your franchise agreement, you may be required to meet higher quotas, if your Territory is larger than our then-standard Territory. If you elect to market additional programs that we make available, you may be required to sign an addendum to your franchise agreement specifying higher quotas. If you fail to achieve a quota, we will have the right to cancel your exclusivity and to appoint additional Franchisees in the Territory.

In certain circumstances we may allow you to expand your territory at no cost on a temporary basis providing said expansion is done in compliance with our "College Support Program Addendum" (See Exhibit B, Schedule 10) This program allows a child of a Franchisee (son or daughter) to offer the Kinderdance services in locations within the area (city, town or county) in which the child is attending college. This allowance is provided on a temporary basis only during the time that the child is actively enrolled in the college. Permission will not be granted if the University is located within an area that is being serviced by an existing Franchise with exclusive rights to the area.

The Franchise Agreement does not prohibit you from purchasing additional Franchises nor does it grant any special rights or options to purchase one. Each Franchise Agreement is a separate and distinct transaction between you and Kinderdance International.

Neither the Franchisor nor its affiliates may establish other Franchises or company owned outlets or other channels of distribution selling or leasing similar products or services under a different trademark.

ITEM 13 **TRADEMARKS**

Primary Trademark.

We grant you the right to use certain trademarks, service marks and other commercial symbols in operating the Kinderdance Business. Our primary trademarks are "**KINDERDANCE**" (and associated design) and "**KINDERGYM**." Both are registered on the Principal Register of the U.S. Patent and Trademark Office as follows:

Mark	Registration Number	Registration Date
KINDERDANCE	1,261,214	Dec. 13, 1983
KINDERGYM	1,618,043	Oct. 16, 1990
KINDERTOTS	2,704,825	April 8, 2003

There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator or any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or material litigation, involving the principal trademarks. There are no agreements currently in effect which significantly limit our rights to use or license the use of our Marks in a manner material to the franchise.

Use of the Marks.

You must follow our rules when you use the Marks. You cannot use any Mark as part of your corporate or legal business name or with modifying words, designs or symbols except for our licenses to you). In the event that you operate your Kinderdance Business at your own center, you must use the name "Kinderdance" as part of the trade name for that center. You cannot use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing.

Infringements.

You must notify us immediately of any apparent infringement or challenge to your use of any mark, or of any claim by any person of any rights in any Mark, and you may not communicate with any person other than us, our attorneys and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, PTO proceeding or any other proceeding arising from such infringement, challenge or claim or otherwise relating to any Mark. You must sign any instruments and documents, provide such assistance and take any action that, in the opinion of our attorneys, may be necessary or advisable to protect and maintain our interests in the Marks. The Franchise Agreement does not require us to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving a trademark licensed to you by us or if the proceeding is resolved unfavorably to you.

Changes to the Marks.

If it becomes advisable at any time in our sole discretion for us and/or you to modify or discontinue the use of any Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

We do not know of any superior prior rights or any infringing uses that could materially affect your use of our principal trademarks.

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

Copyrights from the United States Copyright Office have been issued for the following:

Name of Work	Registration Date	Registration Number
1. Kinderdance Operations Manual	February 8, 1982	TX849-540

2. Kinderdance Operations Manual Update	October 1, 1982	TX1-013-316
3. "Kinderdance-Education Through Dance" (Book)	September 28, 1984	TX1-458-74
4. "Introduction to Kinderdance"-Video	November 15, 1993	PA673-013
5. "Kinderdance-Plus Level 1"-Training Tape & Notes	October 11, 1994	SRu305-913
6. "Kinderdance Level 1"-Training Tape & Notes	October 31, 1994	SR199-920
7. "Kinderdance Level 1 & 2"-Training Tape & Notes	December 12, 1994	SRu308-985
8. "Kinderdance Level 3 Basic Program"-Training Tape & Notes	January 11, 1995	SR205-868
9. "Kinderdance Level 1 Lesson Plans"	June 5, 1995	PA702-152
10. "Kinderdance Level 2 Lesson Plans"	August 9, 1995	PA718-809
11. "Kinderdance Level 3 Lesson Plans"	July 6, 1996	PA785-811
12. "Kinderdance Level 1 New Basic Music"	April 18, 1996	SRU340-441
13. "Kinderdance Level 2 New Basic Music"	July 8, 1996	SRU347-506
14. "Entire Text – Internet Home Page	March 6, 2000	TX5-204-056
15. Kindertots Program	August 15, 2002	PA 1-099-658

The copyrights are owned by Carol Kay Harsell, our President. They are valid until 50 years following her death. She gave us the right to use the copyrights in a Copyright License Agreement effective February 1, 1985.

The Operations Manual, which is described in Item 11, and other materials we possess contains our confidential information. (See Item 11 and Exhibit D.) This information includes methods, formats, specifications, standards, systems, procedures and sales and marketing techniques used, and knowledge of and experience, in developing and operating Kinderdance Businesses; marketing and advertising programs for Kinderdance Businesses; knowledge of specifications for and suppliers of certain equipment, products, materials and supplies; and knowledge of the operating results and financial performance of Kinderdance Businesses. All documents provided to you, including the Confidential Operations and Teacher Training Manuals, are for your exclusive use during the term of the franchise, and may not be reproduced, loaned or shown to any person outside the Kinderdance system.

You must tell us immediately of any apparent infringement or challenge to your use of any of these copyrights. We will take any action we deem appropriate. You must provide such assistance as we deem necessary to protect and maintain our interest in these copyrights.

All ideas, concepts, techniques or materials relating to a Kinderdance Business created by you or on behalf of your owners must be promptly disclosed to us. All such ideas, concepts, techniques and materials will be considered our property, part of our franchise system and works made-for-hire for us. You and your owners must sign whatever documents we request to evidence our ownership or to assist us in securing intellectual property rights in such ideas, concepts, techniques or materials.

You may not use our confidential information in an unauthorized manner and must take reasonable steps to prevent its disclosure to others.

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials. There are no agreements which significantly limit our right to use or authorize franchisees to use the copyrighted materials. There are no infringing uses actually known to us. We are not required by any agreement to protect or defend copyrights, patents, or confidential information, although we intend to do so when this action is in the best interests of Kinderdance Businesses.

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

You must at all times faithfully, honestly and diligently perform your obligations under the Franchise Agreement, and continuously exert your best efforts to promote and enhance your Kinderdance Business for the full term of this Agreement. You must not engage in any other business or activity that conflicts with your obligations under the Franchise Agreement. You (or your representative) are obligated to participate personally in the direct operation of the Kinderdance Business although you may employ a manager to assist you in day-to-day operations. Your manager must have completed our initial training satisfactorily. This manager need not have an equity interest in the Kinderdance Business but must agree in writing to preserve the confidentiality of any confidential information to which he or she has access.

You must have any manager, as well as any instructor, supervisory employee or independent contractor, execute an agreement in which he or she acknowledges the confidentiality of the Kinderdance system, agrees not to use any information about the system for his or her own benefit without an appropriate license, and agrees not to compete in certain respects with your business and other franchisees' businesses. We anticipate that a Bronze Level franchisee will be personally responsible for all aspects of the business without the aid of a manager, instructor or supervising employee.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell only services and products that we have approved or authorized. You may not offer for sale or sell products or services which would detract from or be inconsistent with the Kinderdance system. You may use products or services not purchased from us, but those products or services must be of comparable quality and must be approved by us in writing before use in order to ensure maintenance of proper quality standards. (See Items 8 and 9)

We may require you to offer for sale and sell additional services and products that we have approved or authorized, so long as the services and products are not inconsistent with the Kinderdance System.

You may provide services or products to any customers in your Territory or in territories not assigned to other Kinderdance franchisees. You may not solicit or provide services or products to customers in territories assigned to other Kinderdance franchisees. If you participate in our Gold Program, you must meet certain minimum sales quotas. See Item 12.

The Franchisor has the right to change the types of authorized goods and services at any time and there are no limits in the Franchisor's right to make such changes.

If you acquire a Gold franchise and choose to become our Area Representative, then there are restrictions on certain transactions that you may enter into with our franchisees. You must not engage in any transactions involving selling, providing, brokering or assisting the sale of goods or services to any of our franchisees without disclosing those activities and obtaining our prior approval. If we allow you to engage in those activities, you must provide us with the information that we require and you recognize that we may disclose certain financial information relating to those activities to franchisees.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS OFFERING CIRCULAR.

Provision	Section in Franchise Agreement	Summary
(a) Term of the Franchise	Section 3.1	10 years
(b) Renewal or extension of the term	Section 3.2-3.8	If you are in good standing, you can renew or extend the term of your franchise on our then current terms.
(c) Requirements for you to renew or extend	Section 3.2-3.8	Sign new agreement and other documents and pay renewal fee.
(d) Termination by you (1)	Section 16.1	By giving us 60 days prior written notice of a material breach and our failure to cure or take reasonable steps to do so.
(e) Termination by us without cause (1)	None	N/A
(f) Termination by us with cause (1)	Section 16.2	We can terminate only if you commit one of several violations
(g) "Cause" defined - defaults which can be cured	Section 16.2(a)	You have 30 days to cure certain defaults.
(h) "Cause" defined - defaults which cannot be cured	Section 16.2(b)	Non-curable defaults include, but are not limited to, failure to open for business within three months, abandonment, failure to operate for six consecutive months, unapproved transfers, material misrepresentations, conviction of a felony, unauthorized use or disclosure of the Operations manual or confidential information, repeated defaults (even if cured), an assignment for the benefit of creditors and an appointment of a trustee or receiver.
(i) Your obligations on termination/nonrenewal	Section 17	Obligations include payment of outstanding amounts, complete de identification and return of confidential information. The minimum monthly Royalty is payable for the remainder of the term upon early termination, per Franchise Agreement section 17.1. (also see r below)
(j) Assignment of contract by us	Section 15.1	No restriction on our right to assign
(k) "Transfer" by you - defined	Section 15.2	Includes transfer of Franchise Agreement or assets or ownership change
(l) Our approval of transfer by you	Section 15.2	We have the right to approve all transfers
(m) Conditions for our approval of transfer	Section 15.3	New franchisee qualifies, you pay us all amounts due, training completed, transferee assumes your agreement,

Provision	Section in Franchise Agreement	Summary
		transfer fee paid, we approve material terms, you subordinate amounts due to you, and you sign other documents we require (also see r below)
(n) Our right of first refusal to acquire your business	None	None.
(o) Our option to purchase your business	None	None.
(p) Your death or Disability	Section 15.4	Franchise or an ownership interest in you must be assigned to an approved buyer within 9 months
(q) Non-competition covenants during the term of the franchise	Section 9.5	No ownership interest in, or performance of services for, competitive business anywhere
(r) Non-competition covenants after the franchise is terminated or expires	Section 17.5	No interest in or performance of services for competing business for one year in the Territory or in any other Kinderdance Territory (same restrictions apply after assignment)
(s) Modification of the Agreement	Section 18.13	No modifications generally but Operations Manual and System Standards are subject to change
(t) Integration/merger Clause	Section 18.13	Only the terms of the Franchise Agreement (including the Operations Manual) are binding (subject to state law). Any other promises may not be enforceable
(u) Dispute resolution by arbitration or mediation	Section 19	Except for certain claims, all disputes must be arbitrated in Florida (subject to state law)
(v) Choice of Forum	Section 18.8	Litigation must be in Florida
(w) Choice of law	Section 18.7	Florida law applies (subject to state law)

These states have statutes which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code Sections 2551-2556], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [ILCS, Ch. 815, Sections 705/1-705/44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-11], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Franchise Agreement in your relationship with the Franchisor, including the areas of termination and renewal of your franchise.

ITEM 18

PUBLIC FIGURES

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

ITEM 19
EARNINGS CLAIMS

You can achieve monthly revenues of \$3,800 just by holding 2 classes a day 5 days per week. The following table shows a pro forma for doing so:

Recommended Charge To Parents Per Child, Per Month	\$38.00
Average Class Size	10
Gross Sales Per Class Per Month	\$380.00
Average Number of Classes Per Month	10
Number of Days Classes are Held	5
Average Monthly Gross Sales	\$3,800.00

This monthly gross sales level was met or exceeded by 72 of our franchisees in the year ending December 31, 2005, representing 80% of our franchisees that have been open more than 6 months.

Information on expenses, profits and loss varies widely and we do not have information to report on them.

Our franchisees share the following demographic characteristics in common:

- Each franchisee's trading area consists of approximately 400,000 people.
- Each franchisee's trading area consists of approximately 250 to 400 marketing locations.

Prospective Franchise Owners must understand that they may not achieve results as favorable as presented for a variety of reasons including location of the business, particularly the prospect of competition from present or anticipated competing businesses, your marketing skills, your base fee, the size and number of classes you elect to teach and the amount of time you put into your business.

All franchises offer substantially the same products and services to be offered by you utilizing our MARKS and SYSTEM, and receive the same level of support and service from us.

CAUTION

THERE IS NO ASSURANCE YOU WILL DO AS WELL. IF YOU RELY UPON OUR FIGURES, YOU MUST ACCEPT THE RISK THAT YOUR FRANCHISE WILL NOT DO AS WELL. YOUR ACCOUNTANT CAN HELP YOU DEVELOP YOUR OWN ESTIMATED COSTS FOR YOUR FRANCHISE. FRANCHISE SALES PRESENTED IS NOT AN INDICATION OF HOW YOUR FRANCHISE WILL PERFORM.

ACTUAL RESULTS VARY FROM FRANCHISE TO FRANCHISE, AND WE CANNOT PREDICT THE RESULTS OF ANY NEW OR PARTICULAR FRANCHISE.

WE PRESENT THIS FINANCIAL INFORMATION WITHOUT AUDIT OR REVIEW BY AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT. IT IS BASED SOLELY ON THE REPORTS WE RECEIVED FROM OUR FRANCHISEES. ACTUAL SALES FROM THE OPERATION OF A FRANCHISED BUSINESS ARE INHERENTLY SUBJECT TO UNCERTAINTY AND VARIATIONS DEPENDING UPON CHANGING EVENTS AND ECONOMIC CONDITIONS. THERE CAN BE NO GUARANTEE THAT THESE STATEMENTS PREDICT THE SALES OF ANY FRANCHISE OWNER. ANYONE WHO USES THE ABOVE INFORMATION TO PREPARE HIS/HER OWN PROFORMA STATEMENT

MUST ACCEPT THE RISK THAT HIS/HER OWN FRANCHISED BUSINESS MAY PERFORM SUBSTANTIALLY WORSE THAN THOSE INCLUDED IN THE AVERAGES ABOVE.

SUBSTANTIATION OF THE DATA PRESENTED IN THIS EARNINGS CLAIM ON GROSS SALES WILL BE MADE AVAILABLE TO YOU UPON REQUEST.

ITEM 20
LIST OF FRANCHISE OUTLETS

Franchised Business Status Summary.

As of the date of this Circular there are 110 Kinderdance franchises in operation. A status summary of Kinderdance Businesses for the years 2003, 2004 and 2005 follows:

FRANCHISED BUSINESS STATUS SUMMARY FOR THE YEARS 2003-2004-2005

STATE	TRANSFERS			CANCELED OR TERMINATED			NOT RENEWED			REACQUIRED BY FRANCHISOR			LEFT THE SYSTEM OTHER			TOTAL FROM LEFT COLUMNS 2			FRANCHISES OPERATING AT YEAR END		
	03	04	05	03	04	05	03	04	05	03	04	05	03	04	05	03	04	05	03	04	05
Alabama	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	2	2	1
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Arizona	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
California	0	2	1	3	1	1	1	0	0	0	0	0	0	0	0	4	3	2	8	11	12
Colorado	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Delaware	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District of Columbia	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	1	0	1	0	0
Florida	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	2	0	0	9	13	14
Georgia	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	1	1	3	2	1
Hawaii	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Illinois	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	5	5	5
Indiana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Iowa	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Kansas	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Louisiana	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	3	3	3
Maine	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1
Maryland	1	0	1	0	0	0	0	1	0	0	0	0	0	0	0	1	1	1	3	2	2
Massachusetts	0	1	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1	1	2	3	2
Michigan	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mississippi	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1
Missouri	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	2
Montana	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
New Hampshire	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	2
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
New York	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	6	6	6
North Carolina	0	0	0	0	1	1	0	0	0	0	0	0	0	0	0	0	1	1	7	5	5
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ohio	0	0	0	2	0	0	1	0	0	0	0	0	0	0	0	3	0	0	2	2	4
Oklahoma	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	3	3
Oregon	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	4	5	4
Pennsylvania	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	4	5	4
Puerto Rico	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
South Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	2	2
South Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tennessee	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	2	2	2
Texas	0	3	0	0	1	2	0	0	0	0	0	0	0	0	0	0	4	2	11	11	9
Utah	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Virginia	0	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0	1	2	4	5	4
Washington	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	3	3	2
West Virginia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Wisconsin	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Peru	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
Singapore	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Bahamas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
TOTALS:	3	6	6	8	6	10	3	3	0	0	0	0	0	0	0	14	15	16	100	111	113

- 1 All numbers are as of December 31, for each year.
- 2 The numbers in the "Total" column may exceed the number of business affected because several events may have affected the same Kinderdance Business.
- 3 The numbers in the "Total" column may exceed the total number of Franchisees because several Franchisees are operating in more than one state.

STATUS OF COMPANY-OWNED KINDERDANCE® BUSINESSES FOR YEARS 2003/2004/2005			
STATE	KINDERDANCE® BUSINESSES CLOSED DURING YEAR	KINDERDANCE® BUSINESSES OPENED DURING YEAR	TOTAL KINDERDANCE® BUSINESSES OPERATING AT YEAR END
Florida	0 / 0 / 0	0 / 0 / 0	1 / 1 / 1

PROJECTED OPENINGS AS OF DECEMBER 31, 2006			
STATE	Franchise Agreements Signed But Unit Not Open	Projected Franchised New units In Next Fiscal Year	Projected Company Owned Openings In Next Fiscal Year
Alabama	0	1	0
Alaska	0	0	0
Arizona	0	1	0
Arkansas	0	0	0
California	0	1	0
Colorado	0	1	0
Connecticut	0	1	0
Delaware	0	0	0
District of Columbia	0	0	0
Florida	0	1	0
Georgia	1	1	0
Hawaii	0	0	0
Idaho	0	0	0
Illinois	1	1	0
Indiana	1	0	0
Iowa	0	0	0
Kansas	0	0	0
Kentucky	0	1	0
Louisiana	0	1	0
Maine	0	0	0
Maryland	0	1	0
Massachusetts	0	1	0
Michigan	0	1	0
Minnesota	1	1	0
Mississippi	1	0	0
Missouri	0	1	0

Montana	0	0	0
Nebraska	0	0	0
Nevada	0	1	0
New Hampshire	0	0	0
New Jersey	0	1	0
New Mexico	0	1	0
New York	1	1	0
North Carolina	0	1	0
North Dakota	0	0	0
Ohio	0	1	0
Oklahoma	0	0	0
Oregon	0	0	0
Pennsylvania	0	1	0
Puerto Rico	0	0	0
Rhode Island	0	0	0
South Carolina	0	1	0
South Dakota	0	0	0
Tennessee	0	0	0
Texas	0	1	0
Utah	0	0	0
Vermont	0	1	0
Virginia	0	1	0
Washington	0	0	0
West Virginia	0	0	0
Wisconsin	0	0	0
Wyoming	0	0	0
TOTALS	6	26	0

Identity of Franchise Owners.

The names and addresses of all the current Kinderdance Franchise Owners are shown on Exhibit E.

ITEM 21 **FINANCIAL STATEMENTS**

Attached to this offering circular as Exhibit A are our audited Financial Statements for the periods ending December 31, 2003, 2004 and 2005.

ITEM 22
CONTRACTS

The following agreement is attached as an exhibit to this offering circular: **Exhibit B: Franchise Agreement**, with the following Schedules:

Schedule One: Acknowledgement By Franchisee	Schedule Eight: Additional Teaching Locations
Schedule Two: Territory	Schedule Nine: Assignment/Assumption Amendment
Schedule Three: Initial Supplies (Silver, Bronze & Gold)	Schedule Ten: College Support Program
Schedule Four: Glossary of Terms	Schedule Eleven: Promissory Note
Schedule Five: Gold Addendum	Schedule Twelve: Additional Territory
Schedule Six: Bronze Addendum	
Schedule Seven: Conversion/Renewal Addendum	

ITEM 23
RECEIPT

Exhibit **H** is a Receipt prepared in duplicate. You must sign both copies of the Receipt. Please keep one copy for your records and return the other copy to us.

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