

## FRANCHISE DISCLOSURE DOCUMENT



**Art of Drawers Franchise Systems, LLC**  
a Georgia limited liability company  
1395 South Marietta Pkwy SE Bldg. 900,  
Suite 904  
Marietta, Georgia 30067  
(770) 800-8410  
ayoung@artofdrawers.com  
www.artofdrawers.com

Art of Drawers businesses provide design and installation of lighting fixtures and custom-built pull-out shelving and storage solutions to retrofit cabinets, pantries, closets, drawers, and other household areas and related services (“Art of Drawers Business(es)”).

The total investment necessary to begin operation of an Art of Drawers franchised business is between \$120,035 and \$162,185. This includes between \$94,685 and \$101,685 that must be paid to the franchisor or its affiliate(s).

We offer the opportunity to acquire multiple Art of Drawers territories (“Territories”) under a “Multi-Franchise Addendum.” The total investment necessary to begin operation of two Art of Drawers Territories under a Multi-Franchise Addendum is between \$176,385 and \$240,185. This includes between \$140,185 and \$149,685 that must be paid to the franchisor or its affiliates. The total investment necessary to begin operation of ten Territories under a Multi-Franchise Addendum is between \$467,185 and \$708,685. This includes between \$384,685 and \$391,685 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Allan Young at 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067, (770) 800-8410 or ayoung@artofdrawers.com.

The terms of your contract will govern your franchise relationship. Do not 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: April 27, 2024**



## 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 D.
<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 B 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 Art of Drawers 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 <i>tell</i> you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be an Art of Drawers franchisee?</b>	Item 20 or Exhibit D 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 Georgia. 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 Georgia than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Unregistered Trademark.** The primary logo that you will use in your business is not federally registered. If the franchisor's ability to use this trademark in your area is challenged, you may have to identify your business and its products/services by a different name. This change can be expensive and may reduce brand recognition of the products and services you offer.
4. **Short Operating History.** The franchisor is at an early state of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
6. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.
7. **Mandatory Minimum Payments.** You must make minimum royalty or advertising fund payments, regardless of your sales levels. Your inability to make the payments may result in termination of your franchise and loss of your investment.



8. **Additional Training and Experience Required.** The training program provided by the franchisor prior to opening (see Item 11) is not designed to provide the knowledge and skills that will be necessary to begin operating the franchise business. Franchisees will either need to possess the additional knowledge and skills themselves, or hire employees that possess the knowledge and skills, to be able to perform and provide the franchise's services professionally and safely at the time of opening.

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, AND AFFILIATES**

To simplify the language in this Franchise Disclosure Document, “AODF,” “we,” “us” and “our” means Art of Drawers Franchise Systems, LLC, the franchisor. “You,” “your” and “Franchisee” means the person, and its owners if the Franchisee is a business entity, who buys the franchise from AODF.

The Franchisor

AODF is a Georgia limited liability company formed on December 12, 2022. We operate under our corporate name and the name Art of Drawers. Our principal business address is 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067. We offer franchises (“Art of Drawers Franchise(s)” or “Franchise(s)”) for Art of Drawers Businesses and have done so since the Issuance Date of this Franchise Disclosure Document. We do not conduct business under any other name or in any other line of business and we do not offer franchises in any other line of business. We do not conduct, and have never conducted, a business of the type described in this Franchise Disclosure Document. We do not have a predecessor.

Our parent, Art of Drawers, LLC (“AOD”), owns and controls the intellectual property for the Art of Drawers Franchises and licenses it to us. AOD shares our principal business address.

Our affiliate, AOD Markets, LLC, operates one Art of Drawers Business in Georgia and has done so since 2019.

Our affiliate, Onarail Logistics, LLC (“OLL”), is the approved supplier of shelving, initial inventory package, ongoing inventory, and demo kits and accessories.

Our affiliate, Shelf Solver, LLC (“SSL”), licenses proprietary Art of Drawer software system to us and we license this software to you.

All of our affiliates share our principal address. OLL and SST do not conduct the type of business the franchisee will operate. None of our affiliates have ever offered franchises for Art of Drawers Businesses or franchises in any other line of business.

Our agent for service of process in Georgia is Allan Young, 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067. 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

Art of Drawers franchisees operate businesses that provide design and installation of lighting and custom-built pull-out shelving and storage solutions to retrofit cabinets, pantries, closets, drawers, and other household areas. We may also permit Art of Drawers Businesses to offer related services such as other hardware installation, cabinet refacing, and organizational services. Our operating system includes recognizable design; standards; specifications; rules and procedures of operation; techniques; philosophies; quality and uniformity of products and services offered; and procedures (“System”). We grant franchises to operate Art of Drawers Businesses using the System and our trade names, trademarks, service marks, emblems, logos, slogans and copyrights (“Marks”) as authorized by us. You may initially



operate your Art of Drawers Business from your home. You must obtain storage space, such as shared warehouse space, within 30 days of opening your Art of Drawers Business. We recommend obtaining a membership to a co-working space or maintaining an office as part of your storage facility.

You must sign our standard franchise agreement attached to this Franchise Disclosure Document as Exhibit C (“Franchise Agreement”). You may operate one Art of Drawers Territory for each Franchise Agreement you sign. We offer a multi-franchise where you can operate up to ten Art of Drawers Territories. If you purchase a Multi-Franchise, you must sign the Franchise Agreement and the Multi-Franchise Addendum attached to this Disclosure Document in Exhibit G-6.

### Market and Competition

Art of Drawers Businesses offer products and services to the general population of residential and commercial customers. Art of Drawers Businesses services are not seasonal in nature. The market for the products and services provided by Art of Drawers Businesses is competitive and well-developed. You will experience competition from, among others, national and regional franchise programs, as well as local independent businesses that provide similar services and products.

### Industry-Specific Laws

Art of Drawers Businesses are subject to various federal, state, and local laws and regulations relating to the operation of home repair and remodeling businesses, including contractors’ licensing laws and related requirements. Before you begin operations, you must obtain all required licenses and approvals to operate the Art of Drawers Business, including compliance with state, local, and other contractor’s licensing and related requirements. State, local, and other laws and regulations vary widely, can change over time, and can materially affect your ability to do business. Other federal, state, and local laws of a more general nature, which apply to most businesses, may also apply to your Art of Drawers Business and it will be your responsibility to comply with these laws, including employment, worker’s compensation, insurance, corporate, taxing, licensing, and similar laws and regulations.

You should independently investigate any applicable laws before purchasing a Franchise and you are responsible for keeping apprised of changes that are made to any applicable law. We recommend that you engage an attorney or other professional advisor to assist you in conducting this investigation. Certain information can be found at [www.contractors-license.org](http://www.contractors-license.org), as well as the National Association of the Remodeling Industry, which publishes an industry review of state contractor licensing laws. In addition, you may be required to comply with manufacturer installation standards.

## **ITEM 2 BUSINESS EXPERIENCE**

### Chief Executive Officer: Allan Young

Allan Young has served as our Chief Executive Officer in Atlanta, Georgia since April 2019. He has also served as the Managing Member of our affiliate, SSL, in Atlanta, Georgia since its formation in November 2022 and the Managing Member of our affiliate, OLL, in Atlanta, Georgia since its formation in November 2022. Allan was a Partner at 10Xfive in Atlanta, Georgia from January 2018 to April 2020. Additionally, Allan has served as the Chairman of FranBridge Capital in Atlanta, Georgia since November 2019.



Chief Marketing Officer: Leslie Beach

Leslie Beach has been our Chief Marketing Officer in Atlanta, Georgia since May 2023. From February 2007 until April 2023, Leslie was Senior Sales Account Executive for Derse, Inc. in Milwaukee, Wisconsin.

Chief Operating Officer: John Mason

Josh Mason has been our Chief Operating Officer in Marietta, Georgia since February 2024 and was our Vice President of Operations and Finance from August 2023 to February 2024. From August 2018 to August 2023, he was the Store Manager and District Manager of Rooms To Go, Inc. in Atlanta, Georgia.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

No bankruptcy is required to be disclosed in this Item.

**ITEM 5  
INITIAL FEES**

Initial Franchise Fee

The “Initial Franchise Fee” will vary based on the number of Art of Drawers Businesses you purchase. We currently require the purchase of a minimum of two territories but reserve the right to provide limited exceptions to allow for single territory operators in our discretion if we determine a market cannot support multiple territories or as otherwise required to comply with applicable state law and regulations.

If you are a new franchisee, you will purchase the right to open additional territories by entering into multiple Franchise Agreements simultaneously and Multi-Franchise Addendum that lists the applicable Initial Franchise Fee and tiered marketing spends that increases over time. Existing franchisees will sign new Franchise Agreements for the additional territories.

Number of Art of Drawers Business	Development Fee per Art of Drawers Business	Total Initial Franchise Fee
1	\$60,000	\$60,000
2	\$55,000	\$110,000
3	\$45,000	\$135,000
4	\$45,000	\$180,000
5	\$45,000	\$225,000
6	\$40,000	\$240,000
7	\$40,000	\$280,000
8	\$40,000	\$320,000



Number of Art of Drawers Business	Development Fee per Art of Drawers Business	Total Initial Franchise Fee
9	\$40,000	\$360,000
10	\$35,000	\$350,000

The Initial Franchise Fee is payment for the pre-opening assistance that we provide to you to allow you to open your Art of Drawers Business and also offsets some of our franchise recruitment expenses. The Initial Franchise Fee is uniform (except for the discount program described below), fully earned by us once paid and is non-refundable under any circumstances. The Initial Franchise Fee is payable when you sign your Franchise Agreement. During our last fiscal year ended December 31, 2023, we collected initial franchise fees of \$135,000 from four franchisees who each purchased three Art of Drawers Businesses under our standard pricing.

We have a veteran initiative program. Under this program, honorably discharged veterans of the United States armed forces and their spouses receive a \$5,000 discount on the Initial Franchise Fee for the first Art of Drawers Franchise purchased.

#### Grand Opening Program

You will pay us or an approved supplier \$5,000 for your grand opening program, which will be due on the first of the month after you complete the initial training program if paid to us. This amount may be due before you open your Art of Drawers Business or immediately after. This payment is non-refundable under any circumstances. Some or all of the amount you pay to us, or our affiliate, may not be expended in the month that you pay us but will be expended within your first three months of operation. If you operate under a Multi-Franchise Addendum, this amount will be paid only for the first Territory.

#### Initial On-Site Support

You will pay us a \$5,000 fee due upon signing Franchise Agreement for on-site support (“On-Site Support Fee”). The On-Site Support Fee is used to offset our costs and expenses in providing three days of on-site support after you obtain a warehouse or storage space. We will provide assistance with setting up your warehouse or other storage space, including support with inventory stocking, process flow set-up, and other logistical issues. This fee is non-refundable under any circumstances. If you operate under a Multi-Franchise Addendum, this fee is due only for the first Territory.

#### Start-Up Initial Inventory Package and Shelving

You will pay our affiliate, OLL, \$15,000 for your initial supply of inventory of rails and equipment and three demo kits (“Initial Inventory Package”) when you sign your Franchise Agreement. Additionally, you will purchase your initial supply of shelves and lighting from OLL for your home show display. We estimate that your initial supply of shelving will cost \$12,000 to \$14,000. The amount of shelving you purchase will vary based on the size and design of your home show display. This payment is non-refundable and is fully earned upon receipt. If you operate under a Multi-Franchise Addendum, this fee is due only for the first Territory.

#### Technology Fee

You will pay us the then-current monthly technology fee (currently \$895 per month) (“Technology Fee”) when you sign your Franchise Agreement. Depending on when you open your Art of Drawers Business, we estimate you will pay between \$895 to \$2,685 in Technology Fees before opening.



The Technology Fees are uniform and non-refundable. Item 6 has more information on the Technology Fee. If you operate under a Multi-Franchise Addendum, you will pay one Technology Fee for all Territories you operate. Some or all of this fee may be paid directly to third parties.

Financial Assurances

Some states have imposed a financial assurance. Please refer to the State Addendum in Exhibit F to the Franchise Disclosure Document.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty	7% of Gross Sales <sup>(2)</sup>	Due on Wednesday of each week	The “ <u>Royalty</u> ” is based on “ <u>Gross Sales</u> ” during the previous week. 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.
Brand Fund Contribution	2% of Gross Sales	Same as Royalty	This “ <u>Brand Fund Contribution</u> ” is used for a system-wide “ <u>Brand Fund</u> ” for our use in promoting and building the Art of Drawers brand.
Local Advertising (Difference) <sup>3)</sup>	In your first three months of operating your Art of Drawers Business, you will spend a minimum of \$5,000. Commencing after your first three months of operations, you will spend at least \$5,000 per month on local advertising each month as (determined by the number of Territories you operate) on a rolling three-month basis. This will increase every six months beginning nine months after starting operations until you pay \$5,000 per month for each Territory you operate as described in Note 3. You must pay any difference between the amount you spent on local advertising each month and your required local advertising expenditure	Payable after receipt of invoice	If you fail to meet your required “ <u>Local Advertising Requirement</u> ” on local advertising through payments to us, our affiliate, our designated marketing provider, or other approved advertising suppliers, you must pay the difference between the amount you spent and the required advertising expenditure, which will be contributed to the Brand Fund. We may waive or reduce the Local Advertising Requirement, in our sole discretion, due to your performance or market conditions upon notice to you. All advertising expenditures must be approved by us or otherwise be made to us or our approved and/or designated suppliers. We also reserve the right to designate that a minimum portion of the expenditure must be paid to our designated supplier(s) of digital marketing. Certain advertising must be obtained through us and our media buying services, such as placements with media partners. We will assess your compliance with this requirement on a rolling three-month basis, meaning that as long as your average monthly expenditure on local advertising over the three-month period equals or exceeds the minimum monthly amount that we specify, you will be



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify.
Media Buying Fee	15% of media purchase price	Payable upon receipt of invoice	If we provide media buying services to you, you will pay a fee equal to 15% of the advertising purchased by us (or an affiliate we later designate). This fee will not apply to digital marketing purchases. The Media Buying Fee will be credited to your local advertising requirement.
Local and Regional Advertising Cooperatives <sup>(4)</sup>	Currently not assessed. (If established, the contribution will be decided by cooperative members (estimated to equal up to the full amount of your local advertising requirement))	Established by cooperative members	We currently do not have a cooperative but reserve the right to require one to be established in the future. We anticipate that each Art of Drawers Franchise and each Art of Drawers Business that we own will have one vote for each Art of Drawers Franchise operated in the designated market. Each Art of Drawers Business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. In the event of a tie between franchisees voting in any local or regional cooperative, we will have the tie-breaking vote. Any amounts you pay to a local or regional advertising cooperatives will be counted towards your local advertising requirement.
Unauthorized Advertising Fee	\$500 per occurrence	On demand	This fee is payable to the Brand Fund if you use unauthorized advertising in violation of the terms of the Franchise Agreement.
Insurance Reimbursement	Reimbursement of our actual costs, plus a one-time 20% administration charge	On demand	If you fail to obtain insurance, we may obtain insurance for you, and you must reimburse us for the cost of insurance obtained plus 20% of the premium for an administrative cost of obtaining the insurance.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Additional Training or Assistance Fees	The then-current fee (currently \$2,500 per additional person for initial training and \$500 per attendee per day for additional training). We require your installers to attend an installer training for a flat fee of \$750 per installer; however, for independent contractor installers, these fees and any related expenses will generally be paid by the installer	On demand	We provide initial training at no charge if your trainees attend initial training at the same time. We may charge you for training additional persons (after your initial training), newly hired personnel, refresher training courses, remedial training, advanced training courses, and additional or special assistance or training you need or request. You are responsible for any expenses incurred by you or your employees in connection with attending training, including transportation, lodging, meals, wages and other incidentals. If the training program is conducted at the premises of your Art of Drawers Business, then you must reimburse us for the expenses we or our representatives incur in providing the training. The additional training fee of \$750 per person will apply when we provide installer training after your Art of Drawers Business opens for business.
Technology Fee	The then-current fee (currently \$895 per month)	Due monthly on the first of the month	The monthly Technology Fee covers certain technologies used in the operation of your Art of Drawers Business. This fee may include fees paid to third-party vendors and it may be adjusted to reflect their price increases. You will also be responsible for any increase in fees that result from any third-party vendor price increases, upgrades, modifications or additional software. The Technology Fee includes up to five email addresses. If you operate under a Multi-Franchise Addendum, you will pay one Technology Fee for all Territories you operate. Some or all of this fee may be paid directly to third parties. The Technology Fee is due beginning on the date you sign your first Franchise Agreement and monthly on the first of each month thereafter throughout the term. We reserve the right to require you to pay this fee directly to an affiliate. We may increase this fee by up to 10% per annum upon 30 days' notice. This increase will apply in addition to any CPI adjustment as described in Note 1.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Additional Email Fee	\$15 per month for each additional email	Same as Royalty	You must maintain an “artofdrawers.com” email address for you, your staff, and your designers. The Technology Fee includes up to five email addresses. For each additional email address you maintain, you will pay a fee of \$15 per month.
Conference Fee	The then-current fee (currently estimated to be \$1,200 per person)	Upon receipt of written notice that such convention is being held	Your “ <u>Responsible Owner</u> ” or your “ <u>Franchise Manager</u> ,” if you have one (both defined in Item 15), must attend any national or regional conferences we hold. This fee defrays the cost of your attendance. It is due regardless of whether or not you attend. If you operate in two or more Territories that are operated by one Responsible Owner and/or Franchise Manager, a single conference fee will be assessed for these individuals.
Supplier and Product Evaluation Fee	Costs of inspection (estimated to be approximately \$500 to \$1,000)	Within ten days after invoicing	Payable if we inspect a new product, service or proposed supplier nominated by you. We reserve the right to deny your request for review of alternative suppliers, products, or services.
Customer Issue Resolution	The actual costs we incur for responding to a customer complaint \$250 to \$1,000, including administrative expenses	As incurred	Payable if a customer of your Art of Drawers Business contacts us with a complaint and we provide a gift card, refund or other value to the customer as part of our addressing the issue.
Payment Service Fee	Up to 4% of total charge	As incurred	We may charge this fee if you make a payment to us or our affiliate by credit card.
Late Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any payment due to us or our affiliate is not made by the due date. Interest accrues from the original due date until payment is received in full.
Non-Sufficient Funds Fee	\$100 per occurrence, plus the lesser of the daily equivalent of 18% per year simple interest or the highest rate allowed by law	As incurred	Payable if any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event.





Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Failure to Submit Required Report Fee	\$100 per occurrence and \$100 per week	Your bank account will be debited for failure to submit any requested report or financial statement when due	Payable if you fail to submit any required report or financial statement when due. You will continue to incur this fee until you submit the required report.
Audit Expenses	Cost of audit and inspection, any understated amounts, and any related accounting, legal and travel expenses	Within ten days after invoicing	You will be required to pay this if an audit reveals that you understated weekly Gross Sales by more than 2% or you fail to submit required reports.
Management Fee	\$250 per day, plus costs and expenses	As incurred	Payable if we manage your Art of Drawers Business after: (1) you cease to perform your responsibilities (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Responsible Owner (defined in Item 15) within 30 days; (2) you are in material breach of the Franchise Agreement; or (3) upon a crisis management event. If you operate in two or more Territories, the Management Fee will be assessed only for the first territory (i.e., you will pay \$250 per day for management of all Territories operated by a single Art of Drawers Business).
Professional Fees and Expenses	Our actual costs	As incurred	You must reimburse us for any legal, accounting or other professional fees that we incur as a result of any breach or termination of your Franchise Agreement or as a result of your indemnity obligations. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Indemnification	The expenses, losses, payments or obligations to make payments either (i) to or for third-party claimants, including refunds, or (ii) incurred to investigate, take action, respond to or defend a matter, including investigation and trial charges, costs and expenses, fees, fees paid to professionals, attorney fees, experts' fees, court costs, settlement amounts, judgments and costs of collection	As incurred	You must indemnify and reimburse us for any expenses or losses, including professional fees, that we or our representatives incur related in any way to your Art of Drawers Business or Franchise.
Renewal Fee	\$10,000	At the time you sign the successor franchise agreement	Payable if you qualify to renew your Franchise Agreement and choose to enter into a successor franchise agreement. This will apply for each Franchise Agreement you enter into if you operate in multiple Territories.
Sales Support Center Services Fees	Then-current fee, currently 4% of Gross Sales	Weekly	We will provide sales support center services to your Art of Drawers Business.
Relocation Fee	Our costs (including attorney fees)	Upon relocation	You must reimburse us for our reasonable expenses if we permit you to relocate your Art of Drawers Business.
Transfer Fee	\$10,000	\$1,000 non-refundable deposit at time of transfer application submittal and the remaining balance of fee at time of the approved transfer	Payable in connection with the transfer of your Art of Drawers Business, a transfer of ownership of your legal entity, or the Franchise Agreement (this does not apply to the transfer of an entity you control—see below). You will only pay one Transfer Fee if you transfer multiple franchise agreements to a single transferee.
Transfer to Entity Fee	Our actual costs	On demand	If you are transferring the Franchise Agreement to an entity that you control, you will not be required to pay a transfer fee, but you must pay our actual costs.
Liquidated Damages	\$30,000 or greater.	Within 15 days after termination of the Franchise Agreement	Due only if we terminate the Franchise Agreement before the end of the term because of your material breach, or you terminate the Franchise Agreement without legal cause. Liquidated damages



Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			are determined by multiplying the combined monthly average of Royalties, and Brand Fund Contributions (without regard to any fee waivers or other reductions) that are owed by you to us, based on the past 24 months (of, if you have operated less than 24 months, based on the period beginning with the date you open your Art of Drawers Business through the date of early termination), multiplied by the lesser of: (i) 36; or (ii) the number of months remaining in the term of the Franchise Agreement, except that liquidated damages will not, under any circumstances, be less than \$30,000.
Broker Fees	Our actual cost of the brokerage commissions, finder's fees or similar charges	As incurred	If you transfer your Art of Drawers Business to a third party or purchaser, you must reimburse all of our actual costs for commissions, finder's fees and similar charges.

Notes:

1. Fees. All fees paid to us or our affiliates are uniform and not refundable under any circumstances once paid. Fees paid to vendors or other suppliers may be refundable depending on the vendors and suppliers. We currently require you to pay fees and other amounts due to us or our affiliates via electronic funds transfer ("EFT") or other similar means. You are required to complete the ACH authorization (in the form attached to this Franchise Disclosure Document in Exhibit G). We can require an alternative payment method or payment frequency for any fees or amounts owed to us or our affiliates under the Franchise Agreement. 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. Also, any fee expressed as a fixed dollar amount is 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. If you operate multiple Art of Drawers Businesses, certain fees and requirements indicated in the chart above are the fees charged and/or incurred for each Art of Drawers Businesses. The Technology Fee, conference fee, management fee, late payment and other fees that we designate will be assessed once under the initial Franchise Agreement for all Territories operated by the same franchisee that are entered into under a Multi-Franchise Addendum (or that we otherwise permit you to purchase at a later date). 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. We reserve the right to designate that any fee paid to us be paid directly to an affiliate, or to collect payment on behalf of our affiliates.



2. The term “Gross Sales” means the revenues you receive from the sale of all goods, products and services sold at, from, or through your Art of Drawers Business and all other income, revenue and consideration of every kind and nature related to the Art of Drawers Business, whether for cash or credit, and regardless of collection in the case of credit, including the full redemption value of any gift certificate or coupon sold for use in the Art of Drawers Business (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), and all proceeds from any business interruption insurance, but not including: (a) any sales taxes or other taxes you collect from customers for, and paid directly to, the appropriate taxing authority; and (b) any bona fide refunds you make to customers.
  
3. Local Advertising Requirement. You must spend at least \$5,000 on local marketing during the first three months you operate your Art of Drawers Business to satisfy your Local Advertising Requirement. After your first three months of operation, your Local Advertising Requirement will increase to \$5,000 per month. If you operate two or more Art of Drawer Businesses, your Local Marketing Requirement will continue to increase based on the total number of Art of Drawers Territories you operate in accordance with the table below:

Number of Art of Drawer Territories	Month(s) after Opening	Local Advertising Requirement
1 - 10	Months 1 to 3	\$5,000 total for three-month period
1 - 10	Months 4 - 9	\$5,000 per month
2 - 10	Month 10 - 16	\$10,000 per month
3 - 10	Months 16 - 21	\$15,000 per month
4 - 10	Months 22 - 27	\$20,000 per month
5 - 10	Months 28 - 33	\$25,000 per month
6 - 10	Months 34 - 39	\$30,000 per month
7 - 10	Months 40 - 45	\$35,000 per month
8 - 10	Months 46 - 51	\$40,000 per month
9 - 10	Months 52 - 57	\$45,000 per month
10	Months 58 - 63	\$50,000 per month

If you purchase additional Art of Drawers Territories, your Local Advertising Requirement will be based on when you opened your first Art of Drawers Territory, and you will spend the applicable Local Advertising Requirement as described in the table above. For example, if you open a third Art of Drawers Territory less than 16 months after you opened your Art of Drawers Business, your Local Advertising Requirement will remain the same until 16 months after you first opened your Art of Drawers Business. If you open a third Art of Drawers Business 16 months or more after you open your Art of Drawers Business, your Local Advertising Requirement will remain the same until the 16 months anniversary of the opening of your Art of Drawers Business and will then increase to \$15,000 per month.

4. Local and Regional Advertising Cooperatives. If a local or regional advertising cooperative is established, contribution amounts will be established by the cooperative members, subject to our approval. We anticipate that each Art of Drawers franchisee and each Art of Drawers Franchise that we own will have one vote for each Art of Drawers Franchise operated in the designated market. In the event of a tie between franchisees voting in any local or regional cooperative, we will have the tiebreaking vote. Each Art of Drawers Franchise we own that exists within the cooperative’s area will contribute to the cooperative on the same basis as franchisees. No local or regional advertising cooperatives have been established as of the Issuance Date of this Franchise Disclosure Document. Any amounts you pay to a local or regional advertising cooperative will be counted towards your local advertising requirement.



**ITEM 7  
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(1)</sup>	\$60,000	\$60,000	Lump sum	Upon signing of Franchise Agreement	Us
Initial Inventory Package <sup>(2)</sup>	\$15,000	\$15,000	As incurred	As incurred	OLL
Furniture, Fixtures, and Equipment <sup>(3)</sup>	\$25,000	\$42,000	As agreed	As incurred	OLL and Suppliers
Training Expenses <sup>(4)</sup>	\$1,000	\$4,000	As agreed	As incurred	Third Parties
On-Site Support Fee	\$5,000	\$5,000	As agreed	As incurred	Us
Insurance – 3 Months <sup>(5)</sup>	\$750	\$1,500	As agreed	As incurred	Third Parties
Grand Opening Program <sup>(6)</sup>	\$5,000	\$5,000	As agreed	As incurred	Us or Approved Suppliers
Technology Fee (first three months)	\$2,685	\$2,685	As agreed	First of Month	Us
Professional Fees	\$1,000	\$5,000	As agreed	As incurred	Third Parties
Business Licenses and Permits	\$100	\$1,000	As agreed	As incurred	Third Parties
Computer System	\$1,000	\$2,500	As agreed	As incurred	Third Parties
Lease, Utility and Security Deposits, Storage <sup>(7)</sup>	\$0	\$6,000	Lump sum	As incurred	Lessor, Third Parties
Leasehold Improvements <sup>(8)</sup>	\$0	\$5,000	As agreed	As incurred	Third Parties
Additional Funds – 3 Months <sup>(9)</sup>	\$3,500	\$7,500	As agreed	As incurred	Third Parties
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>(17)</sup></b>	<b>\$120,035</b>	<b>\$162,185</b>			
Multi-Franchise	<p>If you purchase the right to open additional territories by entering into a Multi-Franchise Addendum, you will incur all of the costs listed above for each Art of Drawers Business you open except that the Initial Franchise Fee will be between \$110,000 and \$350,000 depending on the number of Art of Drawers Businesses you open. You will not need to purchase the Initial Inventory Package or the furniture, fixtures and equipment for your additional territories. You will not attend any Initial Training Program or incur training expenses for any additional Territories. The On-Site Support Fee and Grand Opening Program are only due for your first Art of Drawers Business. You will pay one Technology Fee for all Territories you operate.</p> <p>If you were to open two Art of Drawers Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$176,385 and \$240,185. If you were to open ten Art of Drawers Businesses, using the same estimated initial expenses above, we estimate this total cost to range between \$467,185 and \$708,685. These costs may increase in the future depending on when you open the additional Art of Drawers Businesses.</p>				



Notes:

These estimated initial expenses are our best estimate of the costs you may incur in establishing and operating your Art of Drawers Franchise. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Art of Drawers Franchises. All expenditures payable to us are uniform and non-refundable under any circumstances once paid. 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, depending on their policies or your arrangements with them. This estimate assumes you will utilize a co-working space, home office, or dedicated office space within your storage facility or warehouse space. Eight feet by eight feet is sufficient space for an office. This estimate assumes you will not rent any other type of commercial office space. If you do so, your estimated initial investment will increase significantly. No franchisor assistance or defined office criteria exists at this time, but we reserve the right to require you to maintain a membership to a co-working space in the future. We reserve the right to collect fees on our affiliates' behalf or to designate an affiliate as a supplier of any item or service currently provided by us.

1. Initial Franchise Fee. The Initial Franchise Fee for a single Art of Drawers Business is \$60,000. Pricing for additional Territories under a Multi-Franchise Addendum is described in Item 5. If you purchase the rights to operate multiple Art of Drawers territories under a Multi-Franchise Addendum, we do not anticipate that you will incur any additional expenses listed in this Item 7 for each additional Territory as you will utilize the same storage facility or warehouse space and working capital from your Art of Drawers Business will be used to cover any ongoing expenses (such as the Local Advertising Requirement). The estimate does not include the build-out of any additional Art of Drawers Business other than the first one as you will share warehouse or storage space and an office space for each additional Art of Drawers Territory you operate.

2. Initial Inventory Package. This item estimates the cost of the initial inventory package for your Art of Drawers Business, which will include items such as rails, hardware and initial marketing and sales supplies. We will determine the exact start-up inventory amount within this range on a case-by-case basis, and the preferred vendors to purchase from. You will pay OLL directly for the start-up inventory.

3. Furniture, Fixtures and Equipment. You must purchase furniture and equipment for your home show display and your storage facility or warehouse space. Your home show display will include mobile kitchen cabinets with a pantry, custom shelving, and cabinet lighting. If you choose to secure an office space outside of your home, you must purchase furniture and equipment to furnish it according to brand standards. We may in the future require you to maintain a shared office space. This estimate assumes that you purchase these supplies according to our standards and specifications. This estimate includes between \$12,000 and \$14,000 that you will pay to our affiliate, OLL, for the shelves and lighting used in your home show display.

4. Training Expenses. This item estimates the travel and living expenses that each individual will incur in connection with attending our initial training program. We provide training at our headquarters in or near Atlanta, Georgia or at another location designated by us. You must pay for airfare, transportation costs, lodging, meals, and incidental expenses for all initial training program attendees. Initial training is provided at no charge for you and/or, if applicable, your designated manager and any other trainees attending the initial training program at the same time as you; if additional initial training is required, or more people must be trained, an additional fee will be assessed. After opening, you and any installers must complete additional specialized training. The installer training will be held in or near Atlanta, Georgia for approximately three days and both you and your installers will attend; however, independent contractor installers will be responsible for paying our training fees and their



training related expenses. Independent contractor installers may not attend unless they have paid their training fees to us. After opening, you and any installers will be responsible for attending installer training and we will waive the installer training fee for you (or if applicable, your Responsible Owner). This estimate assumes you will not pay for installer's and designer's training fees or expenses. You (or if you are an entity, your Responsible Owner) will attend installer training, but we do not charge a fee for your attendance (or if applicable, your Responsible Owner's attendance). The low end assumes that you or your Responsible Owner is local to Atlanta and can commute to the training.

5. Insurance. You must obtain and maintain, at your own expense, the insurance coverage we require, and satisfy other insurance-related obligations. Insurance costs vary from state to state, and this is only an estimate based on our affiliate's experience operating in Georgia. You should contact your local insurance agencies to obtain more specific estimates of the costs for the insurance requirements for your area. Please note that if you have had prior issues or claims from previous operations unrelated to the operation of an Art of Drawers Business, your rates may be significantly higher than those estimated above. This estimate assumes you pre-pay for between six months to a year of insurance coverage.

6. Grand Opening Program. On or before the first day of the month after you complete initial training, you must pay us or an approved supplier \$5,000 for your required grand opening advertising campaign when you initially open your Art of Drawers Business. If you operate under a Multi-Franchise Addendum, no additional grand opening program payment will be due for any other Territories opened, but you will be subject to Local Advertising Requirement schedule described in Items 6 and 7.

7. Lease, Utility and Security Deposits, Storage. Most of our franchisees will operate their Art of Drawers Businesses from their home office during the first 30 days following initial training. Within 30 days of the completion of the initial training program, you must lease an approved storage facility or warehouse space for your Art of Drawers Business to receive inventory for your Art of Drawers Business(es). Your storage facility or warehouse space will be approximately 500 square feet to 1,000 square feet. We recommend, but do not currently require, that you secure a warehouse space or storage facility with adjoining office space, which will require approximately eight by eight feet of your square footage to be dedicated to office space. If you choose not to secure a warehouse or storage facility that includes office space, we currently permit you to lease shared office space or continue to operate from a home office at your discretion. We reserve the right in the future to require you to secure shared office space or other commercial office space for your Art of Drawers Business outside of your warehouse or storage facility. If you operate in multiple Territories, you may utilize a single storage facility or warehouse space for all of the Territories. This estimate includes your initial deposits and three months of lease payments. The low end of this estimate assumes your storage facility or warehouse does not require a security deposit or that you own your own space. The high end assumes you lease a flex space that includes both warehouse and office space.

8. Leasehold Improvements. We have specifications relating to the layout and buildout of your storage facility or warehouse space. The low end assumes you do not lease a dedicated office with your warehouse space. The high end assumes you lease a flex space with office space that requires improvements such as paint, carpeting, or minor construction to meet brand standards. The low end of this estimate assumes you secure a basic warehouse space rental that does not include office space. The high end assumes you lease a flex space that includes both warehouse and office space.

9. Additional Funds. These amounts represent our estimate of the amount needed to cover your expenses for the initial three-month start-up phase of your Art of Drawers Business. These figures do not include Royalties, or Brand Fund contributions payable under the Franchise Agreement or debt service and assume that none of your expenses are offset by any sales generated during the start-up phase. For purposes of this disclosure, we estimated the start-up phase to be three months from the date your Art of



Drawers Business opens for business. Our estimates are based on our experience, the experience of our affiliates, and our current requirements for Art of Drawers Businesses. These figures assumes that you will utilize contractors who supply their own vehicles.

10. This is an estimate of your initial start-up expenses for one Art of Drawers Franchise.

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

You must operate your Art of Drawers Business according to our System and specifications. This includes purchasing or leasing all products, services, supplies, fixtures, equipment, inventory, computer hardware and software, and real estate related to establishing and operating the Art of Drawers 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 operations manual (“Franchise Operations Manual”) states our standards, specifications and guidelines for all products and services we require you to obtain in establishing and operating your Art of Drawers Franchise and approved vendors for these products and services. We will notify you of new or modified standards, specifications 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).

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

You must utilize our designated providers of digital marketing services. We will provide local advertising services or procure local advertising services on your behalf. We or our affiliates are currently approved or designated suppliers of local marketing and advertising, sales support center services, digital marketing, certain technology solutions, including our internal proprietary technology platform Canvas that we procure from SSL on your behalf, and media buying. Other than this, we and our affiliates are not currently an approved supplier of any products or services provided to franchisees. We are currently the sole supplier of sales support center services. Our affiliate, SSL, is the sole supplier of the internal proprietary technology platform and licenses this platform to us to provide to Art of Drawers franchisees. OLL is currently the sole approved supplier of the initial inventory package, the home show display, shelving, rails refacing, hardware, lighting, and accessories, customer relationship management software, point of sale system software, and operations platform. We reserve the right to designate us or an affiliate as a supplier of these and other items in the future. One of our officers owns an interest in the following approved suppliers: AODF, OLL and SSL.

You must use the computer hardware and software, including the point-of-sale system that we periodically designate to operate your Art of Drawers Business. You must obtain the computer hardware, software licenses, maintenance and support services and other related services that meet our specifications from the suppliers we specify. You may be required to use approved suppliers for certain technology business solutions at your expense that will support your business efficiencies, which may include phone systems, security systems, scheduling software, employee shift/task management software, inventory solutions and any other solutions we may require from time to time in the Franchise Operations Manual.

You must obtain the insurance coverage required under the Franchise Agreement, as follows:





(i) comprehensive general liability insurance, with a combined single limit in the amount we specify, up to \$2,000,000 per occurrence but no less than \$1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury); (ii) workers' compensation coverage regardless of whether required by state law, but with minimum coverage as required by law (if applicable); and (iii) \$500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures. The insurance company must be authorized to do business in the state where your Art of Drawers 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. Your policy must provide that the insurer will not cancel or materially alter the policies without giving us at least 30 days' prior written notice.

We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual. 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 products and services 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) quality of products and/or services; (2) production and delivery capability; (3) proximity to Art of Drawers Franchises to ensure timely deliveries of the products or services; (4) the dependability of the supplier; and (5) 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 reserve the right to deny your request for review of alternative suppliers, products, or services.

We estimate that approximately 85% to 95% of purchases required to open your Art of Drawers Business and 85% to 95% of purchases required to operate your Art of Drawers Business will be from us or from other approved suppliers or under our specifications. We and our affiliates may receive rebates from some suppliers based on your purchase of products and services and we have no obligation to pass them on to our franchisees or use them in any particular manner. We or our affiliates will mark-up items that we sell to you. We have arrangements with certain advertising suppliers and will assess a Media Buying Fee (equal to 15% of the cost of the advertising) on advertising we place for you in these publications. During our last fiscal year ended December 31, 2023, neither we nor our affiliates derived revenue or other material consideration as a result of franchisees' required purchases or leases.

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 and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.**

Obligation	Section in Franchise Agreement (“FA”)	Disclosure Document Item
a. Site selection and acquisition/lease	FA: Section 7	Items 7 and 11
b. Pre-opening purchases/leases	FA: Sections 7 and 19	Items 7, 8 and 11
c. Site development and other pre-opening requirements	FA: Sections 7 and 19	Items 7 and 11
d. Initial and ongoing training	FA: Section 8	Items 6, 7 and 11
e. Opening	FA: Sections 7 and 12	Items 6, 7, 9 and 11
f. Fees	FA: Sections 5, 6, 7, 8, 10, 12, 13, 14, 16 and 20	Items 5, 6 and 7
g. Compliance with standards and policies/operating manual	FA: Sections 9, 12 and 13	Items 8, 11, 12, 14 and <u>Exhibit G</u>
h. Trademarks and proprietary information	FA: Sections 9, 14 and 17	Items 13 and 14
i. Restrictions on products/services offered	FA: Section 13	Items 8 and 16
j. Warranty and customer service requirements	FA: Section 13	Items 1 and 11
k. Territorial development and sales quotas	FA: Section 4	Items 1, 11 and 12
l. Ongoing product/service purchases	FA: Section 13	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	FA: Section 13	Items 7, 8 and 11
n. Insurance	FA: Section 19	Items 6, 7 and 8
o. Advertising	Section 12	Items 11, 13 and 14
p. Indemnification	Section 22	Not Applicable
q. Owner’s participation/management and staffing	Section 10	Items 11, 15 and 17
r. Records and reports	Section 20	Item 11
s. Inspections and audits	Section 21	Items 6 and 11
t. Transfer	Sections 15 and 16	Item 17
u. Renewal	Section 5	Item 17
v. Post-termination obligations	Sections 18 and 26; 9	Item 17
w. Non-competition covenants	Section 18	Item 17 and <u>Exhibit G</u>
x. Dispute resolution	Section 28	Item 17

**ITEM 10  
FINANCING**

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

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

**Except as listed below, AODF is not obligated to provide you with any assistance.**

Pre-opening Obligations

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



1. Provide an initial training program (See Franchise Agreement - Section 8.1). We will not provide general business or operations training to your employees or independent contractors; however, we may provide limited training on the System and brand standards to your installers. You will be responsible for hiring, training, directing, scheduling and supervising your installers and other independent contractors in the day-to-day operations of the Art of Drawers Business.

2. Loan you one copy of the Franchise Operations Manual. The Franchise Operations Manual contains approximately 408 pages. The table of contents for the Franchise Operations Manual is attached to this Franchise Disclosure Document as Exhibit E (See Franchise Agreement - Section 9.1).

3. We do not provide assistance with locating your storage facility or warehouse space and/or office. You will not need our approval of a site for your storage facility or warehouse space and/or office (See Franchise Agreement - Section 7).

4. Designate your territory. (See Franchise Agreement - Section 4).

5. If you elect to pay us for your grand opening before your initial launch, provide you with materials and consultation in connection with the grand opening program for your Art of Drawers Business (See Franchise Agreement - Section 12.5).

We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Art of Drawers 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 Art of Drawers Business can vary from 15 to 90 days. This estimate assumes that you will initially be working from your home and will begin operations as soon as you complete the initial training program and obtain required permits and certifications. We do not require you to lease or purchase a storage facility until 30 days after you complete the initial training program. Generally, unless there is a delay in obtaining required permits or certifications, we require that you open immediately after completing the initial training program. Some factors which may affect this timing are your ability to secure any necessary financing; your ability to obtain any necessary permits and certifications; the time to complete required training; the timing of the delivery of any inventory or equipment; and hiring and training of any staff.

You must complete the initial training program and open your Art of Drawers Business to the public within 90 days of signing the Franchise Agreement or we may terminate the Franchise Agreement. If you operate in multiple Territories, you will open in all Territories when you initially launch your Art of Drawers Business.

#### Continuing Obligations

During the operation of your Art of Drawers Business, we (or our designee) will provide the following assistance and services to you:

1. Inform you of mandatory standards, specifications and procedures for the operation of your Art of Drawers Business (See Franchise Agreement - Sections 4, 7, 12, 13 and 17).

2. Provide on-site and field support and assistance with warehouse or storage space set-up for three days after you obtain your warehouse or storage space (See Franchise Agreement – Sections 10.5)



3. Upon reasonable request, provide advice regarding your Art of Drawers Business' operation based on reports or inspections. Advice will be given during our regular business hours and through written materials, electronic media, telephone or other methods in our discretion (See Franchise Agreement - Section 9.2).

4. Provide additional training to you for newly hired personnel on the Art of Drawers brand and System guidelines, refresher training courses and additional training or assistance that, in our discretion, you need or request. You may be required to pay additional fees for this training or assistance (See Franchise Agreement - Section 8).

5. Allow you to continue to use confidential materials, including the Franchise Operations Manual and the Marks (See Franchise Agreement - Sections 9.1, 12, 14 and 17).

6. We will provide you with a list of our designated and approved suppliers in our Franchise Operations Manual. You must purchase at your own cost, install, maintain in sufficient supply, and use only fixtures, furnishings, equipment, signs, and supplies that conform to the standards and specifications described in the Franchise Operations Manual or otherwise in writing. (See Franchise Agreement – Section 13.3).

#### 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 menu items, new equipment or new techniques.

2. Make periodic visits to the Art of Drawers Business for the purpose of assisting in all aspects of the operation and management of the Art of Drawers Business, prepare written reports concerning these visits outlining any suggested changes or improvements in the operation of the Art of Drawers Business, and detailing any problems in the operations which become evident as a result of any visit. If provided at your request, you must reimburse our expenses and pay our then-current training charges.

3. Maintain and administer a Brand Fund. We may dissolve the Brand Fund upon written notice (See Franchise Agreement - Section 11).

4. Hold periodic national or regional conferences to discuss business and operational issues affecting Art of Drawers franchisees.

5. Establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions, as allowed by law.

#### Advertising

##### *Brand Fund*

The Brand Fund is for marketing, developing, and promoting the System, the Marks and Art of Drawers Franchises. You must pay 2% of Gross Sales to the Brand Fund (“Brand Fund Contribution”). Each franchisee will be required to contribute to the Brand Fund, but certain franchisees may contribute



on a different basis depending on when they signed their Franchise Agreement. Art of Drawers Businesses owned by us will not contribute to the Brand Fund on the same basis as franchisees.

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

We have complete discretion on how the Brand Fund will be utilized. We may use the Brand Fund for local, regional or national marketing, or any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Art of Drawers brand. For example, we may use the Brand Fund for: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) collecting and accounting for Brand Fund Contributions; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) conducting quality assurance programs and other reputation management functions; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities.

We do not guarantee that advertising expenditures from the Brand 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 Brand 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 or website 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 Brand Fund or to maintain, direct or administer the Brand Fund. Any unused funds that were collected 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 Brand Fund on any terms we deem reasonable.

The Brand Fund is not audited. Upon your written request, we will make available an annual accounting for the Brand Fund that shows how the Brand Fund proceeds have been spent for the previous year. We did not collect or spend any Brand Fund Contributions during our last fiscal year, ended on December 31, 2023.

### *Local Advertising*

In addition to the Brand Fund Contributions, you must spend the Local Advertising Requirement. We offer a phase-in of the Local Advertising Requirement. You must spend at least \$5,000 on local marketing during the first three months you operate your Art of Drawers Business to satisfy your Local Advertising Requirement. After your first three months of operation, your Local Advertising Requirement will increase to \$5,000 per month. If you operate your Art of Drawer Business in two or more Art of Drawers Territories, your Local Advertising Requirement will continue to increase based on the total number of Art of Drawers Territories you operate in accordance with the table below:



Number of Art of Drawer Territories	Month(s) after Opening	Local Advertising Requirement
1 - 10	Months 1 to 3	\$5,000 total for three-month period
1 - 10	Months 4 - 9	\$5,000 per month
2 - 10	Month 10 - 16	\$10,000 per month
3 - 10	Months 16 - 21	\$15,000 per month
4 - 10	Months 22 - 27	\$20,000 per month
5 - 10	Months 28 - 33	\$25,000 per month
6 - 10	Months 34 - 39	\$30,000 per month
7 - 10	Months 40 - 45	\$35,000 per month
8 - 10	Months 46 - 51	\$40,000 per month
9 - 10	Months 52 - 57	\$45,000 per month
10	Months 58 - 63	\$50,000 per month

You must purchase through us or other designated or approved suppliers of digital marketing or local advertising products and services. If you request to advertise in certain publications with which we have an existing agreement, we will require you to purchase these media placements through us, and we will assess a Media Buying Fee equal to 15% of the cost of the advertisement placement. Any amounts paid to us as a Media Buying Fee will be credited towards your Local Advertising Requirement. We will assess your compliance with this requirement on a rolling three-month basis, meaning that as long as your average monthly expenditure on local advertising over the three-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify. We reserve the right, in our sole discretion, to lower or waive the Local Advertising Requirement for one or more territories based on criteria that we develop for the System, which may include your performance, market conditions, or other factors we determine affect advertising within each territory. You are required to report monthly on your local advertising expenditures. If you fail to comply with the Local Advertising Requirement by spending an average of \$5,000 per territory per month as calculated on the three-month rolling basis, you will pay the difference to the Brand Fund. We may require that you pay all or a portion of the Local Advertising Requirement to our designated supplier(s) of digital media services. You may also request to pay all or a portion of the Local Advertising Requirements to other vendors, which may approve in our sole discretion after approving the proposed supplier.

To the extent that you engage us for media buying or otherwise procure or provide advertising, the advertising we provide will be targeted in your Territory, or with our approval, in open areas surrounding your Territory. We may, but are not obligated to, develop or provide additional advertising materials or advertising services that you may purchase from us. Sources of advertising materials are prepared in-house.

If you wish to advertise online, you must follow our online policy which is contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. We may restrict your use of social media. We may not allow you to independently market on the Internet, or use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks. We intend that any franchisee website will be accessed only through our home page.

We may require you to order sales and marketing material from us or our designated suppliers. It is a material breach of the Franchise Agreement to use other marketing material without obtaining our prior written approval. If you desire to use your own advertising materials, including your own website, you must obtain our prior approval, which may be granted or denied in our sole discretion. We will review your request and we will respond in writing within 30 days from the date we receive all requested information. Our failure to notify you in the specified time frame will be deemed a disapproval of your



request. 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. If you use unauthorized advertising materials, you must pay a fee of \$500 per occurrence to the Brand Fund.

You agree, at your sole cost and expense, to issue and offer such rebates, giveaways and other promotions in accordance with advertising programs established by us, and further agree to honor the rebates, giveaways and other promotions issued by other Art of Drawers franchisees under any such program, so long as such compliance does not contravene any applicable law, rule or regulation. You will not create or issue any gift cards or certificates and will only sell gift cards/certificates that have been issued or sponsored by us and which are accepted at all Art of Drawers Businesses, and you will not issue coupons or discounts of any type except as approved by us.

We do not currently have any advertising cooperatives. However, we reserve the right to create local or regional advertising cooperatives in the future. If established, you shall be required to participate in such advertising cooperative that we may require for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. Any amounts you contribute to these local or regional cooperatives will be credited towards your Local Advertising Requirement. We may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. We have the right to form, change, dissolve or merge any advertising cooperative. Your participation in any cooperative must be in compliance with the provisions of the Brand Standards Manual, which we may periodically modify at our discretion. We have the right to determine the composition of all geographic territories and market areas for each advertising cooperative. In the event of a tie between franchisees voting in any local or regional cooperative, we will have the tie-breaking vote. Franchisees in each cooperative will contribute an amount to the cooperative for each Franchised Business that the franchisee owns that exists within any cooperative's geographic area. Each Art of Drawers business we own that exists within the cooperative's area will not contribute to the cooperative on the same basis as franchisees.

### *Grand Opening Program*

You will pay either us or an approved supplier \$5,000 for an initial marketing, advertising and promotion program for your Art of Drawers Business. If paid to us, this the \$5,000 will be due on the first of the month after you complete initial training for your Art of Drawers Business. If you will operate multiple territories, this payment is due only once for all Territories that you purchase at the same time (or that we otherwise agree to allow you to add to an existing Art of Drawers Business); provided, you will still incur an increased Local Advertising Requirement for each additional Territory. Your payment for the grand opening program will be used by us or an affiliate to purchase marketing, digital advertising, and related promotional items or services on your behalf during your first three months of operation. All expenditures for grand opening marketing, advertising and promotion will be in addition to your other marketing, advertising and promotion obligations under the Franchise Agreement.

### *System Website*

We have established a website for Art of Drawers Businesses ("System Website"). We intend that any franchisee website will be accessed only through our System Website. We have the right to use the Brand Fund's assets to develop, maintain and update the System Website. We may update and modify the System Website from time to time. You must promptly notify us whenever any information on your listing changes or is not accurate. We have final approval rights of all information on the System Website. We may modify, update or add to the System Website at any time. We are only required to



reference your Art of Drawers Business on the System Website while you are in full compliance with your Franchise Agreement and all System standards.

### *Advisory Council*

We currently do not have, but may form, an advisory council (“Council”) to advise us on advertising policies. The Council would be governed by bylaws. Members of the Council would consist of both franchisees and corporate representatives. Members of the Council would be selected by way of a voting method specified in the Council’s bylaws. The Council would serve in an advisory capacity only. We will have the power to form, change or dissolve the Council, in our sole discretion.

### Computer System

You are required to purchase a computer system (“Computer System”) that consists of the following hardware and software: (a) laptop, three tablets, high-speed internet; and (b) business management software, including bookkeeping software and our designated customer relationship management, POS System, and operations platform. We estimate the cost of purchasing the Computer System will be between \$1,000 to \$2,500. The Computer System will manage the daily workflow of the Art of Drawers Business, coordinate the customer ordering experience, track inventory, labor and other 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, and report data and information in the manner we specify. The Computer System will generate reports on the Gross Sales of your Art of Drawers Business. You must also maintain a high-speed Internet connection at the premises of the Art of Drawers Business. In addition to offering and accepting any Art of Drawers gift cards and loyalty cards, you must accept all credit cards and debit cards that we determine.

We are not required to provide you with any ongoing maintenance, repairs, upgrades, updates or support for the Computer System (Franchise Agreement - Section 13.4). You will pay us an ongoing Technology Fee, and we will provide certain technology solutions to you, including the technology platform licensed to us by SLL, which includes your customer relationship and business management software. 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.

The cost of maintaining, updating, or upgrading the Computer System or its components will depend on your repair history, costs of computer maintenance services in your area, and technological advances. We estimate the annual cost will be approximately \$250 per year, but this could vary (as discussed above). We may revise our specifications for the Computer System periodically.

You must obtain then-current technology business solutions from approved suppliers for certain business solutions that will support your business efficiencies, which may include phone systems, security systems, scheduling software, employee shift/task management software, music subscription, inventory solutions and any other solutions we may require from time to time in the Franchise Operations Manual for your Art of Drawers Business. We reserve the right to upgrade, modify and add new systems and software, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems or software and for any increase in fees from third-party providers.

We (or our designee) have the right to independently access the electronic information and data relating to your Art of Drawers Business and to collect and use your electronic information and data in any manner, including to promote the System and the sale of Franchises. This may include posting





financial information of each franchisee on an intranet website or otherwise sharing this information with other Art of Drawers franchisees and affiliates. There is no contractual limitation on our right to receive or use information through our proprietary data management and intranet system. We may access the electronic information and data from your Computer System remotely, in your Art of Drawers Business or from other locations.

Training

*Initial Training*

You or your Responsible Owner and any Franchise Manager (defined in Item 15) or representative that we require must complete the initial training to our reasonable satisfaction, as determined by the specific program instructors, before you open your Art of Drawers Business. We provide initial training at no cost so long as everyone attends the initial training at the same time. Initial training classes are held whenever necessary to train new franchisees. You must pay a \$2,500 fee for training each additional person if training is held at a later time. 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 the initial training program, including lodging, transportation, food and similar expenses. We plan to provide the training listed in the table below.

**TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
History, philosophy, and core values	2	0	Atlanta, Georgia
Marketing & Advertising	4	0	Atlanta, Georgia
Management Procedures/Business System	8	0	Online and Atlanta, Georgia
Sales Procedures	16	0	Online and Atlanta, Georgia
Product Knowledge	6	0	Online and Atlanta, Georgia
Hiring, Team Building, Culture	2	0	Online and Atlanta, Georgia
Summary/Test/Survey	2	0	Online and Atlanta, Georgia
<b>TOTALS</b>	<b>40</b>	<b>0</b>	

Notes:

1. We reserve the right to vary the length and content of the initial training program based upon the experience and skill level of the individual attending the initial training program. We will use the Franchise Operations Manual as the primary instruction materials during the initial training program.

2. Josh Mason currently oversees our training program. Josh Mason has more than 19 years of experience in sales and operations in the home furnishing industry and has been with our team for over one year. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one year of experience in the subject matters that they teach.



3. Our installer training will be held at a later time than the rest of the initial training program after the Art of Drawers Business has opened and you have begun marketing and scheduling appointments. You and any of your installer(s) must complete training to our satisfaction before providing any installation services.

#### *Installer Training*

After opening, you (or, if applicable, your Responsible Owner) and any installers will be responsible for attending installer training for three days in or near Atlanta, Georgia. You will not receive any compensation or reimbursement for services or expenses for participation in the installer training. You are responsible for all your expenses to attend installer training, including lodging, transportation, food and similar expenses. We do not require you to pay us an installer training fee for you (or if applicable, your Responsible Owner). Any independent contractor installers will be responsible for their training expenses and our installer training fees (currently, \$750 per person for installer training). Independent contractor installers will not be allowed to attend installer training unless they have paid the training fee. If you operate in multiple territories, we will only provide installer training to you (or, if applicable, your Responsible Owner) for your first territory.

#### *Ongoing Training*

From time to time, we may require that you or your Responsible Owner, Franchise Manager and other employees attend system-wide refresher or additional training courses. Some of these courses may be optional, while others may be required. If you appoint a new Responsible Owner or transfer ownership, or if you hire a new Franchise Manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Art of Drawers Business. You may also request that we provide additional training (either at corporate headquarters or at your Art of Drawers Business). You must pay us \$500 per attendee per day for additional training, and you must pay for airfare, meals, transportation costs, lodging and incidental expenses for all of your training program attendees. If we determine that you are not operating your Art of Drawers Business in compliance with the Franchise Agreement or the Franchise Operations Manual, we may require that your Responsible Owner, Franchise Manager and other employees attend remedial training. You will be required to pay us the then-current training fee for any such training. If the training program is conducted at your Art of Drawers Business, you must reimburse us for the expenses we or our representatives incur in providing the training.

In addition to participating in ongoing training, you will be required to attend any national or regional meeting or conference of franchisees. You are responsible for any conference fees and all travel and expenses for your attendees.

## **ITEM 12 TERRITORY**

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

The Territory is determined based on the geographic area and populations properties within that area and other relevant demographic characteristics. We will use commercially reasonable efforts to grant only one franchise to an Art of Drawers Business for any area of the greater of a population of 375,000 or 150,000 households. The population statistics used in determining your Territory will be based on numbers derived from the current U.S. Census report and supplemented with other information



available and other population statistical sources of our choosing to determine populations. In certain densely populated metropolitan areas, the size of the territory may be smaller if it has a high population density, while franchisees operating in less densely populated urban areas may have significantly larger areas. You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory but must follow our guidelines for marketing, soliciting, and operating outside of your territory. We may market on your behalf within multiple territories. You may service customers outside of your Territory so long as: (i) the area where you directly market, solicit customers, or operate is an “Open Area”, which means it is not the territory of any other Art of Drawers franchisee or affiliate-owned business; (ii) you request our permission to service any customer located outside of your Territory; and (iii) you cease marketing, soliciting customers, or servicing customer upon our notice to you that the Open Area is now the territory of any other Art of Drawers franchisee. 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. You must follow our extra-territorial policies and procedures in our Franchise Operations Manual, which may allow you to provide services or sell products outside of your Territory. These policies and procedures may change over the term of the Franchise Agreement and may prevent you from providing services or selling products outside of your Territory.

We retain all territory rights (for ourselves and our affiliates) not expressly granted to you. We may use the Marks or 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. We or our affiliates may license software to other businesses, including competitors, within your Territory. We or our affiliates may sell inventory, supplies, or equipment to businesses, including competitors, located within your Territory. We and our affiliates have the right to operate, and to license others to operate, Art of Drawers Businesses at any location outside the Territory, even if doing so will or might affect the operation of your Art of Drawers Business. You are not granted any rights to use the Internet as a channel of distribution and may not independently market on the Internet or conduct e-commerce unless we have expressly allowed you to do so under our online policy in the Franchise Operations Manual.

We may use trademarks other than the Marks to sell any products or services similar to those which you will sell within or outside of the Territory. We may purchase, be purchased by, merge or otherwise acquire competitive businesses within and outside the Territory. If such a situation occurs, the newly acquired businesses may not operate under the Marks in the Territory but may operate under the System. We may implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We have the right to issue mandatory policies to coordinate such multi-area marketing programs. Although we reserve the rights described, neither we nor any affiliate, operates, franchises or has plans to operate or franchise a business under a different trademark that sells or will sell goods or services similar to those offered by you or our other Franchises.

We are not required to pay you if we exercise any of our rights within your Territory. The continuation of your territorial rights is not dependent upon your achievement of a certain sales volume, market penetration or other contingency (other than complying with the terms of the Franchise Agreement). We will not be required to pay any compensation for soliciting or accepting orders inside your Territory.

You may not relocate your Art of Drawers Business without our prior written approval. We may approve a request to relocate your Art of Drawers Business in accordance with the provisions of the Franchise Agreement that provide for the relocation of your Art of Drawers Business, and our then-current site selection policies and procedures.



You do not receive the right to acquire additional Art of Drawers Franchises within the Territory unless you purchase the right in your Multi-Franchise Addendum. You must enter into a Franchise Agreement for each Territory. Currently, we require you to sign all Franchise Agreements at the time you sign the Multi-Franchise Addendum.

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



**ITEM 13  
TRADEMARKS**

The Marks and the System are owned by AOD and are licensed exclusively to us. AOD has granted us an exclusive license (“Trademark License”) to use the Marks to franchise the System around the world. The Trademark License is for 10 years and began on January 3, 2023. It will automatically renew for subsequent 10-year periods so long as we are not in default or do not materially breach the Trademark License by engaging in any activity which damages the Marks or the goodwill of the System. If the Trademark License is terminated, AOD has agreed to license the Marks directly to our franchisees until each franchise agreement expires or is otherwise terminated. Except for the Trademark License, no agreement significantly limits our right to use or license the Marks in any manner material to the Art of Drawers Franchise.




AOD has registrations with the United States Patent and Trademark Office (“USPTO”) for the following Marks:

Trademark	Registration Number	Date of Registration	Register
<b>Art of Drawers</b>	6,050,992	May 12, 2020	Principal

In addition to the Marks in the table immediately above, we also claim common law rights for the following Marks, which have not been registered with the USPTO:

Trademark	Serial Number	Filing Date	Status
	Not applicable	Not applicable	Common Law
	Not applicable	Not applicable	Common Law



Trademark	Serial Number	Filing Date	Status
	Not applicable	Not applicable	Common Law
	Not applicable	Not applicable	Common Law
	Not applicable	Not applicable	Common Law

We do not have a federal registration for our common law trademarks. Therefore, these trademarks do not have many legal benefits and rights as a federally registered trademark. If our right to use this trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses. 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 proceedings or material litigation involving the Marks. All required affidavits and renewals have been filed.

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 the premises of your Art of Drawers Business that you are an independently-owned and operated licensed franchisee of Art of Drawers. You may not use the Marks in the sale of unauthorized products or services 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 Art of Drawers Franchise, or any interest in the Art of Drawers Franchise. All rights and goodwill from the use of the Marks accrue to us.

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 business 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.

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 30 days 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. The Franchise Agreement does not provide you with any additional rights if we require you to modify or discontinue use of any Mark.

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 is proprietary and is protected by copyright and other laws. The designs contained in the Marks, the layout of our advertising materials, the ingredients and formula of our products and recipes, and any other writings and recordings in print or electronic form are also protected by copyright and other laws. Although we have not applied for copyright registration for the Franchise Operations Manual, our advertising materials, the content and format of our products 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 Art of Drawers Franchise, but such copyrights remain our sole property.

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, nor are there any effective agreements between us and third parties pertaining to the Copyrighted Works that will or may significantly limit using our Copyrighted Works.

Our affiliate, SSL, provides and licenses software to us, which we license to you. This software may also be licensed to third parties, including third parties or competitors in your Territory.

Our Franchise Operations Manual, electronic information and communications, 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 Art of Drawers Franchises, our training materials and techniques, information concerning product and service sales, operating results, financial performance and other financial data of Art of Drawers 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 Trade Secrets and Confidential Information.

We will disclose parts of the Confidential Information and Trade Secrets to you as we deem necessary or advisable for you to develop your Art of Drawers 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 Art of Drawers Franchises during the term of the Franchise Agreement.



You must notify us within three business 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 FRANCHISE BUSINESS**

We require that you either directly operate your Art of Drawers Business or designate a manager (“Franchise Manager”) who has been approved by us. You must designate a “Responsible Owner” who has the authority and responsibility for the day-to-day operations of your Art of Drawers Business. The Responsible Owner is the individual who will be principally responsible for communicating with us about the Art of Drawers Business. If you are an individual, you are the Responsible Owner. If you are a legal entity, you must appoint an individual that has at least a 25% equity interest in the legal entity to be the Responsible Owner. Your Responsible Owner and your Franchise Manager, if any, must successfully complete our training program. If you replace your Responsible Owner or Franchise Manager, the new Responsible Owner or Franchise Manager must satisfactorily complete our training program at your own expense.

If you are a legal entity, each direct and indirect owner (i.e., each person holding a direct or indirect ownership interest in you) must sign a Franchise Owner Agreement, which is attached to the Franchise Agreement as Attachment C. We also require that the spouses of the Franchise owners sign the Franchise Owner Agreement. Any Franchise Manager and officer of your legal entity must sign the “System Protection Agreement,” the form of which is attached to this Franchise Disclosure Document in Exhibit G (unless they already signed a Franchise Owner Agreement). All of your employees, independent contractors, agents or representatives that may have access to our confidential information must sign a confidentiality agreement (unless they already signed a System Protection Agreement), the current form of which is attached to this Franchise Disclosure Document in Exhibit G.

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

You must sell or offer for sale only those products and services authorized by us, and which meet our standards and specifications. Authorized products may differ among our franchisees and may vary depending on the geographic location of your Art of Drawers Business or other factors. You must follow



our policies, procedures, methods and techniques. You must sell or offer for sale all types of products and services specified by us. We may change or add to our required products and services, at our discretion, with prior notice to you. If we change or add to our required products and services, the changes or additions will remain in permanent effect, unless we specify otherwise. The amount you must pay for the changes or additions will depend upon the nature and type of changes or additions. There are no limitations on our rights to make changes to the required products and services offered by you. You must discontinue selling and offering for sale any products and services that we disapprove. We reserve the right to establish minimum and maximum resale prices for use with multi-area marketing programs and special price promotions. You must keep your Art of Drawers Business open for the minimum hours and minimum days of operation as specified by our Franchise Operations Manual, which may change over the term of the Franchise Agreement. You must determine appropriate staffing levels for your Art of Drawers Business to ensure full compliance with this Franchise Agreement and our System standards. You are solely responsible to hire, train and supervise employees or independent contractors to assist you with the proper operation of the Art of Drawers Business.

You may not establish an account or participate in any social networking sites, crowdfunding campaigns or blogs or mention or discuss the Art of Drawers Franchise, us or any of our affiliates without our prior written consent and as subject to our online policy. Our online policy may completely prohibit you from any use of the Marks in social networking sites or other online use. You may not sell products through other channels of distribution such as wholesale, Internet or mail order sales. Otherwise, we place no restrictions upon your ability to serve customers, provided you do so from the location of your Art of Drawers Business 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 5.1	10 years.
b. Renewal or extension	Section 5.1	If you are in good standing and you meet other requirements, you may add two successor term of 10 years.





Provision	Section in Franchise Agreement	Summary
c. Requirements for franchisee to renew or extend	Section 5.2	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 if you are in good standing and you meet other requirements. You must sign our then-current Franchise Agreement and ancillary documents for the successor 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.
d. Termination by franchisee	Section 23	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.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	Sections 24.1 and 24.2	We can terminate upon certain violations of the Franchise Agreement by you.
g. “Cause” defined – curable defaults	Section 24.3	If you or an Owner fails to comply with any provision of the Franchise Agreement other than non-curable defaults for which termination is automatic or by notice, including failure to comply with any provision in the Franchise Operations Manual or any other agreement with us, we may terminate unless you cure such default within 30 days of notice.

Provision	Section in Franchise Agreement	Summary
h. “Cause” defined – non-curable defaults	Sections 24.1 and 24.2	We may automatically terminate the Franchise Agreement if you commit any of the defaults listed in Section 24.1, including (i) bankruptcy or insolvency; (ii) your inability to meet your financial obligations; (iii) appointment of a receiver or custodian of your assets; and (iv) any judgment in excess of \$10,000 against you remains unsatisfied for 60 days or longer. We may in our sole discretion, terminate the Franchise Agreement upon any of the defaults listed in Section 24.2 of the Franchise Agreement, including (i) failure to open; (ii) material misrepresentation; (iii) violation of law; (iv) criminal offense; (v) under-reporting or maintaining false records; (vi) intellectual property misuse; (vii) health or safety violations; abandonment of the Art of Drawers Business; (viii) unauthorized transfer; (ix) violation of the Brand covenants; (x) suspension or revocation of any required license or permit; (xi) failure to complete initial training; (xii) repeated or cross-defaults; or (xiii) any breach of the Franchise Agreement.
i. Franchisee’s obligations on termination/non-renewal	Sections 5.3, 18.3, 25 and 26	Obligations include complete de-identification, payment of amounts due and return of confidential Franchise Operations Manual, all Confidential Information, Trade Secrets and records.
j. Assignment of contract by franchisor	Section 15	No restriction on our right to assign.
k. “Transfer” by franchisee – defined	Section 16.1	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 16.1	We have the right to approve all transfers.
m. Conditions for franchisor approval of transfer	Section 16.3	If you are in good standing and meet other requirements listed in Section 16.3, we may approve your transfer to a new owner.
n. Franchisor’s right of first refusal to acquire franchisee’s business	Section 16.2	We have 30 days to match any offer for your Art of Drawers Business.
o. Franchisor’s option to purchase franchisee’s business	Section 27	We may, but are not required to, purchase your Franchise, inventory or equipment at fair market value if your Franchise is terminated for any reason.



Provision	Section in Franchise Agreement	Summary
p. Death or disability of franchisee	Section 16.5	The Franchise Agreement must be transferred or assigned to a qualified party within 180 days of death or disability or the Franchise Agreement may be terminated. Your estate or legal representative must apply to us for the right to transfer to the next of kin within 120 calendar days of your death or disability.
q. Non-competition covenants during the term of the franchise	Section 18.2	You may not participate in a diverting business, have owning interest of more than 5%, induce any customer to transfer their business to you or perform services for a competitive business anywhere. You may not interfere with our or our other franchisees' Art of Drawers Franchises.
r. Non-competition covenants after the franchise is terminated or expires	Section 18.3	Owners may not have an interest in, own, manage, operate, finance, control or participate in any competitive business within (i) a 25-mile radius of the Art of Drawers Business (and of the approved location of Franchisee); and (ii) a 25-mile radius from all other Art of Drawers Businesses that are operating or under development for two year(s). If you or your Responsible Owner engages in any activities prohibited by the Franchise Agreement during the restricted period, then the restricted period applicable to you or the non-compliant Responsible Owner shall be extended by the period of time during which you or the non-compliant Responsible Owner, as applicable, engaged in the prohibited activities.
s. Modification of agreement	Sections 9.1 and 30.9	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 30.9	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 28	Except for certain claims, all disputes must be mediated and arbitrated in the principal city closest to our principal place of business (currently, Atlanta, Georgia)



Provision	Section in Franchise Agreement	Summary
v. Choice of forum	Section 28.4	All disputes must be mediated, arbitrated, and if applicable, litigated in the principal city closest to our principal place of business (currently, Atlanta, Georgia), subject to applicable state law.
w. Choice of law	Section 30.1	Georgia 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 the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about performance at a particular location or under particular circumstances.

As of December 31, 2023, we had no franchised Art of Drawers Businesses and one affiliate-owned Art of Drawers Business. This Item 19 presents financial information from the one affiliate-owned Art of Drawers Business (“Reporting Affiliate Outlet”). The Reporting Affiliate Outlet opened in 2019. The Reporting Affiliate Outlet utilizes our System and is substantially similar to the franchise we offer and offers similar services and faces a similar degree of competition anticipated for the franchised Art of Drawers Businesses offered under this Franchise Disclosure Document. It does not pay the Royalty, Technology Fee or Brand Fund Contribution that a franchised Art of Drawers Business will have to pay and is not subject to the Local Advertising Requirement. This historical data was provided by the operator of the Reporting Affiliate Outlet and from our internal systems and has not been audited.

The Reporting Affiliate Outlet does not have a traditional territory that a franchisee would have and actively markets and services customers throughout the greater Atlanta market and actively markets within an area with approximately 450,000 households which is equal to approximately three franchised Territories. Franchised Art of Drawers locations will operate within territories with the greater of 150,000 households or a population of 375,000 and may advertise in and service non-franchised Open Areas as described in Item 12. Art of Drawers Businesses may operate in two to 10 multiple Territories under a single franchisee entity.



## Table 1

Table 1 provides financial information and transaction data for the Reporting Affiliate Outlet for the 2023 calendar year. The data in Table 1 is based on data reported by the Reporting Affiliate Outlet.

**Table 1**

2023	
Metric	Amount
<b>Paid Marketing Gross Sales*</b>	\$1,035,273
<b>Revenue per Appointment*</b>	\$2,231
<b>Marketing Cost Per Appointment*</b>	\$471
<b>Paid Marketing Appointment Count*</b>	464
<b>Average Sale**</b>	\$6,362

\*Excludes Secondary Sales and Self-Generated Sales

\*\*Excludes Secondary Sales

## Notes to Table 1

1. “Paid Marketing Gross Sales” as used in Table 1 means the revenues the Reporting Affiliate Outlet receive from the sale of all goods, products and services sold at, from, or through the Reporting Affiliate Outlet and all other income, revenue and consideration of every kind and nature related to the Reporting Affiliate Location, whether for cash or credit, and regardless of collection in the case of credit, including the full redemption value of any gift certificate or coupon sold for use in Reporting Affiliate (fees retained by or paid to third-party sellers of such gift certificates or coupons are not excluded from this calculation), but not including: (a) any sales taxes or other taxes you collect from customers for, and paid directly to, the appropriate taxing authority; and (b) any bona fide refunds the Reporting Affiliate Outlet made to customers. It excludes revenue from Secondary Sales and Self-Generated Sales (defined below).

2. “Secondary Sale” includes Gross Sales generated by pre-existing customers.

3. “Self-Generated Sales” refer to Gross Sales from new sales from referrals or sales that otherwise did not result from: (i) Secondary Sales; or (ii) paid marketing.

4. “Appointments” refers to appointments with prospective customers that were generated from paid marketing (i.e., Appointments except for those resulting from Self-Generated Sales).

5. “Revenue per Appointment” is based on Gross Sales from certain Appointments and is calculated by dividing the total Gross Sales generated from Appointments in 2023 by the number of Appointments. For purposes of this calculation, we do not include: (i) any Gross Sales from Secondary Sales or Self-Generated Sales; or (ii) any Appointments resulting from a Self-Generated Sales or Excluded Appointments. The median Gross Sales and Low Revenue per Appointment was \$0. The high Revenue per Appointment was \$6,362. Of the 464 Appointments, 150 (32)% generated Gross Sales exceeding the average Revenue per Appointment.

6. “Excluded Appointments” include appointments and sales made as a result of a re-order or a Secondary Sale. Secondary Sales do not require appointments.



7. “Appointment Count” refers to the total number of Appointments from paid marketing reported by the Reporting Affiliate Outlet during calendar year 2023.

8. “Orders” includes all orders resulting in the generation of Gross Sales except for (i) orders relating to re-orders; and (ii) cancelled orders.

9. “Average Sales” refers to the average or mean of all customer transactions that generated Gross Sales (except for Secondary Sales) for the Reporting Affiliate Owned Outlet during calendar year 2023. It includes Self-Generated Sales. It is based on Gross Sales divided by the Order Count. The total Gross Revenue generated by an Order in 2023 ranged from \$668 to \$6,362. The median Order generated \$5,525 of Gross Sales. Of the 171 Orders, the Gross Sales of 73 Orders (42.6%) exceeded the Average Sales figure in Table 1.

10. “Marketing Cost per Appointment” is calculated by dividing the total amount expended on marketing for appointments by the total number of Appointments.

11. Because the figures in this Item 19 include data from the equivalent of multiple franchise territories for a single outlet, these figures may include significantly higher Gross Sales and corresponding numbers than the typical franchisee would generate operating a single Art of Drawers Business. A breakdown of the figures by each territory would result in lower numbers.

12. All dollar figures have been rounded to the nearest dollar.

#### Table 2

Table 2 provides a projection based on the adjusted cost of goods sold of the Reporting Affiliate Outlet. We have adjusted cost data for materials and freight expenses has to reflect the current pricing for materials and freight available to franchisees in 2023 and the current pricing charged to customers for the same products in 2023.

**Table 2**  
**Adjusted Materials and Freight Costs**

	<b>Percentage of Adjusted Gross Sales</b>
<b>Materials &amp; Freight Cost</b>	28%

Notes to Table 2.

1. “Materials and Freight Cost” is an adjusted figure based on the historical performance of the Reporting Affiliate Outlet. This figure has been adjusted to reflect the current pricing that both the Reporting Affiliate Outlet and franchisees will pay for the same materials sold by the Reporting Affiliate Outlet in 2023 (such as custom wooden drawers and accessories including lazy susans, drawer organizing inserts, rails, scoops, slopes and dividers) and freight costs related to these materials based on the price of these materials as of April 2024 (“Adjusted COGs”); and (ii) the adjusted pricing the Reporting Affiliate Outlet charges customers for these items as of the issuance date of this Franchise Disclosure Document (“Adjusted Pricing”). “Adjusted Gross Sales” is the Gross Sales that the sale of the same items sold by the Reporting Affiliate Outlet in 2023 would have generated based on Adjusted Pricing with standard discounts applied, which was calculated by applying the same percentage of promotional discounts provided by the Reporting Affiliate Outlet in 2023 to the Adjusted Pricing. Adjusted Gross Sales is based



the total Gross Sales of the Reporting Affiliate Location and includes Gross Sales from Secondary Sales and Self-Generated Sales.

2. “Percentage of Gross Sales” is calculated as Adjusted Gross Sales divided by the Adjusted COGs. We provide guidelines for suggested pricing and discounts to our franchisees. All pricing and promotions are recommended. Franchisees are not required to use our standard prices or offer promotional discounts. This figure is rounded to the nearest percentage point.

3. The Adjusted COGs is based on the total of all materials sold by the Reporting Affiliate Outlet if the Reporting Affiliate Outlets had paid the current pricing available to franchisees for the same type and quantity of items purchased by the Reporting Affiliate Outlet. The Adjusted COGs is based on the pricing that is currently available to our Affiliate Outlets and franchised Art of Drawers Businesses. The projection in Table 2 with respect to Adjusted Pricing and Adjusted Gross Sales assumes that the Reporting Affiliate Outlet would have charged the current recommended prices (for each item sold in 2023 while also applying the same rate of discounts that were applied to the recommended pricing by the Reporting Affiliate Outlet in 2023. In determining Materials and Freight Cost, we assume that customers would have purchased the same products and services despite the Adjusted Pricing and that the Reporting Affiliate Outlet would have sold the same items despite the increases to material costs that are included in the Adjusted COGs. Due to increases in material cost, the pricing charged by the Affiliate Outlets to consumers has also increased for certain items and these increases are captured in Adjusted Gross Sales. The Adjusted COGs was based on a total of \$336,542 that would have been paid by an Art of Drawers Business purchasing the same materials that the Reporting Affiliate Outlet purchased in 2023 under the currently available price of these materials. The Adjusted Gross Sales used to calculate Materials and Freight Cost reflects the total Gross Sales these sales would have generated if the Adjusted Pricing was charged (including discounts). The pricing that is the basis of Adjusted COGs and Adjusting Pricing is current as of April 2024; however, this pricing is subject to change and pricing for any material may increase or decrease due to market conditions or other factors.

4. The data in Table 2 does not include all costs and expenses that you will incur in providing goods and services such as other operating costs, additional costs associated with providing design and installation services, designer and installer commissions, and additional commissions due to referral partners or to designers for self-generated sales. We do not include any other operating expenses, such as credit card processing fees, rent or leases expenses, discretionary expenses, and bookkeeping fees.

5. The financial performance representations in Item 19 do not reflect all expenses that must be deducted from the Gross Sales figures to obtain your net profit, such as professional services, discretionary expenses (including meals and entertainment), local advertising and marketing costs (including the Local Advertising Requirement), franchise-related fees (including the Royalty, sales support center fees, Brand Fund Contribution, or technology Fee), credit card processing fees, bookkeeping services, and rent and utilities for your storage or warehouse space and office (if applicable). Franchisees will pay a Royalty equal to 7% of Gross Sales, a Brand Fund Contribution equal to 2% of Gross Sales; a Technology Fee equal to \$895 per month, a Local Advertising Requirement (payable to us, local marketing and our designate digital marketing vendor) equal to an average of \$5,000 per month for each territory, and a sales support center fee equal to 4% of Gross Sales. It does not include non-operating expenses such as taxes, interest, amortization and depreciation. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchised business.

6. Because the figures in this Item 19 include data from the equivalent of multiple franchise territories for a single outlet, these figures may include significantly higher Gross Sales and corresponding numbers than the typical franchisee would generate operating a single Art of Drawers Business. A breakdown of the figures by each territory would result in lower numbers.



7. **Adjusted Figures.** These figures are only estimates of what we think you may earn. There is no assurance you'll do as well. If you rely upon our figures, you must accept the risk of not doing as well.

**Some Art of Drawers Businesses have earned this amount. Your individual results may differ. There is no assurance that you'll sell or earn as much.**

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

Other than the above, we do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Allan Young 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067, the Federal Trade Commission and the appropriate state regulatory agencies.

## ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

Systemwide Outlet Summary  
For Years 2021 - 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised Outlets	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Company-Owned	2021	1	1	0
	2022	1	2	+1
	2023	2	1	-1
Total Outlets	2021	1	1	0
	2022	1	2	+1
	2023	2	1	-1





Table No. 2

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

State	Year	Number of Transfers
Totals	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchise Outlets  
For Years 2021 - 2023

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
Total	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0

Table No. 4

Status of Company-Owned Outlets  
For Years 2021 - 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Florida	2021	0	0	0	0	0	0
	2022	0	1	0	0	0	1
	2023	1	0	0	0	1	0
Georgia	2021	1	0	0	0	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	1*	0
Total Outlets	2021	1	0	0	0	0	1
	2022	1	1	0	0	0	2
	2023	2	0	0	0	1	1

\*This was sold to a franchisee that did not open until 2024.



Table No. 5  
Projected Openings as of  
December 31, 2023

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
Alabama	1	3	0
Connecticut	1	3	0
Florida	1	2	0
Georgia	0	3	0
Kansas	0	1	0
Michigan	0	1	0
Missouri	0	1	0
Oregon	0	1	0
Texas	1	2	0
Total	4	17	0

\*Acquired outlet from affiliate

The names, addresses and telephone numbers of our current franchisees are attached to this Franchise Disclosure Document as Exhibit D. The name and last known address and telephone number of every current franchisee and every franchisee who has had an Art of Drawers Franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during the one-year period ending December 31, 2023, or who has not communicated with us within ten weeks of the Issuance Date of this Franchise Disclosure Document, is listed in Exhibit D. In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experiences with the Art of Drawers System. During the last three years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the Art of Drawers Franchise System. You may wish to speak with current and former franchisees but know that not all such franchisees can communicate with you. If you buy an Art of Drawers 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.

## ITEM 21 FINANCIAL STATEMENTS

Exhibit B contains the financial statements required to be included with this Franchise Disclosure Document: our audited financial statements as of December 31, 2023, and for the period from inception (December 12, 2022) to June 2, 2023. The franchisor has not been in business for three years or more and cannot include the same financial statements as a franchisor that has been in business for three or more years. Our fiscal year end is December 31.



**ITEM 22  
CONTRACTS**

Exhibit C	Franchise Agreement
Exhibit F	State Addenda and Agreement Riders
Exhibit G	Contracts for use with the Art of Drawers Franchise
Exhibit H	Franchise Disclosure Questionnaire

**ITEM 23  
RECEIPTS**

The last pages of this Franchise Disclosure Document, Exhibit J 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**



**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  
www.dfpi.ca.gov  
Ask.DFPI@dfpi.ca.gov

**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  
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**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

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**  
**FINANCIAL STATEMENTS**



**ART OF DRAWERS  
FRANCHISE SYSTEMS, LLC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2023**



Divine  
Blalock  
Martin  
Sellari  
LLC  
Est. in 1932

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
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Statement of Cash Flows..... 6

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AND THE STATE OF NJ  
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\*\*\*\*\*REGULATED BY THE STATE OF NY  
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AND THE STATE OF NC

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Art of Drawers Franchise Systems, LLC  
Marietta, GA, 30067

### Opinion

We have audited the accompanying financial statements of Art of Drawers Franchise Systems, LLC (a Georgia limited liability company), as of December 31, 2023, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Art of Drawers Franchise Systems, LLC 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 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 Art of Drawers Franchise Systems, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the financial statements that is free from 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 Art of Drawers Franchise Systems, LLC'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Art of Drawers Franchise Systems, LLC'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 Art of Drawers Franchise Systems, LLC's ability to continue as a going concern for a reasonable period of time.

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

***Divine, Blalock, Martin & Sellari, LLC***

West Palm Beach, FL  
April 18, 2024

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**BALANCE SHEET**  
**AS OF DECEMBER 31, 2023**

<i>Assets</i>	
<b>Current Assets</b>	
Cash & cash equivalents	\$ 10,000
Accounts receivable	4,290
Related party receivables	105,182
<b>Total Current Assets</b>	<b>119,472</b>
<b>Total Assets</b>	<b>\$ 119,472</b>
<i>Liabilities and Members' Equity</i>	
<b>Current Liabilities</b>	
Credit cards payable	\$ 1,602
Deferred revenue - current portion	6,000
<b>Total Current Liabilities</b>	<b>7,602</b>
<b>Long-Term Liabilities</b>	
Deferred revenue, net of current portion	53,958
<b>Total Long-Term Liabilities</b>	<b>53,958</b>
<b>Total Liabilities</b>	<b>61,560</b>
<b>Members' Equity:</b>	
Members' equity	57,912
<b>Total Members' Equity</b>	<b>57,912</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 119,472</b>

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



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**Revenue**

Franchise license fee revenue	\$ 42
Initial franchise fee revenue	480,000
Royalty fees	-
Technology fees	1,790
	<hr/>

**Total Revenue**

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**481,832**

**Expenses**

Bank charges	326
Bonus	7,500
Commissions	378,000
Legal & Professional fees	1,013
Marketing	400
Meals	6,011
Office supplies	15,976
Postage	257
Software	207
Training costs	12,480
Training supplies	70
Travel	1,680
	<hr/>

**Total Expenses**

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**423,920**

**Net Income**

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**\$ 57,912**

---

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

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**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

Members' equity @ January 1, 2023	\$ -
Net income	<u>57,912</u>
Members' equity @ December 31, 2023	<u><u>\$ 57,912</u></u>

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

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**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 57,912
<i>Adjustments to reconcile net income to net cash used by operating activities:</i>	
<i>Decrease (Increase) in operating assets</i>	
Accounts receivable	(4,290)
Related party receivable	(105,182)
<i>Increase (Decrease) in operating liabilities</i>	
Accounts payable	1,602
Deferred revenue	<u>59,958</u>
Total adjustments	<u>(47,912)</u>
Net cash provided by operating activities	<u>10,000</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	10,000
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 10,000</u></u>

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



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**NOTE 1 – BUSINESS ACTIVITY**

Art of Drawers Franchise Systems, LLC was formed in the state of Georgia in December, 2022; the Company is in the business of offering franchises for Art of Drawers businesses. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to Art of Drawers Franchise Systems, LLC.

**Parent**

**Art of Drawers, LLC (AOD)**, a Georgia limited liability company, owns and licenses the intellectual property to Art of Drawers franchises. AOD has not offered franchises in this line or any other line of business.

**Affiliates**

**AOD Markets, LLC**, operates two Art of Drawers Businesses and has done so in Georgia since 2019 and in Florida since 2022. AOD Markets, LLC shares our principal business address.

**Onarail Logistics, LLC (“OLL”)**, is the approved supplier of shelving, initial inventory package, ongoing inventory, and demo kits and accessories.

**Shelf Solver, LLC (“SSL”)**, owns and licenses the proprietary Art of Drawer software system.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. During 2023 the Company transferred excess cash to their parent company, Art of Drawers, LLC’s interest-bearing money market account for investment purposes.

**Accounts Receivable and Bad Debts**

Customer accounts receivable are stated at the amount management expects to collect on balances. The Company uses the direct write-off method for bad debts; management closely monitors outstanding balances and writes off, as of year-end, any balances that are considered to be uncollectible. Bad debts amounted to \$0 for the period ended June 2, 2023.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years. At December, 2023, the Company did not own any fixed assets.

**Advertising**

Advertising costs are expensed as incurred.

**Concentrations of Credit Risk**

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Income Taxes**

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for federal and state income tax purposes may differ from net income in the financial statements.

As a limited liability company, income or loss of the Company is allocated to the members. No provision for federal or state income taxes is necessary because any income or loss is includable in the tax returns of the individual members. Local income taxes, if any, are paid by the Company. The Company was not subject to any local income taxes for the period ended December 31, 2023.

The Company's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, and disclosure and transition accounting. The Company has concluded that no liability for uncertain tax positions is required at December 31, 2023.



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP<sup>®</sup>) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

**Revenue Recognition**

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

In 2020, the Financial Accounting Standards Board (FAB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation in the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalty, local marketing and brand fund contribution fees on a weekly and monthly basis and are generally based upon a percentage of sales made by the Company's franchises, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- An initial training program.
- Copy of the confidential operation manual.
- Designate a territory.
- Provide materials and consultation in connection with the grand opening marketing.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Assets and Liabilities**

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

**Recently Issued and Adopted Accounting Pronouncements**

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g., commissions). The new standard is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. Effective December 21, 2022, the Company adopted the new lease standard. At December 31, 2023 the Company had no lease agreements in place.

**NOTE 3 – RELATED PARTY TRANSACTIONS**

At December 31, 2023, the Company was due \$105,182 from their parent company, Art of Drawers, LLC. The note is unsecured, due on demand and bears no interest. The Company expects to collect the amount due within one year, therefore it is classified as a current asset on the balance sheet.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

---

**NOTE 4 – DEFERRED REVENUE**

Deferred revenue represents initial franchise sales for which substantially all the services to be provided by the Company have not yet been performed. These revenues are fully recognized when Franchisees open their doors. A portion of the initial franchise fee is allocated to the license fee and amortized over the life of the contact. The total amount deferred as of December 31, 2023 was \$59,958.

**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the company.

**NOTE 6 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through April 19, 2024 the date which the financial statements was available to be issued and nothing has occurred that would require disclosure.

As of the April 18, 2024 the Company has a cash and cash equivalents balance of \$146,761.

**Art of Drawers Franchise Systems, LLC**

**Financial Statements**  
**For the period ended June 2, 2023**  
*with*  
**Independent Auditor's Report Thereon**



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
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Statement of Cash Flows for the period ended June 2, 2023 .....6

Notes to Financial Statements for the period ended June 2, 2023 .....7-11



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AND THE STATE OF NC

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
Art of Drawers Franchise Systems, LLC  
Marietta, GA, 30067

### Opinion

We have audited the accompanying financial statements of Art of Drawers Franchise Systems, LLC (a Georgia limited liability company), as of June 02, 2023, and the related statements of income, changes in members' equity, and cash flows for the period from inception (December 12, 2022) to June 2, 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Art of Drawers Franchise Systems, LLC as of June 02, 2023, and the results of its operations and its cash flows for the period from inception (December 12, 2022) to June 2, 2023 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 Art of Drawers Franchise Systems, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the financial statements that is free from 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 Art of Drawers Franchise Systems, LLC'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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Art of Drawers Franchise Systems, LLC'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 Art of Drawers Franchise Systems, LLC's ability to continue as a going concern for a reasonable period of time.

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

***Divine, Blalock, Martin & Sellari, LLC***

West Palm Beach, FL  
June 9, 2023

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**BALANCE SHEET**  
**AS OF JUNE 2, 2023**

---

*Assets*

Current assets	
Cash & equivalents	\$ 100,000
Total current assets	<u>100,000</u>
Total assets	<u><u>100,000</u></u>

*Liabilities and Members' Equity*

Current liabilities	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
Members' equity:	
Members' equity	<u>100,000</u>
Total members' equity	<u>100,000</u>
Total liabilities and members' equity	<u><u>\$ 100,000</u></u>

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





**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF INCOME**  
**FOR THE PERIOD ENDING JUNE 2, 2023**

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Revenue		
Initial franchise fees	\$	-
Services		-
		<hr/>
Total revenue		-
Expenses		
General & administrative		-
Professional		-
		<hr/>
Total expenses		-
		<hr/>
Income from operations		-
		<hr/>
Net income	\$	-
		<hr/> <hr/>

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



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE PERIOD ENDING JUNE 2, 2023**

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Beginning members' equity	\$ -
Member contributions	100,000
Net income	<u>-</u>
Members' equity @ June 2, 2023	<u><u>\$ 100,000</u></u>

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



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDING JUNE 2, 2023**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income (loss)	\$ -
Adjustments to reconcile net income (loss) to net cash used by operating activities:	
Decrease (Increase) in operating assets	
Accounts Receivable	-
Increase (Decrease) in operating liabilities	
Accounts payable	-
	<hr/>
Total adjustments	-
	<hr/>
Net cash used in operating activities	-
	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Member contributions	100,000
	<hr/>
Net cash provided by financing activities	100,000
	<hr/>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	100,000
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	-
	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 100,000</u>

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



**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 2, 2023**

---

**NOTE 1 – BUSINESS ACTIVITY**

Art of Drawers Franchise Systems, LLC was formed in the state of Georgia in December, 2022; the Company is in the business of offering franchises for Art of Drawers businesses. Unless otherwise indicated, the terms “we,” “us,” “our,” and “Company” refer to Art of Drawers Franchise Systems, LLC. The Company is in its initial start-up phase and is currently in the process of acquiring franchisees to operate in various states.

**Affiliate**

Art of Drawers, LLC, a Georgia limited liability company, is an affiliate that owns and licenses the intellectual property for the Art of Drawers franchises. Art of Drawers, LLC has not offered franchises in this line or any other line of business.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company’s policy is to prepare its financial statements on the accrual basis of accounting; consequently, revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Cash and Cash Equivalents**

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

**Accounts Receivable and Bad Debts**

Customer accounts receivable are stated at the amount management expects to collect on balances. The Company uses the direct write-off method for bad debts; management closely monitors outstanding balances and writes off, as of year-end, any balances that are considered to be uncollectible. Bad debts amounted to \$0 for the period ended June 2, 2023.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are generally provided using the straight-line method over the estimated useful lives of the related assets which ranges between 3 to 10 years. At June 2, 2023, the Company did not own any fixed assets.

**Advertising**

Advertising costs are expensed as incurred.

**Concentrations of Credit Risk**

The Company maintains cash in bank and deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 2, 2023**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

Certain transactions of the Company may be subject to accounting methods for income tax purposes that differ significantly from the accounting methods used in preparing the financial statements in accordance with generally accepted accounting principles. Accordingly, the taxable income of the Company reported for federal and state income tax purposes may differ from net income in the financial statements.

As a limited liability company, income or loss of the Company is allocated to the members. No provision for federal or state income taxes is necessary because any income or loss is includable in the tax returns of the individual members. Local income taxes, if any, are paid by the Company. The Company was not subject to any local income taxes for the period ended June 2, 2023.

The Company's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

The Company accounts for uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, and disclosure and transition accounting. The Company has concluded that no liability for uncertain tax positions is required at June 2, 2023.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company's management include, but are not limited to, allowances for doubtful accounts and contracts receivable, the allowance for losses on contracts in process and the percentage of completion on uncompleted contracts. Actual results could materially differ from those estimates.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 2, 2023**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

The Company's revenue recognition policies are in compliance with accounting standards ASC Topic 606, *Revenue from Contracts with Customers*. The new guidance includes the following five-step revenue recognition model:

- Identify the contract with the customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to performance obligations.
- Recognize revenue when (or as) each performance obligation is satisfied.

In 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), *Franchisors-Revenue from Contracts with Customers (Subtopic 952-606) Practical Expedient*. This new practical expedient will allow franchisors that are not public business entities to account for pre-opening services provided to a franchise as a single performance obligation in the services are in line with the services listed within the guidance, and they meet certain other conditions.

The Company recognizes franchise royalty, local marketing and brand fund contribution fees on a weekly and monthly basis and are generally based upon a percentage of sales made by the Company's franchises, when they are earned and deemed collectible.

The following services are provided by the Company prior to the opening of a franchised location:

- An initial training program.
- Copy of the confidential operation manual.
- Designate a territory.
- Provide materials and consultation in connection with the grand opening marketing.

**Fair Value of Financial Assets and Liabilities**

We measure and disclose certain financial assets and liabilities at fair value. ASC Topic 820, Fair Value Measurements and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 2, 2023**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value of Financial Assets and Liabilities, continued**

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

We utilize the active market approach to measure fair value for our financial assets and liabilities. We report separately each class of assets and liabilities measured at fair value on a recurring basis and include assets and liabilities that are disclosed but not recorded at fair value in the fair value hierarchy.

**Recently Issued and Adopted Accounting Pronouncements**

The Company's management has evaluated recently issued accounting pronouncements through the date of this report and concluded that they will not have a material effect on the financial statements as of June 2, 2023.

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g., commissions). The new standard is effective for annual reporting periods beginning after December 15, 2021, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented. Effective January 1, 2022, the Company adopted the new lease standard.

At June 2, 2023 the Company had no lease agreements in place. The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

**NOTE 3 – DEFERRED FRANCHISE REVENUE**

Deferred revenue represents initial franchise sales for which substantially all the services to be provided by the Company have not yet been performed. These revenues are fully recognized when Franchisees open their doors. A portion of the initial franchise fee is allocated to the license fee and amortized over the life of the contact. The total amount deferred as of June 2, 2023 was \$0.

**NOTE 4 – MEMBER'S EQUITY**

During the period ended June 2, 2023, the Company's member contributed \$100,00.

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JUNE 2, 2023**

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**NOTE 5 – COMMITMENTS AND CONTINGENCIES**

The company may be party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all matters are of such kind, or involve such amounts, that unfavorable disposition, if any, would not have a material effect on the financial position of the company.

**NOTE 6 – SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through June 9, 2023, the date which the financial statements was available to be issued and nothing has occurred that would require disclosure.



**EXHIBIT C**  
**FRANCHISE AGREEMENT**



# Art *of* Drawers®

**ART OF DRAWERS**

**FRANCHISE AGREEMENT**



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ATTACHMENT C – FRANCHISE OWNER AGREEMENT



## FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“Franchise Agreement”) is made, entered into and effective as of the “Effective Date” set forth in Attachment A to this Franchise Agreement, by and between Art of Drawers Franchise Systems, LLC, a Georgia limited liability company (“we,” “us,” or “our”), and the franchisee set forth in Attachment A to this Franchise Agreement (“you” or “your”). If more than one person or entity is listed as the franchisee, each such person or entity shall be jointly and severally liable for all rights, duties, restrictions and obligations under this Franchise Agreement.

### 1. INTRODUCTION

This Franchise Agreement includes several attachments, each of which are legally binding and are a part of the complete Franchise Agreement. It is your responsibility to read through the entire Franchise Agreement. This Franchise Agreement creates legal obligations you must follow. We recommend that you consult with a legal professional to ensure that you understand these obligations. If you have questions, or if you do not understand a certain provision or section, please review it with your legal and financial advisors before you sign this Franchise Agreement.

This Franchise Agreement has defined terms. A defined term is a shorthand reference within a document that refers to another name or idea in the document. Defined terms are underlined and surrounded by double quotes, typically with capitalized first letters, and may be contained in parentheses throughout the Franchise Agreement.

### 2. GRANT OF FRANCHISE

As an Art of Drawers franchisee, you will operate a business providing design and installation of lighting fixtures and custom-built pull-out shelving and storage solutions to retrofit cabinets, pantries, closets, drawers, and other household areas and related services, which may include cabinet refacing, other hardware installation, and organization services (“Art of Drawers Business”). The Art of Drawers Business will operate under our service marks, trademarks, trade names, trade dress, logos, slogans and commercial symbols as we may from time to time authorize or direct you to use with the operation of the Art of Drawers Business (the “Marks”). We may grant you the opportunity to operate with multiple territories pursuant to a “Multi-Franchise Addendum”, the form of which is attached to our Franchise Disclosure Document in Exhibit G, or otherwise agreed with us. For each territory we permit you to operate in (each, a “Territory”), you must enter into under a separate franchise agreement with us. We permit you to operate a single Art of Drawers Business in up to 10 Territories. Generally, these Territories must be purchased at the same time unless otherwise agreed by us, and you must sign all Franchise Agreements on the same date and open all Territories simultaneously. You must purchase a minimum of two Territories unless otherwise permitted by us.

We grant you a non-exclusive license to own and operate Franchise Business using the business formats, methods, procedures, signs, designs, standards, specifications, distinguishing elements, and intellectual property (the “System”) that we authorize strictly in compliance with the terms and conditions set forth in this Franchise Agreement, within the Territory or other areas we may specify in Attachment A to this Franchise Agreement. You must maintain a dedicated storage or warehouse space (“Storage Area”) and currently may operate your Art of Drawers Business from a home office, shared office, or commercial office or an office located within a portion of your Storage Area. Your Storage Area must be located within your Territory, unless you operate your Art of Drawers Business under multiple Franchise Agreements, in which case you may located the Storage Area within any Territory, provided that, if your Storage Area is within a territory you establish under an active Franchise Agreement that is terminated, expired or



transferred, you must relocate your Storage Area to be within the Territory of an active Franchise Agreement you maintain with us. We reserve the right to require you to maintain a shared office space or other office outside your home in the future. You recognize and acknowledge the distinctive significance to the public of the System and Marks and acknowledge and understand our high and uniform standards of quality, appearance and service to the value of the System. You acknowledge that we may change, improve or otherwise modify the System as we deem appropriate in our discretion and you agree to promptly accept and comply with any such changes, improvements or modifications. You further acknowledge that our grant to operate an Art of Drawers Business is based on the representations made in your application. You acknowledge and agree this Franchise Agreement does not grant you the right or option to open any additional Art of Drawers Businesses, territories or any right to sublicense or subfranchise any of the rights we grant you in this Franchise Agreement. You may only open an additional Art of Drawers Business under a separate franchise agreement with us, which we may grant in our sole discretion.

As part of accepting our grant for you to own and operate an Art of Drawers Business, you hereby represent that: (i) you have received a copy of our current franchise disclosure document; (ii) you are aware of the fact that other present or future franchisees of ours may operate under different forms of agreement and consequently that our obligations and rights with respect to our various franchisees may differ materially in certain circumstances; and (iii) you are aware of the fact that we may have negotiated terms or offered concessions to other franchisees and we have no obligation to offer you the same or similar negotiated terms or concessions.

### **3. FRANCHISEE AS ENTITY**

#### **3.1 Entity Representations**

For purpose of this Franchise Agreement, “Owner(s)” means any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, this Franchise Agreement, or the Art of Drawers Business. If you are a corporation, partnership, limited liability company or other form of business entity (“Entity”), you agree and represent that:

3.1.1 Authority. You have the authority to execute, deliver, and perform your obligations under this Franchise Agreement and all related agreements and are duly organized or formed, validly existing, and in good standing under the laws of the state of your incorporation or formation.

3.1.2 Company Documents. At our request, you will furnish copies of all documents and contracts governing the rights and obligations of your Owners (such as, Articles of Incorporation or Organization and partnership, operating or shareholder agreements or similar documents, the “Company Documents”). You will not alter, change, or amend your Company Documents, without obtaining our prior written approval, which approval we will not unreasonably deny or withhold, and will grant if such changes will not prevent you from performing your obligations under this Franchise Agreement.

3.1.3 Transfer Restrictions. Your Company Documents will recite that this Franchise Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Franchise Agreement’s restrictions.

3.1.4 Naming. You agree not to use the name “Art of Drawers” or any similar wording in the name of your Entity.

3.1.5 Owner Identification. You certify that Attachment B to this Franchise Agreement completely and accurately describes all of your Owners and their interests in you as of the Effective Date.



You agree to sign and deliver to us a revised Attachment B to reflect any permitted changes in the information that Attachment B now contains.

3.1.6 Single Purpose Entity. The Art of Drawers Business will be the only business that the Entity may operate, and your organizational documents must reflect this (although the Owners in the Entity may have other business interests subject to any restrictions on competitive businesses contained in this Franchise Agreement).

3.1.7 Franchise Owner Agreement. All Owners and their spouses must sign the Franchise Owner Agreement, attached as Attachment C to this Franchise Agreement. You agree that, if any person or Entity ceases to be one of your Owners, or if any individual or Entity becomes an Owner of you (such ownership change must comply with the “Transfer Conditions” discussed later in this Franchise Agreement), you will require the new Owner (and the new Owner’s spouse) to execute all documents required by us, including the Franchise Owner Agreement.

3.1.8 No Offerings. You agree that you will not offer any securities (in a public or private offering or otherwise) or engage in any type of fundraising (like crowdfunding) without our prior written consent, which may be withheld in our sole discretion.

#### **4. TERRITORIAL RIGHTS AND LIMITATIONS**

We will grant you a Territory consisting of the geographic area identified in Attachment A. We will not operate, or grant a franchise or license to a third party to operate, Art of Drawers Business that operates within your Territory, except as otherwise provided in this Section. We, and our affiliates, have the right to operate, and to license others to operate, Art of Drawers Businesses at any location outside the Territory, even if doing so will or might affect your operation of your Art of Drawers Business. You are not prohibited from directly marketing to or soliciting customers whose principal residence is outside of your Territory but must follow our guidelines for marketing, soliciting, and operating outside of your Territory. You may market to and service customers outside of your Territory so long as: (i) the area where you directly market, solicit customers, or operate is not the territory of any other Art of Drawers franchisee or affiliate-owned business (an “Open Area”); (ii) you request our permission to service any customer located outside of your Territory; (iii) you comply with any terms and conditions that we impose on your operations outside of your Territory; and (iv) you cease marketing, soliciting customers, or servicing customer upon our notice to you that the Open Area is now the territory of any other Art of Drawers business.

We retain all territorial rights not expressly granted to you. This includes, but is not limited to, the right: (i) to own, franchise, or operate Art of Drawers Businesses at any location outside of the Territory, regardless of the proximity to your Art of Drawers Business; (ii) 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, including, but not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale to unrelated retail outlets, or over the Internet, including, without limitation, sales by us or our affiliates of supplies, software, equipment and inventory to your competitors or other businesses located with your Territory; (iii) to use and license the use of other proprietary and non-Marks or methods which are not the same as or confusingly similar to the Marks, at any location, including within the Territory, which may be similar to or different from your Art of Drawers Business; (iv) to engage in any transaction (including purchases, mergers or conversions), involving the System or a new system, with any business, including businesses that directly or indirectly compete with your Art of Drawers Business, regardless of their location, provided that any competing businesses located inside your Territory will not operate under the Marks; (v) to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere; (vi) to license (or have our affiliates license) software used by you to businesses located within your Territory; and (vii) to engage in any other



business activities not expressly prohibited by this Franchise Agreement. We are not required to pay you if we exercise any of our rights, including within your Territory. We are not required to pay you compensation for soliciting or accepting orders inside your Territory, or for exercising any of our rights within or outside of your Territory.

## **5. TERM AND RENEWAL**

### **5.1 Generally**

The term of this Franchise Agreement will begin on the Effective Date and continue for 10 years (“**Term**”). If this Franchise Agreement is the initial franchise agreement for your Art of Drawers Business, you may enter into a maximum of two successor franchise agreements (a “**Successor Franchise Agreement**”), as long as you meet the conditions for renewal specified below. The Successor Franchise Agreement shall be the current form of franchise agreement we use in granting Art of Drawers franchises as of the expiration of the Term. The terms and conditions of the Successor Franchise Agreement may vary materially and substantially from the terms and conditions of this Franchise Agreement. Each successor term will be ten years. If you are signing this Franchise Agreement as a Successor Franchise Agreement, the references to “**Term**” shall mean the applicable renewal term of the Successor Franchise Agreement. Except as otherwise provided in this Section, you will have no further right to operate your Art of Drawers Business following the expiration of the successor term unless we grant you the rights to enter into another franchise agreement, in our sole discretion. If you are renewing a prior franchise agreement with us under this Franchise Agreement, the renewal provisions in your initial franchise agreement will dictate the length of the Term of this Franchise Agreement, and your remaining renewal rights, if any.

### **5.2 Renewal Requirements**

To enter into a Successor Franchise Agreement, you must:

5.2.1 **Notice.** Notify us in writing of your desire to enter into a Successor Franchise Agreement not less than 60 days nor more than 180 days before the expiration of the Term;

5.2.2 **No Defaults.** Not be in default under this Franchise Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Franchise Agreement and you must not have received more than three separate written notices of default from us in the 12 months before your renewal notice or at the time you sign the Successor Franchise Agreement;

5.2.3 **Successor Franchise Agreement.** Sign the Successor Franchise Agreement and all ancillary documents we require franchisees to sign;

5.2.4 **General Release.** Sign and have each of your owners sign our current form of general release which contains a release of all known and unknown claims by you and your individual owners (if applicable) against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities;

5.2.5 **Renewal Fee.** Pay us a non-refundable renewal fee of \$10,000 (“**Renewal Fee**”).  
Modifications. At least 60 days but not more than 180 days before the expiration of the Term, you must renovate, upgrade any equipment, tools, technology and other operations to comply with our then-current standards and specifications. This fee will apply for each Territory and Franchise Agreement you renew.



5.2.6 Renovations. You must also make any renovations, refurbishments and modernizations to the Storage Area and/or office of the Art of Drawers Business and (to the extent applicable) to your equipment and inventory as necessary to meet our then-current System standards for a newly opened Art of Drawers Business. You acknowledge and agree that you may be required to maintain a commercial office or shared office space under our then-current standards and specifications. If so, we will provide you with the required timeframe for doing so. Such requirements could include standards for the design, equipment, signs, décor, inventory, fixtures, furnishings, trade dress, presentation of Marks, supplies and other products and materials used in the Art of Drawers Business.

5.2.7 Additional Actions. Take any additional actions we reasonably require.

### 5.3 Interim Term

If you do not sign a Successor Franchise Agreement after the expiration of the Term and you continue to accept the benefits of this Franchise Agreement, then, at our option, this Franchise Agreement may be treated either as: (i) expired as of the date of the expiration meaning you are operating the Art of Drawers Business without a valid franchise agreement 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 their 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 Franchise Agreement had not expired, and all obligations, restrictions and covenants imposed on you upon the expiration or termination of this Franchise Agreement will be deemed to take effect upon the termination of the Interim Term. Except as permitted by this Section, you have no right to continue to operate your Art of Drawers Business following the expiration of the Term.

## 6. FEES

### 6.1 Late Fee

If any sums due under this Franchise Agreement have not been received by us when due then, in addition to those sums, you must pay us \$100 per occurrence, plus the daily equivalent of eighteen percent (18%) per year simple interest or the highest rate allowed by law, whichever is less (“Late Fees”). If no due date has been specified by us, then interest accrues from the original due date until payment is received in full.

### 6.2 Payment Methods

You must complete our automated clearing house (ACH) authorization form allowing us to electronically debit a bank account you designate (“Franchise Account”) for: (i) all fees payable to us under this Franchise Agreement (other than the Initial Franchise Fee); and (ii) any other amounts you owe to us or any of our affiliates including, but not limited to, those owed for the purchase of products or services. We will debit your Franchise Account for these payments on or after the due date. You must sign and deliver to us any other documents we or your bank may require authorizing us to debit your Franchise Account for these amounts.

You must deposit all revenue you generate from operating your Art of Drawers Business into the Franchise Account. You must make sufficient funds available for withdrawal from the Franchise Account by electronic transfer before each due date. If any check or electronic payment is unsuccessful due to insufficient funds, stop payment or any similar event, any excess amounts you owe will be payable upon demand, together with a non-sufficient funds fee of \$100 per occurrence plus Late Fees. If we allow you make any payment to us or our affiliate(s) by credit card for any fee required, we may charge a payment service fee of up to 4% of the total charge. We reserve the right to periodically specify (in the Franchise





Operations Manual or otherwise in writing) different required payment methods for any payment due to us or our affiliates.

### 6.3 Payment Frequency

We reserve the right to periodically specify (in the Franchise Operations Manual or otherwise in writing) different payment frequencies (for example, weekly/biweekly/monthly payments) for any payment due to us or our affiliates.

### 6.4 Application of Payments

We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate. We are not obligated to follow any instructions you provide for allocation of the payments.

### 6.5 Payment Obligations

Your obligations to pay us the fees under this Franchise Agreement are absolute and unconditional, and will remain in full force and effect throughout the entire duration of this Franchise Agreement, and shall continue for such period of time thereafter as you owe us fees under this Franchise Agreement. You will have no right to offset any fees paid to us and must pay us all fees regardless of any claims you may have against us. We will have the right, at any time before or after termination of this Franchise Agreement, without notice to you, to offset any amounts or liabilities you may owe to us against any amounts or liabilities we may owe you under this Franchise Agreement or any other agreement, loan, transaction or relationship between the parties. Without limiting the generality of the foregoing, you agree that you will not, on grounds of the alleged nonperformance by us of any of our obligations, withhold any fees due to us or our affiliates or amounts due to us for purchases by you or any other amounts due to us.

### 6.6 Gross Sales

For purposes of this Franchise Agreement, “Gross Sales” means the total of all revenue, income and consideration from the sale of all Art of Drawers Business merchandise, products and services to your customers, whether or not sold or performed at or from the Art of Drawers Business, and whether received in cash, coupon, in services in kind, from barter or exchange, on credit (whether or not payment is received) or otherwise. You may deduct from Gross Sales for purposes of this computation (but only to the extent they have been included) the amount of all sales tax receipts or similar tax receipts which, by law, are chargeable to customers, if the taxes are separately stated when the customer is charged and if the taxes are paid to the appropriate taxing authority. You may also deduct from Gross Sales the amount of any documented refunds, chargebacks, credits and allowances you give in good faith to your customers. All barter or exchange transactions in which you furnish products or services in exchange for goods or services provided to you by a vendor, supplier or customer will, for the purpose of determining Gross Sales, be valued at the full retail value of the goods or services so provided to you. Gross Sales will also include any insurance proceeds due to business interruption as a result of your Art of Drawers Business being closed as a result of a casualty event or any other reason.

### 6.7 Initial Franchise Fee

You agree to pay us the “Initial Franchise Fee” listed in Attachment A in one lump sum when you sign this Franchise Agreement. The Initial Franchise Fee is fully earned by us and is non-refundable once this



Franchise Agreement has been signed. If this Franchise Agreement is the renewal of a prior franchise agreement with us for an existing Art of Drawers Business, or the transfer of the Art of Drawers Business from another franchisee, then no Initial Franchise Fee is due.

#### 6.8 Royalty

You agree to pay us a royalty fee (“Royalty”) equal 7% of Gross Sales during the previous week. The Royalty is due on the Wednesday of each week (or such other date as we designate).

#### 6.9 Brand Fund Contribution

You must pay a “Brand Fund Contribution” in the amount we specify in our Franchise Operations Manual, currently 2% of Gross Sales during the previous week. The Brand Fund Contribution will be used for the Art of Drawers brand fund (“Brand Fund”) to promote awareness of our brand and to improve our System. We may revise the Brand Fund Contribution upon notice to you, but it will not exceed 2% of Gross Sales.

#### 6.10 Technology Fee

You must pay us our then-current technology fee (“Technology Fee”) throughout the Term of this Franchise Agreement beginning when you sign this Franchise Agreement and thereafter on the first of each subsequent month during the Term. If you are entering into a Multi-Franchise Addendum, you will only be required a single Technology Fee, which will cover all Territories operated under the Multi-Franchise Addendum.

The Technology Fee is an ongoing fee for the use of certain technologies used in the Art of Drawers Business. We can change the software and technology that must be used by Art of Drawers Business at any time we deem appropriate in our sole discretion, which may result in changes to the Technology Fee. An increase in third-party fees may also cause the Technology Fee to increase. You will be responsible for any increase in fees that result from any upgrades, modification, or additional software by us or by third-party vendors. We may modify the Technology Fee upon written notice to you.

You must also pay our then-current technology business solutions fees to approved suppliers for certain business solutions that will support your business efficiencies. These may include phone systems, security systems, scheduling software, employee shift/task management software, inventory solution and any other solutions we may require in the Franchise Operations Manual for your Art of Drawers Business. We reserve the right to upgrade, modify and add new systems, which may result in additional initial and ongoing expenses that you will be responsible for. You will be responsible for any increase in fees that result from any upgrades, modifications or additional systems and for any increase in fees from third-party providers. We may include these third-party fees in the Technology Fee and pay suppliers directly on our behalf. You must maintain an “artofdrawers.com” email address for you, your staff, and your designers. The Technology Fee includes up to five email addresses. For each additional email address you maintain, you will pay a fee (currently \$15 per email address per month). We may require you to pay the Technology Fee to an affiliate or supplier that we designate.

#### 6.11 Sales Support Center Services Fee

We provide sales support center services to your Art of Drawer Businesses. You must pay us a sales support center services fee equal to 4% of Gross Sales (“Sales Support Center Services Fee”) weekly throughout the Term of this Franchise Agreement beginning the Wednesday following the date your Art of



Drawers Business opens. We may require you to pay the Sales Support Center Services Fees to an affiliate we designated.

The Sales Support Center Services Fee is an ongoing fee enabling our affiliate to operate and maintain a sales support center for the benefit of our franchisees. We can change the sales support center setup at any time we deem appropriate in our sole discretion, which may result in changes to the Sales Support Center Services Fee. We may modify the Sale Support Center Services Fee upon 30 days' written notice to you.

**6.12 Local Marketing; Media Buying Fee**

You must comply with the Local Advertising Requirement (as defined and set forth in Section 12.6). Unless you obtain our written consent to purchase local marketing directly from an approved or designated vendor (or we otherwise require you to purchase services directly from such vendors), you will pay us \$5,000 per month per Territory to satisfy your Local Advertising Requirement. We may require you to pay an affiliate we designate. In your first three months of operating your Art of Drawers Business, you will spend a a minimum of \$5,000 over the course of three month period. Commencing after your first three months of operations, you will spend at least \$5,000 per month on local advertising each month on a rolling three-month basis. If you operate additional Territories, this will increase every six months beginning nine months after you commence operation until you pay \$5,000 per month for each Territory you operate as described in the table below:

Number of Art of Drawer Territories	Month(s) after Opening	Local Advertising Requirement
1 - 10	Months 1 to 3	\$5,000 total for three month period
1 - 10	Months 4 - 9	\$5,000 per month
2 - 10	Month 10 - 16	\$10,000 per month
3 - 10	Months 16 - 21	\$15,000 per month
4 - 10	Months 22 - 27	\$20,000 per month
5 - 10	Months 28 - 33	\$25,000 per month
6 - 10	Months 34 - 39	\$30,000 per month
7 - 10	Months 40 - 45	\$35,000 per month
8 - 10	Months 46 - 51	\$40,000 per month
9 - 10	Months 52 - 57	\$45,000 per month
10	Months 58 - 63	\$50,000 per month

We may require you to pay our designated provider for any digital marketing services you utilize. If we (or an affiliate) provide media buying services to you, you will pay a fee equal to 15% of the advertising purchased by us or an affiliate. This fee will not apply to digital marketing purchases. The Media Buying Fee will be credited to your Local Advertising Requirement. You may do additional advertising over and above the Local Advertising Requirement, provided, that any advertising must be approved by us and be provided from an approved or designated supplier (including us and/or an affiliate we designate in the future). We will measure your compliance with this requirement on a rolling three-month basis, meaning that as long as your average monthly expenditure on local advertising over any three-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify. If you fail to spend the Local Advertising Requirement during any period, you will be required to pay the difference between the amount you spent and your Local Advertising Requirement for the applicable period to the Brand Fund.



### **6.13 On-Site Support Fee**

You agree to pay us a fee of \$5,000 to offset our costs in providing three days of on-site support assistance that we provide after you obtain your warehouse space or storage facility (“On-Site Support Fee”). The On-Site Support Fee is due when you sign this Franchise Agreement. If you are entering into a Multi-Franchise Addendum, you will pay this fee once, which will cover all Territories operated under the Multi-Franchise Addendum.

### **6.14 Inventory and Equipment**

You will be required to purchase your initial inventory, certain equipment we specify, and ongoing inventory and designated equipment from us or our affiliate for our then-current price. You will pay us or our designated affiliate \$15,000 for an initial inventory package that will include required products such as rails, hardware and initial marketing and sales supplies, including, without limitation, demo kits. You will also pay us or an affiliate for the shelves and lighting used in your home show display. The cost of the shelves and lighting will vary based on the design and size of your home show display. If you are entering into a Multi-Franchise Addendum, you will only purchase the initial inventory once, which will cover all Territories operated under the Multi-Franchise Addendum.

### **6.15 Other Fees and Payments**

You agree to pay all other fees, expense reimbursements, and all other amounts specified in this Franchise Agreement in a timely manner. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon products or services you sell or based upon products or services we furnish to you (other than income taxes we pay based on amounts).

### **6.16 CPI Adjustments to Fixed Fees**

All fees expressed as a fixed dollar amount in this Franchise Agreement are subject to adjustment based on changes to the Consumer Price Index 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 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 fee adjustment during any calendar year. Notwithstanding the foregoing, the fee adjustments in this Section shall not impact or restrict our right to increase those fees that we reserve the right to increase in higher amounts or to adjust more frequently, including but not limited to the Technology Fee.

### **6.17 Application of Fees to Additional Territories**

If you will operate multiple Art of Drawers franchise agreements under a Multi-Franchise Addendum, any flat fees described in this Franchise Agreement, including the Transfer Fee and Renewal Fee, will be assessed once per Art of Drawers Business (provided that you may only operate 10 Territories for each Art of Drawers Business) except for the Local Advertising Requirement, which must be paid for each Art of Drawers franchise agreement as described in Section 6.12. To the extent fees set forth in this Franchise Agreement and any other Art of Drawers franchise agreement are based on Gross Sales, including without limitation, the Royalty, Sales Support Center Services Fee and Brand Fund Contribution, these fees will apply for Gross Sales generated under all Art of Drawers franchise agreements operated by a(or any similar



agreement or addendum permitting you to operate multiple Art of Drawers Businesses from a single Storage Area). If we permit you to enter into additional Franchise Agreements for additional Territories for your existing Art of Drawers Business, to the extent that any of the fees (except the Local Advertising Requirement) under multiple franchise agreements conflict with one another then the fees listed in the franchise agreement (or renewal franchise agreement) for the first territory that is still in operation will apply. However, if any new fees are listed in a franchise agreement with us that you subsequently enter into to open a new Art of Drawers Business with us, then those fees shall also apply to your Art of Drawers Business. We reserve the right to require you to open a new Art of Drawers Business rather than additional Territories if you request to enter into additional Franchise Agreements after you open under this Franchise Agreement. You may not operate more than ten Territories under as one Art of Drawers Business. If you wish to open in more than ten Territories, you must purchase an additional Art of Drawers Business, and all then-current fee will apply.

## **7. ESTABLISHING YOUR ART OF DRAWERS BUSINESS**

### **7.1 Opening**

You must open your Art of Drawers Business to the public within 90 days after the Effective Date. Unless you are unable to obtain permits or licenses required to operate your Art of Drawers Business, you will open your business by beginning marketing the business within your Territory after your successful completion of the Initial Training Program. You may initially operate from your home office or other designated office space (such as an office share or executive suite) but must obtain a Storage Area within 30 days of opening your Art of Drawers Business to the public. You may not open your Art of Drawers Business before: (i) all required attendees have successfully completed the initial training program; (ii) you purchase all required insurance; (iii) you obtain all required licenses, permits and other governmental approvals required to establish, open and operate the Art of Drawers Business; (iv) and you receive our written approval. You will complete the Initial Training Program once. We will not provide the Initial Training Program for any second or subsequent Territory. If this Franchise Agreement is for the second or subsequent Territory for an existing Art of Drawers Business and we have permitted you to enter into this Franchise Agreement after the initial opening of your Art of Drawers Business then you must immediately begin operating the business within the Territory, subject to any applicable new or different permits, licenses, governmental approvals or insurance required.

If you believe we have failed to adequately provide pre-opening services or training to you as provided in this Franchise Agreement, you shall notify us in writing within 30 days following the opening of the Art of Drawers Business. If you do not provide such notice in a timely manner, it will be viewed as you conclusively acknowledging that all pre-opening and opening services and training required to be provided by us were sufficient and satisfactory in your judgment.

### **7.2 Site Selection**

Because most of the Art of Drawers franchisees will operate their Art of Drawers Business out of their residence or a shared office space, we do not provide site selection assistance for an office. If you operate an office from a commercial space, you may not display signage bearing the Marks without our written permission. We do not provide site selection assistance for your Storage Area. We will not review the lease for your Storage Area. We do not require the lease for your Storage Area to be long term, provided that, if your lease for the Storage Area expires or is terminated during the Term, you must relocate your Storage Area within the Territory, or any territory developed by you under any other Art of Drawers franchise agreement within 30 days of the expiration or termination of your lease.



### 7.3 Catastrophe

If your Storage Area is destroyed or damaged by fire or other casualty and the Term of this Franchise Agreement and the lease for your Storage Area has at least two years remaining, you will: (i) within 30 days after such destruction or damage of your Storage Area, commence all repairs and reconstruction necessary to restore the Storage Area to its prior condition to such casualty and/or replace destroyed equipment as needed to operate the Art of Drawers Business; or (ii) relocate the Storage Area under the relocation provisions in this Section.

### 7.4 Relocation

You may relocate your office or Storage Area, provided that you must provide us notice of the relocation and the new office or Storage Area. You may not relocate your Storage Area or any commercial office outside of your Territory (or any other Territory in which you operate your Art of Drawers Business under a valid Franchise Agreement) without our prior written approval, which we may withhold in our sole discretion. We may require that your Territory be modified as a condition to our approval of you relocating your Storage Area outside of your Territory. Upon our approval of the relocation of your Administrative Office or Storage Area, Attachment A-1 shall be updated with the new location (and Territory, if necessary), and the remainder of this Franchise Agreement shall remain in full force and effect.

## 8. TRAINING AND CONFERENCES

### 8.1 Initial Training Program

We will provide our initial training program at no charge for up to two people so long as both persons attend the initial training program simultaneously. The initial training program must be completed before you open your Art of Drawers Business. You must pay us our then-current training fee (currently, \$2,500 per person) as specified in our Franchise Operations Manual for: each additional person that attends after you open your Art of Drawers Business (such as a replacement Responsible Owner or Franchise Manager) and any person who must retake training after failing to successfully complete training on a prior attempt. If you operate an existing Art of Drawers Business and will purchase additional Territories in adjacent or contiguous territories, we will not provide the initial training program only. We reserve the right to vary the length and content of the initial training program as we deem appropriate in our sole discretion based on the experience of the attendee. We shall determine the scheduling, exact duration, contents and manner of the initial training program in our discretion and may delay your attendance until a suitable time near the grand opening date for your Franchised Business in our discretion.

### 8.2 Additional Training

We may offer periodic refresher training courses or develop additional training courses. Attendance at these training programs may be optional or mandatory. You may be required to pay the then-current fee for this training as specified in our Franchise Operations Manual (currently, \$500 per attendee). We will provide additional training for you and installers after the opening of your first Art of Drawers Business. If you will operate in more than one Territory, we will provide installer training to you, or, if you are an entity, your Responsible Owner, for your first Art of Drawers Business only. Installers can request training throughout the Term of this Franchise Agreement. Your installer will be responsible for paying our then-current installer training fees (currently, \$750 per installer). You, or, if you are an entity, your Responsible Owner, will also attend installation training but we will not assess your Responsible Owner with the installer training fee.



### 8.3 Requested Training

Upon your written request, we may provide additional assistance or training to you at a mutually convenient time. You may be required to pay the then-current fee for this training as specified in our Franchise Operations Manual.

### 8.4 Remedial Training

If we determine, in our sole discretion, that you are not operating your Art of Drawers Business in compliance with this Franchise Agreement and/or the Franchise Operations Manual, we may require that you, your employees and other designees attend remedial training relevant to your operational deficiencies. You must pay us the then-current training fee as specified in our Franchise Operations Manual. You must pay us the then-current training fee as specified in our Franchise Operations Manual.

### 8.5 Conferences

We may hold periodic national or regional conferences to discuss various business issues and operational and general business concerns affecting Art of Drawers franchisees. Attendance at these conferences may be mandatory or optional. You are responsible for paying our then-current conference fee (currently, \$1,200), whether or not you attend the conference in any given year. If you are entering into a Multi-Franchise Addendum, you will only be required to pay a single conference fee, which will cover all Territories operated under the Multi-Franchise Addendum.

### 8.6 Training Expenses

You are solely responsible for all expenses and costs that your trainees, except for certain trainees described below, incur for all trainings and conferences under this Section, including wages, travel, lodging, food and living expenses; provided, however, that we anticipate that your installers and designers will be responsible for their own expenses and training fees. You also agree to reimburse us for all expenses and costs we incur to travel to your Art of Drawers Business under this Section, including travel, food, lodging and living expenses. All training fees and expense reimbursements must be paid to us within ten days after invoicing.

## 9. OTHER FRANCHISOR ASSISTANCE

### 9.1 Franchise Operations Manual

We will lend you our confidential franchise operations manual (the “Franchise Operations Manual”) in text or electronic form for the Term of this Franchise Agreement. The Franchise Operations Manual will help you establish and operate your Art of Drawers Business in accordance with the System. The information in the Franchise Operations Manual is confidential and proprietary and may not be disclosed to third parties without our prior written approval. The Franchise Operations Manual may be updated and modified throughout the Term, both formally through amendments to the Franchise Operations Manual and informally through email or other written materials we provide to you. You acknowledge that your compliance with the Franchise Operations Manual is vitally important to us and other System franchisees because it is necessary to protect our reputation, the goodwill of the Marks, and maintain the uniform quality of the System.

You agree to establish and operate your Art of Drawers Business strictly in accordance with the



Franchise Operations Manual. The Franchise Operations Manual may contain, among other things: (i) a description of the authorized products and services you may offer at your Art of Drawers Business; (ii) mandatory and suggested specifications, operating procedures, and quality standards for goods, products, services, that you use or offer at your Art of Drawers Business; (iii) policies and procedures we prescribe from time to time for our franchisees; (iv) mandatory reporting and insurance requirements; (v) policies and procedures pertaining to any gift card program we establish; and (vi) a written list of equipment, products and services (or specifications for such items) you must purchase for the development and operation of your Art of Drawers Business and a list of any designated or approved suppliers for such items. The Franchise Operations Manual establishes and protects our brand standards and the uniformity and quality of the products and services offered by our franchisees. We can modify the Franchise Operations Manual at any time. The modifications will become binding as soon as we send you notice of the modification. All mandatory provisions in the Franchise Operations Manual (whether they are included now or in the future) are binding on you.

While the Franchise Operations Manual is intended to protect our reputation and goodwill of the Marks, you will be responsible for the day-to-day operation of your Art of Drawers Business and the Franchise Operations Manual is not designed to control the day-to-day operation of the Art of Drawers Business.

## 9.2 General Guidance

We will, upon reasonable request, provide advice or guidance regarding your Art of Drawers Business's operation based on reports or inspections or discussions with you. We will provide reasonable marketing consulting, guidance and support throughout the Term we deem appropriate. Any advice will be given during our regular business hours and via written materials, electronic media, telephone or other methods, in our discretion.

We maintain a staff to manage and operate the Art of Drawers System and our staff members can change as employees come and go. We cannot guarantee the continued participation by or employment of any of our shareholders, directors, officers, employees or staff.

## 9.3 Website

We will maintain a website for Art of Drawers Businesses ("System Website") that will include the information about your Art of Drawers Business we deem appropriate. We may modify the content of and/or discontinue the System Website at any time in our sole discretion. We are only required to reference your Art of Drawers Business on our System Website while you are in full compliance with this Franchise Agreement and all System standards. We must approve all content about your Art of Drawers Business. We will own the System Website (including any webpages for your Art of Drawers Business) and domain names. We intend that any franchisee website will be accessed only through this System Website.

## 9.4 Supplier Agreements

We may, but are not required to, negotiate agreements with suppliers to obtain products or services for our franchisees. If we negotiate an agreement, we may arrange for you to purchase the products directly from the supplier. We may receive rebates from these suppliers based on your purchases. We may also purchase certain items from suppliers in bulk and resell them to you at our cost (including overhead and salaries), plus shipping fees and a reasonable markup, in our sole discretion.





## 10. MANAGEMENT AND STAFFING

### 10.1 Owner Participation

If you are an Entity, you must designate an Owner who will be principally responsible for communicating with us about the Art of Drawers Business (“Responsible Owner”). If you are an individual, you are the Responsible Owner. The Responsible Owner must have the authority and responsibility for the day-to-day operations of your Art of Drawers Business and must have at least 25% equity. You acknowledge that a major requirement for the success of your Art of Drawers Business is the active, continuing and substantial personal involvement and hands-on supervision by your Responsible Owner, who must at all times be actively involved in operating the Art of Drawers Business on a full-time basis and provide in-person and supervision, unless we permit you to delegate management functions to a Franchise Manager, see below. If you appoint a new Responsible Owner, the new Responsible Owner, must attend and successfully complete our then-current initial training program.

### 10.2 Franchise Manager

You may hire a manager to assume responsibility for the daily in-person on-site management and supervision of your Art of Drawers Business (“Franchise Manager”), but only if: (i) we approve the Franchise Manager in our commercially reasonable discretion; (ii) the Franchise Manager successfully completes the initial training program; and (iii) your Responsible Owner agrees to assume responsibility for the in-person management and supervision of your Art of Drawers Business if the Franchise Manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement Franchise Manager. We do not require that the Franchise Manager have an ownership interest in the legal entity of the Franchise owner. If you hire a new Franchise Manager, the new Franchise Manager must attend and successfully complete our then-current initial training program.

### 10.3 Staff

You must determine appropriate staffing levels for your Art of Drawers Business to ensure full compliance with this Franchise Agreement and our System standards. You are solely responsible to hire, train and supervise employees or independent contractors to assist you with the proper operation of the Art of Drawers Business. You must pay all wages, commissions, fringe benefits, worker’s compensation premiums and payroll taxes (and other withholdings levied or fixed by any city, state or federal governmental agency, or otherwise required by law) due for your employees or as applicable, for your independent contractors. These employees and independent contractors will be your employees or contractors, not ours. We do not control the day-to-day activities of your employees or independent contractors or the manner in which they perform their assigned tasks. You must inform your employees and independent contractors you are exclusively responsible for supervising their activities and dictating the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, consulting agreements, time cards and similar items.

You have sole responsibility and authority for all employment-related decisions, including employee selection and promotion, firing, hours worked, rates of pay and other benefits, work assignments, training and working conditions, compliance with wage and hour requirements, personnel policies, recordkeeping, supervision and discipline. You are solely responsible for ensuring that independent contractors are properly classified. We will not provide you with any advice or guidance on these matters. You must require your employees and independent contractors to review and sign any acknowledgment form we prescribe



that explains the nature of the franchise relationship and notifies the employee or independent contractor that you are his or her sole employer. You agree that any direction you receive from us regarding employment/engagement policies should be considered as examples, that you alone are responsible for establishing and implementing your own policies, and that you understand that you should do so in consultation with local legal counsel competent in employment law.

#### 10.4 Assumption of Management

10.4.1 Interim Manager. In order to prevent any interruption of operations which would cause harm to or depreciate the value of the Art of Drawers Business, we have the right, but not the obligation, to step-in and designate an individual or individuals of our choosing (“Interim Manager”) for so long as we deem necessary and practical to temporarily manage your Art of Drawers Business (“Step-In Rights”): (i) if you violate any System standard or provision of this Franchise Agreement and do not cure the failure within the time period specified by the Franchise Agreement or us; (ii) if we determine in our sole judgment that the operation of your Art of Drawers Business is in jeopardy; (iii) if we determine in our sole discretion that operational problems require that we operate your Art of Drawers Business; (iv) if you abandon or fail to actively operate your Art of Drawers Business; (v) upon your Responsible Owner or your Franchise Manager’s absence, termination, illness, death, incapacity or disability; (vi) if we deem your Responsible Owner or your Franchise Manager incapable of operating your Art of Drawers Business; or (vii) upon a “Crisis Management Event.”

A “Crisis Management Event” means any event or series of events that occurs at the Art of Drawers Business that has or may cause harm or injury to customers or employees, or any other circumstance which may damage the System, Marks or image or reputation of the Art of Drawers Business or us or our affiliates. We may establish emergency procedures which may require you to temporarily close the Art of Drawers Business to the public, in which case you agree that we will not be held liable to you for any losses or costs. You agree to notify us immediately by telephone and email upon the occurrence of a Crisis Management Event.

10.4.2 Step-In Rights. If we exercise the Step-In Rights: (i) you agree to pay us, in addition to all other amounts due under this Franchise Agreement, an amount equal to \$250 per day per Interim Manager that manages your Art of Drawers Business (“Management Fee”), plus the Interim Manager’s direct out-of-pocket costs and expenses; (ii) all monies from the operation of your Art of Drawers Business during such period of operation by us shall be kept in a separate account, and the expenses of the Art of Drawers Business, including compensation and direct out-of-pocket costs and expenses for the Interim Manager, shall be charged to said account; (iii) you acknowledge that the Interim Manager will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Art of Drawers Business incurs, or to any of your creditors for any supplies, products, or other assets or services your Art of Drawers Business purchases, while Interim Manager manages it; (iv) the Interim Manager will have no liability to you except to the extent directly caused by its gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager, and you will indemnify and hold us harmless for and against any of the Interim Manager’s acts or omissions, as regards to the interests of you or third parties; and (v) you agree to pay all of our reasonable attorney fees, accountant’s fees, and other professional fees and costs incurred as a consequence of our exercise of the Step-In Rights. If you are entering into a Multi-Franchise Addendum, you will only pay Management Fee, which will cover the management of all Territories operated under the Multi-Franchise Addendum.



Nothing contained herein shall prevent us from exercising any other right which we may have under this Franchise Agreement, including, without limitation, termination.

### **10.5 On-Site and Field Support**

After you obtain a storage space for your warehouse space or other storage facility, we will provide three days of on-site support with the set-up of your warehouse or storage space, including assistance with inventory stocking, process flow set-up, and other logistical issues.

## **11. BRAND FUND**

The Brand Fund is used to promote public awareness of our brand and to improve our System. You are required to pay the Brand Fund Contribution. The Brand Fund may be administered by us or our affiliate or designees, at our discretion. We may use the Brand Fund for any expenditure that we, in our sole discretion, deem necessary or appropriate to promote or improve the System or the Art of Drawers brand.

To illustrate, these may include, but are not limited to, the following: (i) developing, maintaining, administering, directing, preparing or reviewing advertising and marketing materials, promotions and programs, including social media management; (ii) public awareness of any of the Marks; (iii) public and consumer relations and publicity; (iv) brand development; (v) research and development of technology, products and services; (vi) website development (including social media) and search engine optimization; (vii) development and implementation of quality control programs and other reputation management functions; (viii) conducting market research; (ix) changes and improvements to the System; (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts; (xi) the proportionate salary share of our employees that devote time and provide services for advertising, promotion, collection, accounting or administration of the Brand Fund; (xii) preparing and distributing financial accountings of the Brand Fund; (xiii) training tools; and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead, or other expenses incurred in relation to any of these activities.

We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location, and all other matters pertaining to any of the foregoing activities. Any surplus of monies in the Brand Fund may be invested. Any unused funds collected 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 Brand Fund on any terms we deem reasonable. The Brand Fund is not a trust, and we have no fiduciary obligations to you regarding our administration of the Brand Fund. An unaudited financial accounting of the operations of the Brand Fund, including deposits into and disbursements from the Brand Fund, will be prepared annually and provided to you upon written request.

We do not ensure that our expenditures from the Brand Fund in or affecting any geographic area are proportionate or equivalent to the Brand Fund Contribution by our franchisees operating in that geographic area or that any of our franchisees benefit directly or in proportion to their Brand Fund Contribution. We reserve the right to change, merge, re-form or dissolve the Brand Fund in our discretion. We will not use the Brand Fund for advertising principally for the solicitation for the sale of Franchises, but we reserve the right to include a notation in any advertisement or website indicating "franchises available" or similar phrasing. We may, upon 30 days' prior written notice to you, reduce or suspend Brand Fund Contribution and operations for one or more periods of any length and terminate and/or reinstate the Brand Fund. We will spend all amounts before any termination of the Brand Fund.



## **12. FRANCHISEE MARKETING AND ADVERTISING**

### **12.1 Standards**

All advertisements and promotions you create or use must be completely factual and conform to the highest standards of ethical advertising and comply with all federal, state and local laws, rules and regulations and our standards and requirements in the Franchise Operations Manual. You must ensure that your advertisements and promotional materials do not infringe upon the intellectual property or legal rights of others.

### **12.2 Promotional Programs**

We may periodically create advertising and sales promotion programs and materials to enhance the collective success of all Art of Drawers franchisees operating under the System. You must participate in all such rebates, giveaways, advertising and sales promotion programs in accordance with the terms and conditions that we specify. These promotional programs may require that you offer products or services at no charge or discounted rates. We may also request you purchase and use advertisements and promotional materials we designate for your Art of Drawers Business.

### **12.3 Marketing Materials**

You must order any sales and marketing material from us, or our designated suppliers (which may be an affiliate), that we require. We may create and make available to you, advertising and other marketing materials. We may charge you for these materials. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). We may also enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase.

### **12.4 Approval**

We must approve all advertising and promotional materials we did not prepare or previously approve (including materials we prepared or approved and you modify) before you use them. We will be deemed to have disapproved the materials if we fail to issue our approval within 30 days after receipt. You may not use any advertising or promotional materials that we have disapproved (including materials that we previously approved and later disapprove). If you use any advertising or promotional materials not approved by us, you shall pay us, or the Brand Fund if established, an unauthorized advertising fee of \$500 per occurrence.

### **12.5 Grand Opening Advertising**

You will pay us or an approved supplier \$5,000 for initial marketing, advertising and promotion for your Art of Drawers Business (“Grand Opening Program”) on or before the first of the month after you complete the initial training program for your Art of Drawers Business. All expenditures for your Grand Opening Program will be in addition to your other marketing, advertising and promotion obligations under the Franchise Agreement. T If you are entering into a Multi-Franchise Addendum, you will pay this fee once, which will cover all Territories operated under the Multi-Franchise Addendum.



## 12.6 Local Advertising Requirement

In addition to your required Brand Fund Contribution, you must pay us or our designated suppliers \$5,000 per month for local advertising for your Art of Drawers Business (“Local Advertising Requirement”). This fee will apply for each territory you operate. You will not be responsible for the Local Advertising Requirement until after the completion of your third month of operation. We may waive or reduce your Local Advertising Requirement upon notice to you, in our sole discretion. Your local advertising expenditures are measured on a rolling three-month basis, meaning that as long as your average monthly expenditure on local advertising over the three-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify. If your Franchised Business operates in multiple Territories, your Local Marketing Requirement will continue to increase based on the total number of Territories you operate in accordance with the table below:

Number of Art of Drawer Territories	Month(s) after Opening	Local Advertising Requirement
1 - 10	Months 1 to 3	\$5,000 total for three month period
1 - 10	Months 4 - 9	\$5,000 per month
2 - 10	Month 10 - 16	\$10,000 per month
3 - 10	Months 16 - 21	\$15,000 per month
4 - 10	Months 22 - 27	\$20,000 per month
5 - 10	Months 28 - 33	\$25,000 per month
6 - 10	Months 34 - 39	\$30,000 per month
7 - 10	Months 40 - 45	\$35,000 per month
8 - 10	Months 46 - 51	\$40,000 per month
9 - 10	Months 52 - 57	\$45,000 per month
10	Months 58 - 63	\$50,000 per month

If you fail to pay us or otherwise spend the Local Advertising Requirement in accordance with our standards and specifications during any month of the Term, you will be required to pay the difference between the amount you spent and your Local Advertising Requirement for the applicable three month period to the Brand Fund. You agree to participate at your own expense in all advertising, promotional and marketing programs we require, which may require that you offer products or services for sale at discounted prices or at no charge.

## 12.7 Online Advertising

You may not maintain a separate website, conduct e-commerce, or otherwise maintain a presence on the Internet in connection with your Art of Drawers Business without our express written permission, which we may revoke at any time, in our sole discretion. Any website we permit you to establish will be subject to all of your marketing and advertising requirements under this Franchise Agreement and the Franchise Operations Manual. If you wish to utilize social media or advertise online, you must follow our online policy contained in our Franchise Operations Manual. Our online policy may change as technology and the Internet changes. We may require that you utilize our designated supplier for social media marketing services, at your expense. You may not use the Marks in any fundraising campaign, including crowdfunding. We may restrict your use of social media. We restrict your ability to independently market on the Internet, and we may not allow you to use any domain name, address, locator, link, metatag or search technique with words or symbols similar to the Marks.



## 12.8 Advertising Cooperative

You must participate in any advertising cooperative that we require for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions from each member. We may require that each cooperative operate with governing documents and prepare annual unaudited financial statements. We may form, change, dissolve or merge any advertising cooperative. Your participation in any cooperative must be in compliance with the provisions of the Franchise Operations Manual, which we may periodically modify at our discretion. We have the right to determine the composition of all geographic territories and market areas for each advertising cooperative. Franchisees in each cooperative will contribute an amount to the cooperative for each Art of Drawers Business that the franchisee owns that exists within any cooperative's geographic area. Each Art of Drawers business we own that exists within the cooperative's area will contribute to the cooperative on the same basis as franchisees. In the event of a tie between franchisees voting in any local or regional cooperative, we will have the tiebreaking vote. Any amounts you contribute to these local or regional cooperatives will be credited towards your Local Advertising Requirement.

## 12.9 Advisory Council

We may form, change, merge or dissolve an advisory council ("Council") at any time, in our sole discretion, to advise us on advertising policies and to promote communications between us and all franchisees. Any such Council will be governed by bylaws that will specify that members of the Council would consist of both franchisees and franchisor representatives and will specify how members are selected, subject to any changes to such bylaws or structure we deem necessary in our sole discretion. Any Council would serve in an advisory capacity only. We may grant the Council any operation or decision-making powers we deem appropriate.

# 13. BRAND STANDARDS

## 13.1 Generally

You agree to operate your Art of Drawers Business: (i) in a manner that will promote the goodwill of the Marks; and (ii) in full compliance with our standards and all other terms of this Franchise Agreement and the Franchise Operations Manual. Any required standards exist to protect our interests in the System and the Marks, and not for the purpose of establishing any control or duty to take control over those matters that are reserved to you. The required standards generally will be in the Franchise Operations Manual or other written materials and may be periodically modified over the Term. To protect our interests in the System and Marks, we reserve the right to determine if you are meeting a required standard and whether an alternative is suitable to any recommendations or guidelines.

## 13.2 Authorized Products and Services

The products or services offered by the Art of Drawers Business are subject to change and we do not represent that your Art of Drawers Business will always be permitted or required to offer all of the products or services currently offered. You agree to offer all products and services we require from time to time. You may not offer any other products or services at your Art of Drawers Business without our prior written permission. We may, without obligation to do so, add, modify or delete authorized products and services, and you must do the same upon notice from us. You may incur additional expenses to offer new products or services. Our addition, modification or deletion of one or more products or services shall not constitute



a termination of this Franchise Agreement. You will not enter into any agreements with any third parties that can process orders for you on your behalf without our express written permission, which we may revoke at any time, in our sole discretion. We may, but are not required to, create Art of Drawers proprietary products for sale at your Art of Drawers Business. If we develop any of these products, you agree to maintain a reasonable inventory of these items at all times.

### **13.3 Suppliers and Purchasing**

You agree to purchase or lease all products, supplies, equipment, services, and other items specified in the Franchise Operations Manual. If required by the Franchise Operations Manual, you agree to purchase or lease certain products and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliates). You acknowledge that our right to specify the suppliers you may use and add or remove suppliers is necessary and desirable so we can control the uniformity and quality of products and services used, sold or distributed in connection with the development and ongoing operation of your Art of Drawers Business, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon your purchases or any other of our franchisee's purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. We also reserve the right to mark-up items that we or our affiliates sell to you or other franchisees. If we do not require you to use a designated source or approved supplier for a particular item, you may purchase the item from any vendor you choose so long as your purchases conform to our System and specifications. We may restrict the sourcing of current and future items. You agree to maintain an adequate inventory of all items in accordance with the Franchise Operations Manual.

If you wish to purchase any items or supplies from a supplier we have not approved or wish to offer any new product or service we have not authorized in writing, you must send us a written notice specifying the supplier's name and qualifications or product or service information and provide any additional information we request. We reserve the right, in our sole discretion, to deny your request to review alternative items, equipment supplies, suppliers, or services, in which case you will not be permitted to use such proposed alternative items, equipment supplies, suppliers, or services. If we review, you must pay our then-current evaluation fee (currently, \$500 to \$1,000). We will approve or reject your request within 30 days after we receive your notice and all additional information (and samples) that we require. If we fail to issue our approval within the 30-day period, it will have the same effect as a rejection to the request. You must reimburse us for all costs and expenses we incur in reviewing a proposed supplier within ten days after invoicing. We may revoke approval of any supplier, product or service in our sole discretion in which case you must stop purchasing from such supplier.

### **13.4 Equipment Maintenance and Changes**

You agree to keep any equipment used in the operation of your Art of Drawers Business in good condition and promptly replace or repair any equipment that is damaged, worn out or obsolete. We may require that you add new equipment or change, upgrade or replace your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System, and you agree to comply with any such required change within a reasonable time period designated by us.



### 13.5 Hours of Operation

You must keep your Art of Drawers Business open for the minimum hours and minimum days of operation as specified in the Franchise Operations Manual, which may change over the Term. Your Art of Drawers Business must be open every day of the year, other than those approved national holidays listed in the Franchise Operations Manual, unless otherwise agreed to by us. We may require you to establish specific hours of operation and submit those hours to us for approval.

### 13.6 Customer Issues

You acknowledge the importance to the System and uniform standards of quality, service and customer satisfaction, and recognize the necessity of opening and operating an Art of Drawers Business in conformity with the System. You agree to manage the Art of Drawers Business in an ethical and honorable manner and ensure that all those working at the Art of Drawers Business provide courteous and professional service to customers. If you receive a customer complaint, you must promptly follow the complaint resolution process we specify to protect the goodwill associated with the Marks. Also, if we are contacted by a customer of your Art of Drawers Business who wishes to lodge a complaint, we reserve the right to address the customer's complaint to preserve goodwill and prevent damage to the Marks. Our right to address complaints may include refunding money to a dissatisfied customer, in which case you must reimburse us for these amounts within five days after invoicing, including the value of any gift card, refund or other value we provide to the customer as part of addressing the issue.

We may contact any customer of your Art of Drawers Business at any time for any purpose. We, or our authorized representative, shall have the right, during regular business hours, or at such other times as may be mutually agreed upon by you and us, to inspect all client lists and documents and records related to the Art of Drawers Business. Upon reasonable request, you must furnish to us in whatever format we require, all client information and records for the Art of Drawers Business, both active and inactive, which shall include, but not be limited to, names, addresses, and telephone numbers of such clients ("Customer List"). You acknowledge and agree that we are the sole owner of the Customer List and that you shall not use the Customer List for any purpose other than for the operation of the Art of Drawers Business or distribute, in any form or manner, the Customer List to any third party without our prior written consent.

### 13.7 Standards Compliance

You acknowledge the importance of every standard and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks.

### 13.8 Payment Vendors and Data Security

You agree to maintain, at all times, credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, payment providers, merchant service providers, loyalty and gift cards, and electronic fund transfer systems (together, "Payment Vendors") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment. You agree not to use any Payment Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval. We may modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider. 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, or any successor organization or standards we may reasonably specify. You agree to implement the enhancements, security





requirements and other standards that PCI Security Standards Council, LLC (or its successor) requires of a merchant that accepts payment by credit and/or debit cards or electronic payments.

### **13.9 Gift Cards and Loyalty Programs**

You agree to participate in our gift card and loyalty programs, if any, and agree to make gift cards and loyalty programs available for purchase and redemption at your Art of Drawers Business subject to the policies and procedures in the Franchise Operations Manual.

### **13.10 Privacy**

You agree to comply with all applicable international, federal, state and local laws pertaining to the privacy of customer, employee and transactional information (“Privacy Laws”). You agree to research and proactively ensure that your Franchised Business is in compliance with Privacy Laws, which may vary depending on the location of your Franchised Business. You also agree to comply with our standards and policies pertaining to Privacy Laws. You agree to inform us of any conflict between our standards and policies and any local or state Privacy Laws that govern your Franchised Business to ensure that your conduct complies with all those local or state Privacy Laws.

### **13.11 Business Improvements**

You agree to make all improvements and alterations to your Art of Drawers Business we reasonably require from time to time to reflect our then-current image, appearance specifications. There is no limitation on the cost of any improvements that we may require.

### **13.12 Storage Area Maintenance**

You agree to maintain your Storage Area in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations at your sole expense, to comply with our standards and specifications.

## **14. TECHNOLOGY**

### **14.1 Technology**

You must utilize the technology, including software, computer hardware and components, point of sale system, cash register(s), communication equipment, and other related accessories or peripheral equipment (collectively, “Technology”) that we require. We may change the Technology you must use for your Art of Drawers Business at any time. You will utilize the Technology with the Art of Drawers Business under our policies and procedures in the Franchise Operations Manual. You must pay the Technology Fee for the use of certain technologies used in the operation of your Art of Drawers Business. For other required Technology, you agree at your expense to use any approved supplier we require. We may change or add approved suppliers of this Technology at any time, in our sole discretion. You will, at your expense, purchase and maintain any required communication services, Internet services (including the requirement to maintain a high-speed Internet connection), dedicated telephone and power lines. You acknowledge and agree that changes to Technology are dynamic and not predictable within the Term of this Franchise Agreement. To provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we may establish, in writing, reasonable new standards for implementing Technology in the System and you agree to comply with those reasonable new standards we establish as if we periodically



revised this Section for that purpose. You will keep the Technology in good maintenance and repair, and you will promptly install, at your expense, any additions, changes, modifications or substitutions to Technology, as we may specify periodically. There is no limitation on the frequency and cost of your obligation to maintain, update or upgrade your Technology or its components. You acknowledge that you are solely responsible for protecting your Art of Drawers Business from computer viruses, bugs, failures, data breaches and attacks by hackers and other unauthorized intruders in the Technology.

#### 14.2 Proprietary Software

We may also develop proprietary software or technology that must be used by Art of Drawers franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The license agreement will govern the terms under which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third-party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts we must pay to the licensor based on your use of the software or technology.

#### 14.3 Our Access

You will provide any assistance we require to connect to the Technology. We will have the right at any time to retrieve data and other information from your Technology as we, in our sole discretion, deem necessary or desirable. You shall ensure that we have access at all times to any Technology we request, at your cost. You must provide us with any and all requested codes, passwords and information necessary to access your Technology. You must receive our prior approval before changing such codes, passwords and other necessary information.

### 15. TRANSFER BY US

This Franchise Agreement is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Franchise Agreement; provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Franchise Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Franchise Agreement to one or more designees without assigning this Franchise Agreement.

We may change our ownership or form and/or assign this Franchise Agreement and any other agreement to a third party without restriction. After our assignment of this Franchise Agreement to a third party who expressly assumes the obligations under this Franchise Agreement, we no longer will have any performance or other obligations under this Franchise Agreement.

### 16. TRANSFER BY YOU

#### 16.1 Approval

For purposes of this Franchise Agreement, “Transfer” means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree) assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the Franchise Agreement, the Art of Drawers Business (or any portion thereof), or a direct or indirect ownership interest in an Entity that is the franchisee (or any interest therein), including by merger or consolidation, by issuance of additional securities representing an



ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession).

Neither you nor any Owner may engage in any Transfer without our prior written approval. Any Transfer without our approval shall be void and constitute a breach of this Franchise Agreement. Our consent to a Transfer shall not constitute a waiver of any claims we may have against you or the Owners, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the Franchise Agreement by the transferee.

## 16.2 Our Right of First Refusal

If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the Art of Drawers Business (our “Right of First Refusal”). If we notify you that we intend to purchase the Art of Drawers Business within such 30-day period, you or the Owner, as applicable, must sell the Art of Drawers Business to us on the same terms as contained in the offer you received; provided that we may substitute cash for any non-cash form of payment proposed in the offer.

We will have at least an additional 30 days to conduct a due diligence review and to prepare for closing. You agree to provide us with all information and records we request about the Art of Drawers Business, and we will have the absolute right to terminate the obligation to purchase the Art of Drawers Business for any reason during the due diligence period. You and we will act in good faith to agree on the terms and conditions of the written offer, and closing will take place on the 61<sup>st</sup> day following receipt of your offer. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of this Section (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the Right of First Refusal specified in this Section.

Our Right of First Refusal is fully transferable by us to any affiliate or third party.

## 16.3 Transfer Conditions

We will not unreasonably withhold our approval of any proposed Transfer; provided that the following conditions are all satisfied (“Transfer Conditions”):

16.3.1 Written Notice. You have provided us with written notice of the proposed Transfer at least 45 days before the transaction. You must also submit a copy of the proposed purchase agreement together with all supporting documents and schedules between you and the proposed transferee to us for our review to ensure that the Transfer does not violate any term of this Franchise Agreement.

16.3.2 Qualified Transferee. The proposed transferee is, in our opinion, an individual of good moral character with sufficient business experience, aptitude and financial resources to own and operate an Art of Drawers Business and otherwise meets all of our then-applicable standards for franchisees and the purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or threaten the future operation of the Art of Drawers Business.



16.3.3 Monetary Obligations. All of your monetary obligations to us and our affiliates have been paid in full and you and the Owners are in full compliance with the terms of this Franchise Agreement and all other agreements with us or our affiliate(s) and have cured all existing defaults of this Franchise Agreement.

16.3.4 Training. The transferee has (or if the transferee is an Entity, its approved Responsible Owner and any Franchise Manager have) successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the training fee for each new person who must attend training).

16.3.5 Licenses and Permits. The transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law to own and operate the Art of Drawers Business.

16.3.6 New Franchise Agreement. You must request that the transferee be provided with our then-current form of franchise disclosure document. You agree that we will not be liable for any representations that you or your Owners make that are inconsistent with such franchise disclosure document. The transferee and its owners sign our then-current form of franchise agreement and related documents, including, but not limited to, our then-current form of Franchise Owner Agreement or other guaranty (unless we, in our sole discretion, instruct you to assign this Franchise Agreement to the transferee), except that: (i) the Term and successor term(s) shall be the Term and successor term(s) remaining under this Franchise Agreement; and (ii) the transferee does not need to pay a separate initial franchise fee.

16.3.7 Transfer Fee. You pay us a transfer fee of \$15,000. You will pay the Transfer Fee to us as follows: (i) \$1,000 non-refundable deposit at the time of your transfer application request; and (ii) the remaining balance shall be due at or before the time you consummate the approved Transfer. If you operate multiple franchise agreements and transfer all Franchise Agreements to the same party, we will assess a single transfer of \$15,000. If you transfer multiple Franchise Agreement for multiple Territories,, we will assess this fee once, so long as all transfers occur at the same time and are made between the same parties.

16.3.8 General Release. You and each of your Owners sign a general release in the form we prescribe for all known and unknown claims against us, our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, arising before or contemporaneously with the Transfer. If the proposed transferee has any previous relationship with us or our affiliates, then the proposed transferee must also execute a general release.

16.3.9 Right of First Refusal. We do not elect to exercise our Right of First Refusal.

16.3.10 Subordination. We may, in our sole discretion, require you to enter into an agreement with us to subordinate the transferee's obligations to you to the transferee's financial obligations owed to us under the Franchise Agreement.

16.3.11 Broker Costs. You must pay any broker costs, commissions or other placement fees we incur as a result of the Transfer.

16.3.12 Other Conditions. You and each of your Owners agree to comply with all obligations that survive the termination, expiration or Transfer of this Franchise Agreement. The transfer must be made in compliance with any laws that apply to the transfer including all laws governing the offer and sale of franchises. You or the transferring Owner, as applicable, and the transferee have satisfied any



other conditions we reasonably require as a condition to our approval of the Transfer.

#### 16.4 Transfer to an Entity

If you are an individual, you may transfer your ownership interests to an Entity provided that: (i) the Owner or Owners of the Entity are the same persons who signed this Franchise Agreement and (ii) you comply with the Transfer Conditions. Our Right of First Refusal will not apply for a Transfer conducted under this Section and you must reimburse us for all of our fees and costs, including attorney fees (in lieu of the Transfer Fee), associated with your Transfer to the Entity. In lieu of entering into a new Franchise Agreement, you will be required to enter into any required documentation, which may include an approval of transfer agreement, a general release of claims and a Franchise Owner Agreement in the forms we prescribe.

#### 16.5 Death or Disability

Upon the death or disability of you (if you are an individual) or of an Owner (if you are an Entity), your interest in the Art of Drawers Business or the Owner's ownership interest in you, as applicable, must be assigned to a third party or another Owner approved by us within 180 days of such person's death or disability, as the case may be. For purposes of this Section, a person is deemed to have a disability only if the person has a medical or mental illness, problem or incapacity that would prevent the person from substantially complying with his or her obligations under this Franchise Agreement or otherwise operating the Art of Drawers Business in the manner required by this Franchise Agreement and the Franchise Operations Manual for a continuous period of at least 90 consecutive calendar days, and from which condition recovery within 90 days from the date of determination of disability is unlikely. If the parties disagree as to whether a person is disabled, the existence of disability will be determined by a licensed practicing physician selected by us, upon examination of the person; or if the person refuses to submit to an examination, then (for the purpose of this Section) the person automatically will be considered disabled as of the date of refusal. Your (or the deceased Owner's) estate or legal representative must apply to us for the right to Transfer to the next of kin within 120 calendar days after your or your Owner's death or disability. We may appoint an Interim Manager and charge you the Management Fee if the death or disability of you or any Owner has any impact on the Art of Drawers Business.

### 17. INTELLECTUAL PROPERTY

#### 17.1 Ownership and Use of Intellectual Property

For purposes of this Franchise Agreement, "Intellectual Property" means the Marks, our copyrighted materials, "Confidential Information" (defined below), the System and "Improvements" (defined below). You acknowledge that: (i) we, or our affiliates, if applicable, are the sole and exclusive owner of the Art of Drawers Intellectual Property and the goodwill associated with the Marks; (ii) your right to use the Intellectual Property is derived solely from this Franchise Agreement; and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Art of Drawers Business during the Term pursuant to, and only in compliance with, this Franchise Agreement, the Franchise Operations Manual, and all applicable standards, specifications and operating procedures we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service, or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Franchise Operations Manual governing your use of the Intellectual Property. This Franchise Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property. You



agree that during the Term of this Franchise Agreement and after its termination, expiration or Transfer you will not, directly or indirectly, contest our interest in the Intellectual Property.

For purposes of this Franchise Agreement, “Confidential Information” means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of an Art of Drawers Business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System, the Franchise Operations Manual, written directives and all drawings, equipment, computer and point of sale programs (and output from such programs), and any other information, know-how, techniques, material and data imparted or made available by us to you.

For purposes of this Franchise Agreement, “Improvements” means any improvements or additions to the System, marketing, method of operation, or the products or services offered by an Art of Drawers Business.

## **17.2 Changes to Intellectual Property**

We may modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, our copyrights or the Confidential Information. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days, at your expense. We will not be liable to you for any expenses, losses or damages you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

## **17.3 Use of Marks**

You agree to use the Marks as the sole identification of your Art of Drawers Business; provided, however, you must identify yourself as the independent owner of your Art of Drawers Business in the manner we prescribe. You may not use any Marks in any modified form or as part of any corporate name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you by this Franchise Agreement). You agree to: (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate, and in the manner we prescribe to give notice of trade and service mark registrations and copyrights; and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours. You agree that any use of the Marks by you and your Art of Drawers Business shall contribute and inure to our benefit.

## **17.4 Use of Confidential Information**

You acknowledge that you will use the Confidential Information only in operating the Art of Drawers Business, and you will not disclose Confidential Information to others, except as expressly authorized by this Franchise Agreement. You will take all actions to preserve the confidentiality of all Confidential Information, including safeguarding access to the Franchise Operations Manual. You will not copy or permit copying of Confidential Information. Your obligations under this Section begin when you sign this Franchise Agreement and continue for trade secrets as long as they remain secret, and, for other Confidential Information, for as long as we continue to use the information in confidence (even if edited or revised) plus an additional three years afterwards. We will respond promptly and in good faith to any inquiry by you about continued protection of any Confidential Information.



All data you collect, create, provide or otherwise develop (including, but not limited to, customer information and customer lists) 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 license use of such data back to you, at no additional cost, solely for the Term of this Franchise Agreement and solely for your use in connection with the Art of Drawers Business. You agree to provide us with the information we reasonably require regarding data and cybersecurity requirements. You agree to indemnify us for any loss of data, including, but not limited to, customer information resulting from a breach of such data caused, in whole or in part, by you.

The restrictions on the disclosure and use of the Confidential Information will not apply to disclosure of 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; or (iii) made in cases of suit for retaliation based on the reporting of a suspected violation of law, disclosure of Confidential Information to an attorney, and for use of the Confidential Information in such court proceeding, so long as any document containing the Confidential Information is filed under seal and Confidential Information is not otherwise disclosed pursuant to a court order.

We do not make any representation or warranty that your use of the System and Confidential Information will not infringe on the patent, copyright or other proprietary rights of third parties. You agree that we will have no liability to you if the System and/or any Confidential Information is held not to be secret or confidential or in the event that any infringement of others' proprietary rights occurs because of your use of the System and Confidential Information.

#### **17.5 Improvements**

If you conceive of or develop any Improvements, you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval before using any such Improvements. Any Improvement we approve may be used by us and any third parties we authorize to operate an Art of Drawers Business, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements we or other franchisees develop that we authorize for general use with the operation of an Art of Drawers Business. These obligations shall survive the termination, expiration or Transfer of this Franchise Agreement.

#### **17.6 Notification of Intellectual Property Issues**

You must notify us as soon as possible, but no later than three business days of any: (i) apparent infringement of any of the Intellectual Property; (ii) challenge to your use of any of the Intellectual Property; or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding, or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.



## 18. BRAND COVENANTS

### 18.1 Reason for Covenants

The covenants in this Section 18 shall be referred to as the “Brand Covenants.”

You acknowledge that the System is distinctive and has been developed by us and/or our affiliates at great effort, time and expense, and that the Intellectual Property and the training and assistance we provide would not be acquired except through implementation of this Franchise Agreement. You also acknowledge that competition by you, the Owners, or persons associated with you or the Owners (including family members) could jeopardize the entire System because you and the Owners have received an advantage through knowledge of our day-to-day operations and Confidential Information related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our System.

### 18.2 Unfair Competition During the Term

For purposes of this Franchise Agreement, “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 the Art of Drawers Business; or (ii) provides or offers to provide services the same as or similar to the type of services sold by you, but excludes an Art of Drawers Business operating under a franchise agreement with us. A Competitive Business shall not include ownership of up to five percent (5%) of any publicly-held company or mutual fund that owns, operates, has an interest in, or controls any business that otherwise would meet the definition of a Competitive Business.

You agree not to compete with us during the Term by engaging in any of the following activities (“Prohibited Activities”): (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 any Competitive Business; (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees); or (iii) inducing 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.

### 18.3 Unfair Competition After the Term

For purposes of this Section, the “Restricted Period” means a period of 2 years after the termination, expiration or Transfer of this Franchise Agreement. For purposes of this Section, the “Restricted Territory” means the geographic area within: (i) a 25-mile radius of the Territory; and (ii) a 25-mile radius from all other Art of Drawers Businesses that are operating or as of the date of the termination, expiration or Transfer of this Franchise Agreement.

During the Restricted Period, you agree that you will not engage in any Prohibited Activities within the Restricted Territory and that you will cause each of your Owners to not engage in any Prohibited Activities within the Restricted Territory. If you or any Owner engages in a Prohibited Activity within the Restricted Territory during the Restricted Period, then the Restricted Period applicable to you (and applicable to each non-compliant Owner under the Franchise Owner Agreement) will be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.





#### **18.4 Employees and Others**

Any Franchise Manager and, if you are an Entity, any officer that does not own equity in you must sign our current System Protection Agreement. You must ensure that all of your employees, officers, directors, partners, members, independent contractors, and other persons associated with you or your Art of Drawers Business who may have access to our Confidential Information, and who are not required to sign a System Protection Agreement, sign the Confidentiality Agreement before having access to our Confidential Information. You must use your best efforts to ensure these individuals comply with the terms of the Confidentiality Agreements and System Protection Agreements, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all expenses we incur in enforcing a Confidentiality Agreement or System Protection Agreement, including reasonable attorney fees and court costs.

#### **18.5 Covenants Reasonable**

The parties agree that of the Brand Covenants will be construed as independent of any other covenant or provision of this Franchise Agreement. It is the parties' intent that the provisions of this Section be judicially enforced to the fullest extent permissible under applicable law. If all or any portion of any Brand Covenant is held unreasonable or unenforceable by a court or agency having valid jurisdiction in a final decision to which we are a party, you agree to be bound by any lesser covenant subsumed within the terms of such Brand Covenant that imposes the maximum duty permitted by law, as if the resulting Brand Covenant were separately stated in and made a part of this Section. Accordingly, the parties agree that any reduction in scope or modification of any part of the non-competition provisions contained herein shall not render any other part unenforceable. You acknowledge and agree that: (i) the terms of this Franchise Agreement are reasonable both in time and in scope of geographic area; (ii) our use and enforcement of covenants similar to those described above with respect to other Art of Drawers franchisees benefits you and the Owners because it prevents others from unfairly competing with your Art of Drawers Business; and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Franchise Agreement. You hereby waive any right to challenge the terms of the Brand Covenants as being overly broad, unreasonable or otherwise unenforceable.

We have the right, in our sole discretion, to unilaterally reduce the scope of all or part of any Brand Covenant without your consent (before or after any dispute arises), effective when we give you written notice of this reduction and you agree to comply with any covenant as so modified.

#### **18.6 Breach of Covenants**

You agree that failure to comply with the terms of Brand Covenants will cause substantial and irreparable damage to us and/or other Art of Drawers franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Section 18 will entitle us to injunctive relief. 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). Notwithstanding the foregoing, if a court requires the filing of a bond, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us, at law or in equity, under this Franchise Agreement are mutually exclusive, and may be combined with others, including injunctive relief, specific performance, and recovery of monetary damages. Any claim, defense or cause of action you or an



Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of the Brand Covenants.

## **19. INSURANCE**

Before your Art of Drawers Business first opens for business, you will obtain insurance in the types and amounts specified in this Section. You will maintain all required insurance in force during the Term of this Franchise Agreement, and you will obtain and maintain any additional or substituted insurance coverage, limits and amounts as we may periodically require. Your compliance with these insurance provisions does not relieve you of any liability under any indemnity provisions of this Franchise Agreement.

We currently require you to maintain the following insurance coverages: (1) comprehensive general liability insurance, with a combined single limit in the amount we specify, up to \$2,000,000 per occurrence but no less than \$1,000,000 per occurrence (including Products/Completed Operations and Personal Injury and Advertising Injury); (2) workers' compensation coverage regardless of whether required by state law, but with minimum coverage as required by law (if applicable); and (3) 500,000 per claim and in the aggregate cyber-liability insurance for financial losses arising from unauthorized access, loss or corruption of data, including but not limited to privacy and data security breaches, misdirected funds, virus transmission, denial of service and loss of income from network security failures.

Our insurance requirements are subject to change during the Term of this Franchise Agreement, and you agree to comply with each such change. You agree to provide us a copy of your Certificate of Insurance or other proof of coverage before opening, within ten days of any renewal of a policy, and at any other time on demand. You agree to obtain these insurance policies from insurance carriers rated "A" or better by A.M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Art of Drawers Business. All insurance policies (except for employment liability insurance policies) must be endorsed to: (i) name us, any affiliate we require, and our members, officers, directors and employees as additional insureds ("Additional Insureds"); (ii) contain a waiver by the insurance carrier of all subrogation rights against us; and (iii) provide that we receive 30-days' prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon ten days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards, or other relevant changes in circumstances.

If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Franchise Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within ten days after invoicing, all costs and premiums we incur, plus a twenty percent (20%) administrative surcharge.

## **20. REPORTING REQUIREMENTS**

### **20.1 Books and Records**

You agree to record all transactions and Gross Sales of your Art of Drawers Business in the manner we specify. You agree to prepare and maintain for at least seven years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Art of Drawers Business including a list of all customers that your Art of Drawers Business does business with and all contracts that your Art of



Drawers Business enters into. You must send us copies of your books, records, customer data and contracts within five days of our request. This obligation survives the expiration, termination or Transfer of this Franchise Agreement.

## 20.2 Reports

You will prepare and submit other reports and information about your operations as we may request in writing or as required by the Franchise Operations Manual. You will submit all required reports in the formats and by the due dates specified in the Franchise Operations Manual. We may modify the deadline days and times for submission of all reports. If you do not submit any report by the due date, we will debit your Franchise Account a late fee of \$100 per occurrence and \$100 per week until you submit the required report. We may require, in our sole discretion, that certain reports be certified as accurate and complete by you, your owners or your chief financial officer, and that they be submitted in certain methods or formats. If requested by us, your profit and loss statements and balance sheets must be certified by a certified public accountant at your expense. You must also make your certified public accountant available and cover the cost for him or her to consult with us concerning these statements and balance sheets.

## 20.3 Financial and Tax Statements

You will deliver a balance sheet, profit and loss statement, statement of cash flows and explanatory footnotes prepared under generally accepted accounting principles applied on a consistent basis (“Financial Statements”) to us within the time period required by the Franchise Operations Manual. You must also prepare annual Financial Statements within 30 days of the end of your fiscal year. All Financial Statements must be in the form specified by us and must conform to our standard chart of accounts as prescribed by us. We have the right to use such Financial Statements in our franchise disclosure document to make financial performance representations and to share these reports on a system-wide intranet or other similar means.

You must also provide us with complete signed copies of all state sales tax returns and state and federal income tax returns covering the operation of the Art of Drawers Business within 30 days of filing. If you do not submit the Financial Statements or tax returns to us by the deadline, you will be required to pay a late fee of \$100 per occurrence and \$100 per week until you submit required Financial Statements or tax returns.

## 20.4 Legal Compliance

You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Art of Drawers Business, and operate and manage your Art of Drawers Business in full compliance with all applicable laws, ordinances, rules and regulations. You are solely responsible for complying with all federal, state and local tax laws, agree to timely pay all applicable federal, state and local taxes, and timely file all returns, notices and other forms required to comply with all federal, state and local tax laws in connection with the operation of the Art of Drawers Business. It is your responsibility to make sure that you comply with all laws that are applicable to the Technology.

You must notify us in writing within three business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Art of Drawers Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any



health or safety law, rule or regulation that reflects a claim you have failed to fully comply with the law, rule or regulation.

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 the Owners, or any blocking of your or the Owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Franchise Agreement.

## **21. INSPECTION AND AUDIT**

### **21.1 Inspections**

To ensure compliance with this Franchise Agreement, we or our representatives will have the right to, evaluate your Art of Drawers Business operations, and inspect or examine your books, records, accounts and tax returns. We may also interview personnel and customers of the Art of Drawers Business. Our evaluation may include observing or participating during business hours. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Art of Drawers Business, and you, your employees and independent contractors will cooperate and not interfere with our inspection. You consent to us accessing your Technology and retrieving any information we deem appropriate in conducting the inspection.

### **21.2 Audit**

We have the right, at any time, to have an independent audit made of the books and financial records of your Art of Drawers Business. You agree to fully cooperate with us and any third parties we hire to conduct the audit. Any audit will be performed at our cost and expense. However, you agree to reimburse us for the cost of the audit and inspection, including reasonable accounting, legal, travel and lodging expenses if the audit: (i) is necessitated by your failure to provide the information requested or to preserve records, or file reports as required by this Franchise Agreement; or (ii) reveals an understatement of any amount due to us by at least two percent (2%) in any week, in which case you must also pay any amount owed to us, including any related expenses and Late Fees. The audit cost reimbursements will be due ten days after invoicing. Accepting reimbursements for our audit costs does not waive our right to terminate this Franchise Agreement.

## **22. INDEMNITY**

### **22.1 Your Indemnification of Us**

Independent of your obligation to procure and maintain insurance, you and your Owners will indemnify, defend and hold us and our affiliates, the respective officers, directors, managers, partners, shareholders, members, employees, agents and contractors of these entities, and the successors, assigns, personal representatives, heirs and legatees of all of these persons or entities (collectively, the “Indemnified Parties”) harmless, to the fullest extent permitted by law, from and against all expenses, losses, payments or



obligations to make payments either (i) to or for third party claimants by any and all Indemnified Parties, including refunds, or (ii) incurred by any and all Indemnified Parties to investigate, take action, respond to or defend a matter, including investigation and trial charges, costs and expenses, fees, fees paid to professionals, attorney fees, experts' fees, court costs, settlement amounts, judgments and costs of collection (collectively, "Losses and Expenses"), incurred by any Indemnified Parties for any investigation, claim, action, suit, demand, administrative or alternative dispute resolution proceeding, actually or allegedly, directly or indirectly, relating to, arising out of, or resulting from or in connection with: any transaction, occurrence, product or service involving the Art of Drawers Business or this Franchise Agreement; your employment or other contractual relationship with your employees, workers, managers, or independent contractors, including but not limited to any allegation, claim, finding, or ruling that we are an employer or joint employer of your employees; your marketing, selling, or providing of items and services; and any breach of violation of any agreement (including this Franchise Agreement), or any law, regulation or ruling, by any act, error or omission (active or passive) of you, any party associated with you, or any of your or your affiliates' owners, officers, directors, managers, employees, owners and agents, including when any of the Indemnified Parties is alleged or proven to be negligent.

You agree to give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to: (i) retain counsel of their own choosing to represent them with respect to any claim; and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such claim, including court costs and reasonable attorney fees, within ten days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorney fees.

You agree that your indemnification obligations under this Section shall expressly survive the termination, expiration, non-renewal or Transfer of this Franchise Agreement.

## **22.2 Our Indemnification of You**

Provided that you are not in default under this Franchise Agreement or any other agreement with us, we will indemnify you and hold you harmless for, from and against any and all costs and expenses incurred by you as a result of or in connection with any claim asserted against you based upon the violation of any third party's intellectual property rights caused by your use of our Marks in strict compliance with the terms of this Franchise Agreement and Franchise Operations Manual. You must promptly notify us of any such claim and fully cooperate with us in the defense of such claim.

## **23. TERMINATION BY YOU**

You may terminate this Franchise Agreement if you are in full compliance and we materially breach this Franchise Agreement and fail to cure the breach within 60 days after you send us a written notice specifying the nature of the breach. You may also terminate this Franchise Agreement if you and we mutually agree, in our sole discretion, which may be withheld, in writing to terminate this Franchise Agreement. In such an event, you and we will be deemed to have waived any required notice period. If you terminate this Franchise Agreement, you must still comply with your post-termination obligations described below and all other obligations that survive the expiration or termination of this Franchise Agreement.



## 24. TERMINATION BY US

The rights to terminate the Franchise Agreement in the Section shall be referred to as our “Termination Rights.”

### 24.1 Automatic Termination Without Notice

You shall be in default under this Franchise Agreement, and we may automatically terminate all rights granted to you by this Franchise Agreement without notice if (i) you file or cause to be filed a petition in bankruptcy or you are adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws); or (ii) you admit to your inability to meet your financial obligations as they become due, or make a disposition for the benefit of its creditors (unless prohibited by law); or (iii) a receiver or custodian (permanent or temporary) is appointed for any of your assets or property; or (iv) a final judgment in excess of \$10,000 against you remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment), except that we may provide you with additional time to satisfy the judgment if you demonstrate that you are using commercially reasonable efforts to resolve the issues related to the judgment.

### 24.2 Option to Terminate Without Opportunity to Cure

We may, in our sole discretion, terminate this Franchise Agreement immediately upon written notice to you, without opportunity to cure, upon the occurrence of any of the following events, each of which constitute material events of default under this Franchise Agreement.

24.2.1 Failure to Open. If you fail to open your Art of Drawers Business, or if applicable, additional Territory, within the time period required.

24.2.2 Material Misrepresentation. If you or any Owner commits any fraud or makes any material misrepresentation to us, whether occurring before or after the Effective Date.

24.2.3 Violation of Law. If you fail, for a period of 10 days after having received notification of noncompliance from us or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Art of Drawers Business.

24.2.4 Criminal Offense. If you or any of your Owners, officers, directors, or key employees is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is reasonably likely, in our sole opinion, to adversely affect our reputation, the System, or the Marks. If the crime or offense is committed by an Owner other than a Responsible Owner, then we may, in our sole discretion, terminate if such Owner fails to sell its ownership interest in the Entity to any of the other Owners within 30 days after the conviction or guilty plea, whichever first occurs.

24.2.5 Under-Reporting. If an audit or investigation discloses that you have knowingly maintained false books or records, or submitted false reports to us, or knowingly understated its Gross Sales or withheld the reporting of same, or, if, on two or more occasions in any single 24 month period, any audits or other investigations reveals an under-reporting or under-recording error of two percent (2%) or more, or on any single occasion any audit or other investigation reveals an under-reporting or under-recording of five percent (5%) or more.

24.2.6 Intellectual Property Misuse. If you misuse or make any unauthorized use of the



Marks or otherwise impair the goodwill of our rights, or you take any action which reflects unfavorably upon the operation and reputation of the Art of Drawers Business, the System, or the Art of Drawers brand generally. If your employees or independent contractors engage in any of the same actions described above, unless you shall have exercised your best efforts to prevent such disclosures or use.

24.2.7 Health or Safety Violations. If you manage or operate your Art of Drawers Business in a manner that presents a health or safety hazard to your customers, employees or the public.

24.2.8 Abandonment. If you abandon or fail to operate your Art of Drawers Business for three consecutive business days unless you had received our prior written authorization to do so.

24.2.9 Failure to Pay. If you fail to pay any amount owed to us or an affiliate of ours within ten days after receipt of a demand for payment.

24.2.10 Unauthorized Transfer. If you attempt to sell, Transfer, encumber or otherwise dispose of any interest in you, this Franchise Agreement or the Art of Drawers Business in violation of Section 16 of this Franchise Agreement.

24.2.11 Brand Covenants. If you or any of your Owners violates any of the Brand Covenants.

24.2.12 License/Permits. If a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Art of Drawers Business, even if you or the Owner still maintain appeal rights.

24.2.13 Failure to Complete Initial Training. If you or any required attendee fails to attend and complete the initial training program within the time period prescribed in this Franchise Agreement.

24.2.14 Repeated Defaults. If you commit a default of any obligation under this Franchise Agreement and have previously received two or more written notices of default from us within the preceding 12 months, regardless of whether any default is cured.

24.2.15 Cross Default. If we terminate any other agreement between you and us, or if any affiliate of ours terminates any agreement between you and the affiliate because of your default.

24.2.16 Franchise Owner Agreement Default. If any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement.

### **24.3 Termination with Notice and Opportunity to Cure**

In addition to our Termination Rights, we may, in our sole discretion, terminate this Franchise Agreement upon 30 days' written notice if you or an Owner fails to comply with any other provision of this Franchise Agreement (including failure to comply with any provision in the Franchise Operations Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period, each of which shall constitute a material event of default under this Franchise Agreement. If we deliver a notice of default to you pursuant to this Section, we may suspend performance of any of our obligations under this Franchise Agreement until you fully cure the breach.



## **25. LIQUIDATED DAMAGES**

Upon termination of this Franchise Agreement: (i) by us due to your default of this Franchise Agreement; or (ii) following your purported termination without cause, you agree to pay to us, within 15 days after the effective date of this Franchise Agreement's termination, in addition to any other amounts owed under this Franchise Agreement, liquidated damages equal to the average monthly Royalties and Brand Fund Contribution you owed during the 24 months of operation preceding the effective date of termination multiplied by: (i) 36; or (ii) the number of months remaining in this Franchise Agreement had it not been terminated, whichever is less, but in no case will such damages be less than \$30,000. If you have operated for less than 24 months, the liquidated damages will be based on the average monthly Royalties and Brand Fund Contributions you owed from the date you open your Art of Drawers Business through the date of early termination.

You and we acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Franchise Agreement's termination and the loss of cash flow from Royalties and Brand Fund Contributions due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalties and Brand Fund Contributions would have grown over what would have been this Franchise Agreement's remaining Term. You and we consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.

The liquidated damages provision only covers our damages from the loss of cash flow from the Royalties and Brand Fund Contributions. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Franchise Agreement other than the Royalty payments and Brand Fund Contributions. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Franchise Agreement other than the payment of Royalties and Brand Fund Contributions.

## **26. POST TERM OBLIGATIONS**

The obligations contained in this Section shall be referred to as your "Post Term Obligations." After the termination, expiration or Transfer of this Franchise Agreement, you agree to undertake each and every one of the obligations listed in this Section.

### **26.1 Cease Operations**

Immediately cease to be a franchise owner of the Art of Drawers Business under this Franchise Agreement and cease to operate the Art of Drawers Business under the System. You agree to not hold yourself out to the public as a present or former franchise owner of the Art of Drawers Business.

### **26.2 Intellectual Property**

Immediately cease to use the Intellectual Property in any manner whatsoever and not use any trademarks or trade names that may be confusingly similar to the Intellectual Property. You acknowledge and agree that any continued use of the Marks would constitute trademark infringement.

### **26.3 Monetary Obligations**

Pay us all amounts you owe us and our affiliates.





## 26.4 Surviving Covenants

Comply with all covenants described in this Section and otherwise in this Franchise Agreement that apply after the expiration, termination or Transfer of this Franchise Agreement or of an ownership interest by an Owner.

## 26.5 Branded Items

Return all copies of the Franchise Operations Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms and any other materials bearing or containing any of the Marks, our copyrights or other identification relating to an Art of Drawers Business, unless we allow you to Transfer such items to an approved transferee.

## 26.6 Technology and Data

Return all copies of any software we license to you (and delete all such software from your computer memory and storage), provide us the then-current customer list and contracts that your Art of Drawers Business has entered into and transfer all login information and data from any Technology, social media accounts and email addresses from your Art of Drawers Business.

## 26.7 Entity Name

Ensure that any names or registrations related to your use of the Marks are canceled.

## 26.8 Identifiers and Advertisements

Immediately stop using all telephone numbers, advertisements, domain names and social media accounts associated with the Art of Drawers Business. Notify all telephone companies, listing agencies, social media companies and domain name registration companies (collectively, the “Agencies”) of the termination or expiration of your right to use the following, and immediately transfer to us: (A) the telephone numbers, accounts and/or domain names, if applicable, related to the operation of your Art of Drawers Business; and (B) any online listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so).

## 26.9 Modifications

Remove all trade dress, equipment, software and property owned by us and make such modifications and alterations that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party using any of the inventory, Vehicles, equipment used in the operation of the Art of Drawers Business; provided, however, that this subsection shall not apply if your Art of Drawers Business is transferred to an approved transferee or if we exercise our right to purchase your entire Art of Drawers Business.

## 26.10 Customers

We may contact customers of your Art of Drawers Business and offer such customers continued rights to use one or more Art of Drawers franchises on such terms and conditions we deem appropriate, which in



no event will include assumption of any then-existing liability arising or relating to those customers or act or failure to act by you or your Art of Drawers Business.

#### 26.11 Compliance Evidence

Provide us with written satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Franchise Agreement.

### 27. RIGHT TO PURCHASE

#### 27.1 Generally

Upon the expiration or termination of this Franchise Agreement for any reason, we will have the right but not the obligation to purchase from you some or all of the assets used in the Art of Drawers Business (“Acquired Assets”). We may exercise our option to begin this process by giving written notice to you at any time following expiration or termination up until 30 days after the later of: (a) the effective date of expiration or termination; or (b) the date you cease operating the Art of Drawers Business (the “Specified Date”). We have the right to inspect the assets used in the Art of Drawers Business in order to determine which we wish to acquire and any refusal by you to cooperate with our right to inspect will extend the Specified Date by an equal period. The term “Acquired Assets” means, without limitation, equipment, signs and inventory (non-perishable products, materials and supplies) used in the Art of Drawers Business, and all licenses necessary to operate the Art of Drawers Business (if transferable). Customer information and customer lists are owned by us and accordingly are not included within the definition of Acquired Assets and must be returned to us without charge upon expiration or termination. You may not sell the information or lists to a third party. We will be entitled to have the provisions in this Section enforced by a court of competent jurisdiction should you fail to meet your obligations. We will have the unrestricted right to assign this option to purchase the Acquired Assets. We or our assignee will be entitled to all customary representations and warranties, including that the Acquired Assets are free and clear (or, if not, accurate and complete disclosure) as to: (1) ownership, condition and title; (2) liens and encumbrances; (3) environmental and hazardous substances; and (4) validity of contracts and liabilities inuring to us or affecting the Acquired Assets, whether contingent or otherwise.

#### 27.2 Purchase Price

The purchase price for the Acquired Assets (“Purchase Price”) will be their fair market value (or, for leased assets, the fair market value of the lease), determined as of the Specified Date in a manner that accounts for reasonable depreciation and condition of the Acquired Assets; provided, however, that the Purchase Price will take into account the termination of this Franchise Agreement. The Purchase Price for the Acquired Assets will not factor in the value of any trademark, service mark, or other commercial symbol used in connection with the operation of the Art of Drawers Business, nor any goodwill or “going concern” value for the Art of Drawers Business. We may exclude from the Acquired Assets purchased in accordance with this Section any equipment, and inventory that are not accepted as meeting then-current standards for an Art of Drawers Business or for which you cannot deliver a Bill of Sale in a form satisfactory to us.

If you and we cannot agree upon a fair market value, we shall appoint an independent, third-party appraiser with experience appraising businesses comparable to your Art of Drawers Business in the United States (“Qualified Appraiser”) within 30 days after the Specified Date. We shall pay for 50% of the cost of this Qualified Appraiser, and you shall pay the other 50% of the cost.



The Qualified Appraiser shall appraise the Acquired Assets as described above (“Appraised Value”). If you agree with the Appraised Value, the Appraised Value shall be the Purchase Price. If you disagree with the Appraised Value, upon written notice to us, you may hire an additional Qualified Appraiser at your expense. In such situation, the Qualified Appraiser chosen by you shall appraise the Acquired Assets at fair market value determined as described above. The average of the two values provided by the Qualified Appraisers shall be the Purchase Price.

### **27.3 Access to Art of Drawers Business**

The Qualified Appraiser will be given full access to the Art of Drawers Business and your books and records during customary business hours to conduct the appraisal and will value the leasehold improvements, equipment, furnishings, fixtures, signs and inventory in accordance with the standards of this Section.

### **27.4 Exercise of Option; Operation**

Within 10 days after the Purchase Price has been determined, we may fully exercise our option to purchase the Acquired Assets by notifying you of our decision in writing (“Purchase Notice”). The Purchase Price will be paid in cash or cash equivalents at the closing of the purchase (“Closing”), which will take place no later than 60 days after the date of the Purchase Notice. From the date of the Purchase Notice until Closing:

You will operate the Art of Drawers Business and maintain the Acquired Assets in the usual and ordinary course of business and maintain in full force all insurance policies required under this Franchise Agreement. During such time, we may exercise Step-in Rights, and be entitled to the Management Fee. Alternatively, we may require you to close the Art of Drawers Business during that time period without removing any Acquired Assets from the Art of Drawers Business.

### **27.5 Due Diligence**

For a period of 30 days after the date of the Purchase Notice (“Due Diligence Period”), we will have the right to conduct such investigations as we deem necessary and appropriate. You will grant us and our representatives access to the Art of Drawers Business at all reasonable times for the purpose of conducting inspections of the Acquired Assets; provided that such access does not unreasonably interfere with your operations of the Art of Drawers Business.

Prior to the end of the Due Diligence Period, we will notify you in writing of any objections that we have to any finding disclosed in any title to lien search, survey, environmental assessment or inspection. If you cannot or elect not to correct any such title defect, environmental objection or defect in the working condition of the Acquired Assets, we will have the option to either accept the condition of the Acquired Assets as they exist or rescind our option to purchase on or before the Closing.

### **27.6 Closing**

We will have the right to set off against and reduce the Purchase Price by any and all amounts owed by you to us or our affiliates, and the amount of any encumbrances or liens against the Acquired Assets or any obligations assumed by us. If you cannot deliver clear title to all of the purchased Acquired Assets as indicated in this Section, or if there are other unresolved issues, the Closing will be accomplished through an escrow.



## 28. DISPUTE RESOLUTION

### 28.1 Mediation Requirement

Except for any “Litigation Exceptions” as defined below, without limiting our Termination Rights, all claims or disputes between you and us or our affiliates arising out of, or in any way relating to, this Franchise Agreement, or any of the parties’ respective rights and obligations arising out of this Franchise Agreement, shall be submitted first to non-binding mediation (“Required Mediation”) prior to a hearing in binding arbitration. Before commencing any mediation 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. Such mediation shall take place in the city closest to our principal place of business (currently Atlanta, Georgia) 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.

### 28.2 Arbitration

If the parties cannot fully resolve and settle a dispute through Required Mediation, 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 Atlanta, Georgia) by AAA (if AAA or any successor thereto 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) (“Required Arbitration”).

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 Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

28.2.1 Notice of Arbitration. Either party may initiate an 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 Franchise Agreement. Arbitration will not proceed until any protest of arbitrability is resolved by the arbitrator or by an appropriate court, if necessary.

28.2.2 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.

28.2.3 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.

28.2.4 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.

28.2.5 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 Franchise 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 Franchise 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 Franchise Agreement including, but not limited to any claim that all or any part of this Franchise Agreement is void or voidable.

28.2.6 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.

28.2.7 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.

### **28.3 Disputes Not Subject to Mediation or Arbitration**

If any of the following exceptions occur, either party may immediately file a lawsuit in accordance with this Section without going through the Required Mediation or Required Arbitration (for purposes of this Franchise Agreement, the following shall be referred to as the "Litigation Exceptions"): (i) any action that involves an alleged breach of any Brand Covenant; (ii) any action petitioning specific performance to enforce your use of the Marks or the System or to prevent unauthorized duplication 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 the Intellectual Property, our copyrighted works, 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 any pending mediation or



arbitration proceedings; (iv) any action seeking compliance with the Post Term Obligations; or (v) any action in ejectment or for possession of any interest in real or personal property.

#### **28.4 Venue**

All disputes and claims must be mediated, arbitrated and, if applicable, litigated in the principal city (and, if applicable, court) closest to our principal place of business (currently, Atlanta, Georgia); provided that for claims brought under the Litigation Exceptions, we have the option to bring suit against you in any state or federal court within the jurisdiction where your Art of Drawers Business is or was located, or where any of your owners lives. 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 Franchise 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, and waives any bond, surety, or other security that might be required of any other party with respect to venue.

#### **28.5 Fees and Costs**

If you breach any term of this Franchise 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 we or you must enforce this Franchise 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, and expert witnesses, costs of investigations and proof of facts, court costs, travel and living expenses, and other dispute-related expenses.

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. 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.

#### **28.6 Jury Trial and Class Action Waiver**

WE AND YOU IRREVOCABLY WAIVE: (I) TRIAL BY JURY IN ANY PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRING SUIT; AND (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.

#### **28.7 Limitation of Actions and Waiver of Punitive Damages**

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. You and we, for yourselves, ourselves and on behalf of the Owners respectively, hereby waive to the fullest extent permitted by applicable law, any right to, or claim for, punitive or exemplary damages against the other, and agree that except to the extent provided to the contrary in this Franchise Agreement, in the event of a dispute you and we shall each be limited to recovering only the actual damages proven to be sustained any legal action of any kind.

#### **28.8 Confidentiality**

Except as required by applicable law, including the required disclosure in our franchise disclosure document, the entire mediation, arbitration or litigation 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.

#### **28.9 Acknowledgment**

The parties acknowledge that nothing herein shall delay or otherwise limit our Termination Rights A notice or request for arbitration or mediation will have no effect on the status of any demand for performance or notice of termination under this Franchise Agreement.

#### **28.10 Survival**

We and you agree that the provisions of this Section shall apply during the Term of this Franchise Agreement and following the termination, expiration, Transfer or non-renewal of this Franchise Agreement. You agree to fully perform all obligations under this Franchise Agreement during the entire mediation, arbitration or litigation process.

### **29. SECURITY INTEREST**

You grant to us a security interest (“Security Interest”) in all of the furniture, fixtures, equipment, signage and real estate (including your interests under all real property and personal property leases and all improvements to real estate) of the Art of Drawers Business, together with all similar property now owned or hereafter acquired, including additions, substitutions, replacements, proceeds and products thereof, wherever located, used in connection with the Art of Drawers Business.

You are prohibited from granting a security interest in the Art of Drawers Business or in any of your assets without our prior written consent, which shall not be unreasonably withheld. We may take a subordinate position in the security interest if a Small Business Administration-participating or third-party lender requires a first or senior lien, and the appropriate subordination documentation is executed by all parties. This security interest shall be security for any and all Royalties, damages, expenses or other sums owed to us hereunder and for any other amounts you owe to us. You agree to execute any documents, including but not limited to, a UCC-1 (or replacements or extensions for the UCC-1) that we reasonably believe to be necessary to perfect said security interest prior to the opening of the Art of Drawers Business, and hereby appoint us as its attorney-in-fact for the purpose of executing such documents should you fail



to do so. Except with respect to your sales of inventory in the ordinary course of business, you shall not sell, transfer, lease, sublease, assign, remove, waste, destroy, encumber or relocate any of the property described herein as subject to our security interest. Further, you shall take no other action which interferes with our security interest in said property, unless and until we release our security interest in the same.

## **30. GENERAL PROVISIONS**

### **30.1 Governing Law**

Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Franchise Agreement and the franchise relationship shall be governed by the laws of the State Georgia (without reference to its principles of conflicts of law), but any law of that State that regulate the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

### **30.2 Relationship of the Parties**

You understand that you are an independent contractor and are not authorized to make any contract, agreement, warranty or representation or create any obligation on our behalf under this Franchise Agreement. You understand and agree that nothing in this Franchise Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Art of Drawers Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Franchise Agreement. You further agree that fulfillment of any and all of our obligations written in the Franchise 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.

### **30.3 Severability and Substitution**

Each section, subsection, term and provision of this Franchise Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Franchise Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of this Franchise Agreement. If a court concludes that any promise or covenant in this Franchise Agreement is unreasonable and unenforceable, including without limitation, the Brand Covenants: (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable; or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable and consistent with the original intent of the parties (i.e., to provide maximum protection for us and to effectuate your obligations under the Franchise Agreement to the fullest extent permitted by law), and you agree to be bound by the modified provisions.





#### 30.4 Waivers

We and you may, by written instrument, unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall apply only to the specifically waived provisions and shall not affect any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Franchise Agreement (including the right to demand exact compliance with every term, condition and covenant in this Franchise Agreement, or to declare any breach of this Franchise Agreement to be a default, and to terminate the Franchise Agreement before the expiration of its Term) by virtue of: (i) any custom or practice of the parties that varies with the terms of this Franchise Agreement; (ii) any failure, refusal or neglect of us or you to exercise any right under this Franchise Agreement or to insist upon exact compliance by the other with its obligations under this Franchise Agreement, including any mandatory specification, standard or operating procedure; (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other Art of Drawers franchisees; or (iv) the acceptance by us of any payments due from you after breach of this Franchise Agreement.

#### 30.5 Approvals

Whenever this Franchise Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Franchise Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have denied your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. Except where this Franchise Agreement states that we may not unreasonably withhold our approval or consent, we may withhold such approval or consent, in our sole discretion. You are not entitled to any other relief or damages for our denial of approval.

#### 30.6 Force Majeure

No party shall be liable for any loss or damage that arises directly or indirectly through or as a result of any failure or delay in the fulfilment its obligations in whole or in part (other than the payment of money as may be owed by a party) under this Franchise 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 each party, respectively, is prevented or delayed in performing its obligations during the period of Force Majeure. As used in this Franchise 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 event to the other party, which in no case shall be more than 48 hours after the event, and provide them with the information regarding the nature of the event and its estimated duration. The affected party will provide the other party with periodic reports regarding the status and 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 Franchise Agreement.

Upon completion of a Force Majeure event, the party affected must as soon as reasonably practicable recommence the performance of its obligations under this Franchise 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 to the extent reasonable under the circumstances. However, in the event the Force Majeure continues for a period of six months or more, then the unaffected party may, at its option,



terminate this Franchise Agreement by thirty (30) days prior written notice to the party asserting such Force Majeure. 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 Franchise Agreement or to indemnify us, whether such obligation arose before or after the Force Majeure event. An event of Force Majeure shall not affect your obligations to comply with any restrictive covenants in this Franchise Agreement during or after the Force Majeure event.

### **30.7 Delegation**

We have the right in our sole and absolute discretion to delegate to third party designees, whether these designees are our agents or independent contractors with whom we have contracted the performance of any portion or all of our obligations under this Franchise Agreement, and any right that we have under this Franchise Agreement. If we do so, such third-party designees will be obligated to perform the delegated functions for you in compliance with this Franchise Agreement.

### **30.8 Binding Effect**

This Franchise Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Franchise Agreement is binding upon the parties to this Franchise Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Franchise Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Franchise Agreement; provided, however, that the Additional Insureds and the Indemnified Parties are intended third party beneficiaries under this Franchise Agreement with respect to indemnification obligations of the franchisee.

### **30.9 Integration**

This Franchise Agreement constitutes the entire agreement between the parties and may not be changed except by a written document signed by both parties. Any email correspondence or other form of informal electronic communication shall not be deemed to modify this Franchise Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Franchise Agreement. The attachment(s) are part of this Franchise Agreement, which, together with any amendments or addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Franchise Agreement. As referenced above, all mandatory provisions of the Franchise Operations Manual are part of this Franchise Agreement; however, notwithstanding the foregoing, we may modify the Franchise Operations Manual at any time. No provision herein expressly identifying any term or breach of this Franchise Agreement as material shall be construed to imply that any other term or breach which is not so identified is not material.

Any representations made before entering into this Franchise Agreement are not enforceable unless they are specifically contained in this Franchise Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, and serves to show that there is no intention to enter into contract relations other than the terms contained in this Franchise Agreement. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Franchise Agreement, would affect the economic terms of this bargain. Nothing in this Franchise Agreement is intended to disclaim any of the representations we made in the franchise disclosure document.



### **30.10 Covenant of Good Faith**

If applicable law implies a covenant of good faith and fair dealing in this Franchise 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 Franchise Agreement. Additionally, if applicable law shall imply the covenant, you agree that: (i) this Franchise Agreement (and the relationship of the parties that is inherent in this Franchise 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 Franchise Agreement that may favorably or adversely affect your interests; (ii) we will use our judgment in exercising that discretion based on our general assessment of our own interests and balancing those interests against the general interests of our franchisees (including ourselves and our affiliates if applicable), and not based on your or any other franchisee's specific individual interests; (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.

### **30.11 Cumulative Rights**

The rights of the parties under this Franchise Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Franchise Agreement will preclude any other right or remedy available under this Franchise Agreement or by law.

### **30.12 Survival**

All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Franchise Agreement (or the Transfer of an ownership interest in the Art of Drawers Business) will continue in full force and effect, even after the termination, expiration or Transfer of the Franchise Agreement, until they are fully satisfied or expire by their own terms.

### **30.13 Construction**

The headings in this Franchise Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Franchise Agreement unless otherwise specified. All references to days in this Franchise Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Franchise Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other, the feminine and the possessive.

### **30.14 Time is of the Essence**

Time is of the essence in this Franchise Agreement and every term thereof.

### **30.15 Notice**

All notices given under this Franchise Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient), or certified mail or delivered by a recognized courier service, receipt acknowledged, to the following addresses (which may be changed upon ten business days' prior written notice):



You: As set forth on Attachment A (“Franchisee Notice Address”)

Us: 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067

Notice shall be considered given at the time delivered by hand, or one business day after sending by a reputable overnight delivery service, email or comparable electronic system, or three business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested.

(Signature Page Follows)



The parties to this Franchise Agreement have executed this Franchise Agreement effective as of the Effective Date set forth in Attachment A.

**FRANCHISOR:**

**Art of Drawers Franchise Systems, LLC**

a Georgia limited liability company

**FRANCHISEE:**

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

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

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

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

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

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

Or if Franchisee is an individual(s)

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

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

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



**ATTACHMENT A TO THE ART OF DRAWERS FRANCHISE AGREEMENT**

**FRANCHISE DATA SHEET**

1. **Effective Date.** The Effective Date of the Franchise Agreement is: \_\_\_\_\_, 20\_\_\_\_.
2. **Franchisee.** The franchisee identified in the introductory paragraph of the Franchise Agreement is:  
\_\_\_\_\_
3. **Notice Address.** Franchisee Notice Address is:

Attn: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. **Initial Franchise Fee.** The “Initial Franchise Fee” is: (check one):
- \_\_\_\_\_ \$60,000 for a single Franchise.
- \_\_\_\_\_ \$55,000 You or your spouse is an honorably discharged veteran of the United States armed forces.
- \_\_\_\_\_ Not applicable; this Franchise Agreement is signed as a Successor Franchise Agreement or as a result of a Transfer.
- \_\_\_\_\_ See Multi-Franchise Addendum.

5. **Territory:** (check one)
- \_\_\_\_\_ You and we have mutually agreed upon a Territory indicated below. You acknowledge that the Territory is in conformance with the territory guidelines stated in Item 12 of the Franchise Disclosure Document.

*(Signature Page Follows)*



**FRANCHISOR:**

**Art of Drawers Franchise Systems, LLC**

a Georgia limited liability company

**FRANCHISEE:**

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

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

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

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

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

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

Or if Franchisee is an individual(s)

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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



**ATTACHMENT B TO THE ART OF DRAWERS FRANCHISE AGREEMENT**  
**STATEMENT OF OWNERSHIP**

Franchisee: \_\_\_\_\_

**Form of Ownership  
(Check One)**

\_\_\_\_ Individual(s) \_\_\_\_ Partnership \_\_\_\_ Corporation \_\_\_\_ Limited Liability Company

**INSTRUCTIONS:** If the franchisee is an individual (or individuals), please complete section I below only. If the franchisee is a business entity, please complete sections II and III below.

**SECTION I (For Individual(s)\*):**

Name	Address

\*If you plan to operate your Art of Drawers Business through a business entity in the future, you will need to notify us, transfer this Franchise Agreement to the Entity, and sign all of our transfer documents.

**SECTION II (For Entities):**

**A. State and date of Formation/Incorporation:** \_\_\_\_\_

**B. Management (managers, officers, board of directors, etc.):**

Name	Title

**C. Owners (Members, Stockholders, Partners)\*\*:**

Please include each person or entity who is a direct and indirect owner of franchisee (attach additional sheets if necessary). If any of the owners are also business entities, please list the entities and owners of each of those business entities also.





Name	Address	Percentage Owned

\*\*If any members, stockholders or partners are entities, please list the entities and owners of such entities up through the individuals.

**SECTION III (For Entities):**

- A. Identification of Responsible Owner.** Your Responsible Owner is \_\_\_\_\_.  
You may not change the Responsible Owner without prior written approval.
  
- B. Identification of Franchise Manager.** Your Franchise Manager, if applicable, is \_\_\_\_\_.  
\_\_\_\_\_. You may not change the Franchise Manager without prior written approval.

This form is current and complete as of \_\_\_\_\_, 20\_\_.

**FRANCHISEE:**

\_\_\_\_\_  
a(n) \_\_\_\_\_

Date: \_\_\_\_\_

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

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

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



**ATTACHMENT C TO THE ART OF DRAWERS FRANCHISE AGREEMENT**  
**FRANCHISE OWNER AGREEMENT**

As a condition to the granting by Art of Drawers Franchise Systems, LLC (“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, as well as their respective spouses, covenant and agree to be bound by this Owners Agreement (“Franchise Owner 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 Franchise Owner Agreement will have the same meanings ascribed to them in the Franchise Agreement.

1.2 Owners’ Role. Owners are the beneficial owners or spouses of 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 Franchise Owner 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 Franchise Owner 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 an Art of Drawers Business. The provisions of the Franchise Agreement governing Franchisee’s non-disclosure obligations relating to our Confidential Information are hereby incorporated into this Franchise Owner Agreement by reference, and Owners agree to comply with each obligation as though fully set forth in this Franchise Owner Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Franchise Owner 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 Franchise Owner 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, termination or transfer of the Franchise Agreement are hereby incorporated into this Franchise Owner Agreement by reference, and Owners agree to comply with and perform each such covenant as though fully set forth in this Franchise Owner Agreement as a direct and primary obligation of Owners. Further, we may seek the same remedies against Owners under this Franchise Owner 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 Franchise Owner 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 remain bound to the maximum extent permitted by law, as if that 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 Franchise Owner 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.

#### **4. Continuing 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: (i) Franchisee's failure to pay the amounts owed (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 (ii) 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 are not obligated to exhaust all remedy (whether legal or equitable) against or pursue relief from the Franchisee, before proceeding to enforce the obligations of the Owners as guarantors under this Franchise Owner Agreement. The enforcement of Owners' obligations can take place before, after, or simultaneously with the enforcement of any of the 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: (a) 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) the transfer or assignment of all or a portion of the ownership in Franchisee and/or the assets of Franchisee; (vi) the execution of an owners agreement or any other form of guaranty by any direct, indirect or beneficial owner of Franchisee in favor of us or our successors or assigns; (vii) any statute of limitations affecting the liability of Owners or the ability of us to enforce this Franchise Owner Agreement or the obligations; (viii) 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; or (ix) the expiration, termination or assignment of the Franchise Agreement or any other agreement between you or Franchisee and us or our affiliates.

**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 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. Owners acknowledge and agree that attempting to Transfer an interest in the Franchisee without our express written consent, except those situations provided in the Franchise Agreement where our consent is not required, will be a breach of this Franchise Owner Agreement and the Franchise Agreement. We may, from time to time, without notice to Owners, assign or transfer any or all of Owners' rights, duties and obligations or any interest therein in this Owners Agreement and, notwithstanding any assignment(s) or transfer(s), the rights, duties and obligations shall be and remain for the purpose of this Owners Agreement. Each and every immediate and successive assignee or transferee of any of the rights, duties or obligations of any interest therein shall, to the extent of such party's interest in the rights duties and/or obligations, be entitled to the benefits of this Owners Agreement to the same extent as if such assignee or transferee were us.

**6. Notices.**

6.1 Method of Notice. Any notices given under this Franchise Owner 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 Franchise Owner Agreement is:

Art of Drawers Franchise Systems, LLC  
1395 South Marietta Pkwy SE Bldg. 900, Suite 904  
Marietta, Georgia 30067



The current address of each Owner for all communications under this Franchise Owner Agreement is designated on the signature page of this Franchise Owner 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 Franchise Owner Agreement.**

7.1 Dispute Resolution. Any claim or dispute arising out of or relating to this Franchise Owner 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 Franchise Owner Agreement.

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

7.3 Equitable Remedies. Owners acknowledge and agree that the covenants and obligations of the Owners relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations will cause us irreparable injury for which adequate remedies are not available at law. Therefore, Owners agree that we shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) as a court of competent jurisdiction may deem necessary or appropriate to restrain Owners from committing any violation of the covenants and obligations contained in this Franchise Owner Agreement. If equitable relief is granted, Owners' only remedy will be the court's dissolution of the injunctive relief. If equitable 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 Franchise Owner 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 Franchise Owner Agreement, other than those in this Franchise Owner Agreement. No other obligations, restrictions, or duties that contradict or are inconsistent with the express terms of this Franchise Owner Agreement may be implied into this Franchise Owner Agreement. Except for unilateral reduction of the scope of the covenants permitted in Section 3.3 (or as otherwise expressly provided in this Franchise Owner Agreement), no amendment, change, or variance from this Franchise Owner 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 Franchise Owner Agreement, and any portions thereof, will be considered severable. If any provision of this Franchise Owner 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 Franchise Owner 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 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 to the fullest extent permitted by law), and the parties agree to be bound by the modified provisions.



8.3 No Third Party Beneficiaries. Nothing in this Franchise Owner 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 Franchise Owner Agreement.

8.4 Construction. Any term defined in the Franchise Agreement which is not defined in this Franchise Owner Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Franchise Owner Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Franchise Owner 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 Franchise Owner Agreement may be executed in counterparts, and each copy so executed and delivered will be deemed an original. This Franchise Owner Agreement is binding on the parties and their respective heirs, executors, administrators, personal representatives, successors, and (permitted) assigns.

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

8.7 Nonwaiver. Our failure to insist upon strict compliance with any provision of this Franchise Owner 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 Franchise Owner Agreement shall be cumulative.

8.8 No Personal Liability. Owners agree that fulfillment of any and all of our obligations written in the Franchise Agreement or this Franchise Owner 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 Owners for any reason.

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

**IN WITNESS WHEREOF**, the parties have entered into this Franchise Owner Agreement as of the Effective Date of the Franchise Agreement.



**OWNER(S):**

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

Printed Name: [Insert Name of Owner]

Address:

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

Printed Name: [Insert Name of Owner]

Address:

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

Printed Name: [Insert Name of Owner]

Address:

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

Printed Name: [Insert Name of Owner]

Address:

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

Printed Name: [Insert Name of Spouse]

Address:

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

Printed Name: [Insert Name of Spouse]

Address:

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

Printed Name: [Insert Name of Spouse]

Address:

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

Printed Name: [Insert Name of Spouse]

Address:



**EXHIBIT D**

**LIST OF CURRENT AND FORMER FRANCHISEES**





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

None

**Current Franchisees as of the Issuance Date:**

Last Name	First Name	City	State	Phone	Email
McBrayer	Kim	Birmingham and Gulf Shores	AL	205-368-2425	kmcbrayer@artofdrawers.com
Maroney	Chris	Southern Connecticut and Westchester, NY	CT and NY	203-249-4029	cmaroney@artofdrawers.com
Gross	Brian	Tampa	FL	573-701-6530	bgross@artofdrawers.com
Dickson	Amy and Dennis	North Atlanta	GA	678-977-4437 and 404-732-4440	adickson@artofdrawers.com and ddickson@artofdrawers.com
Langone	Danielle	Portland	OR	503-320-4761	dlangone@artofdrawers.com
Lyons	Jennifer and Tyler	Dallas	TX	972-467-4722 and 806-928-1282	jlyons@artofdrawers.com and tlyons@bsbdgroup.com

**Franchisees with Unopened Outlets as of December 31, 2023:**

Last Name	First Name	City	State	Phone	Email
McBrayer*	Kim	Birmingham and Gulf Shores	AL	205-368-2425	kmcbrayer@artofdrawers.com
Maroney*	Chris	Southern Connecticut and Westchester, NY	CT	203-249-4029	cmaroney@artofdrawers.com
Gross*	Brian	Tampa	FL	573-701-6530	bgross@artofdrawers.com
Lyons*	Jennifer	Dallas	TX	972-467-4722	jlyons@artofdrawers.com

\*These Franchisees currently operate Art of Drawers Businesses.

**Franchisees with Unopened Outlets as of the Issuance Date:**

Last Name	First Name	City	State	Phone	Email
Peebles	Jessie and Ryan	Kansas City, KS and Kansas City, MO	KS and MO	913-579-5210 and 217-433-1675	jpeebles@artofdrawers.com and rpeebles@artofdrawers.com
Pritzel	Eric	Detroit	MI	248-835-6493	Eric.pritzl@gmail.com



**Former Franchisees:**

The name and last known address of every franchisee who had an Art of Drawers 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 to December 31, 2023, 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.

None



**EXHIBIT E**

**FRANCHISE OPERATIONS MANUAL**  
**TABLE OF CONTENTS**

Section	Number of Pages
Company Overview and Values	5
Office and Warehouse Procedures	42
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**EXHIBIT F**  
**STATE ADDENDA**  
**AND AGREEMENT RIDERS**



## STATE ADDENDA AND AGREEMENT RIDERS

### ADDENDUM TO FRANCHISE AGREEMENT, SUPPLEMENTAL AGREEMENTS, AND FRANCHISE DISCLOSURE DOCUMENT FOR CERTAIN STATES FOR Art of Drawers Franchise Systems, LLC

The following modifications are made to the Art of Drawers Franchise Systems, LLC (“**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 Georgia. 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.

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 Franchisor’s Choice of Law State. 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 restricting venue to a forum outside the State of California. The Franchise Agreement contains a mediation provision. 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 requires the application of the law of Franchisor’s Choice of Law State. 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 contains a provision that is inconsistent with the California Franchise Investment Law, the California Franchise Investment Law will control.

The Franchise Agreement 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 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). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

Any interest rate charged to a California franchisee shall comply with the California Constitution. The interest rate shall not exceed either (a) 10% annually or (b) 5% annually plus the prevailing interest rate charged to banks by the Federal Reserve Bank of San Francisco, whichever is higher.

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).

The Franchise Disclosure Document and Franchise Agreement are revised to state: 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 DAYS PRIOR TO THE EXECUTION BY YOU OR SUBFRANCHISOR OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN 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 in Exhibit I 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 years after the act or transaction constituting the violation upon which it is based, the expiration of one 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 F 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 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 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 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 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 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 Art of Drawers Franchise Systems, LLC, 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067 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.”

Representations in the Franchise Agreement 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.

Item 17 of the FDD and sections of the Franchise Agreement are amended to state that you 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 years after the grant of the Franchise.



The Franchise Agreement and Franchise Disclosure Questionnaire are amended to state that 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.).

Items 5 and 7 of the FDD are hereby revised to state franchisees in Maryland will not be permitted to purchase a single franchises and only multi-territory opportunities will be offered.

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.

#### Fee Deferral

Item 5 and Item 7 of the FDD, and the Franchise Agreement are amended to state: Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owned by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement. In addition, all initial franchise fees and initial payments by area developers shall be deferred until the first franchise under the multi-franchise addendum opens.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
FRANCHISOR

\_\_\_\_\_  
FRANCHISEE

#### 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 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 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 I.

(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 (i) good cause for termination and except in certain specified cases that you be given 90 days' notice of termination (with 60 days to cure),



and (ii) 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 years after the cause of action accrues. To the extent that the Franchise Agreement conflicts with Minnesota law, Minnesota law will prevail.
9. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.
10. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.
11. NSF checks and related interest and attorneys' fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.
12. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
13. Fee Deferral: Items 5 and 7 of the FDD, and the Franchise Agreement are amended to state: Payment of the initial franchise fees shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced doing business.



## 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 section 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 18 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 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 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 Art of Drawers Franchise Systems, LLC, 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067 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.

**Fee Deferral**

Item 5 and 7 of the Franchise Disclosure Document and the Franchise Agreement are hereby amended to state that the Initial Franchise Fee will be deferred until the Franchisor has completed all of its pre-opening obligations and the franchise is open for business. The following language will be added to the franchise agreement:

ART OF DRAWERS FRANCHISE SYSTEMS, LLC  
ACKNOWLEDGEMENT OF DEFERRAL OF INITIAL FRANCHISE FEE



\_\_\_\_\_ (“Franchisee”) entered into a Franchise Agreement with Art of Drawers Franchise Systems, LLC (“Franchisor”) on \_\_\_\_\_, 20\_\_ for the operation of an Art of Drawers franchise in South Dakota. As a condition for Franchisor’s registration to offer franchises for sale in South Dakota, the South Dakota Department of Labor and Regulation, based on Franchisor’s financial condition, required Franchisor to defer the initial franchise fee for the purchase of such franchise until Franchisor has fulfilled all of its initial obligations under the Franchise Agreement and Franchisee has commenced doing business. This is an acknowledgement that such initial franchise fee has been deferred by Franchisor until such time.

**FRANCHISOR:**

**ART OF DRAWERS FRANCHISE SYSTEMS, LLC**  
a Georgia limited liability company

Date: \_\_\_\_\_

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

**FRANCHISEE:**

\_\_\_\_\_

Date: \_\_\_\_\_

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

**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 Art of Drawers Franchise Systems, LLC 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.

The following risk factor is added to the “Special Risks About *This Franchise*” page in the FDD:



**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$120,035 to \$162,185. This amount exceeds the franchisor's stockholder's equity as of June 2, 2023, which is \$57,912.

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 will prevail.

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

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

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

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

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



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

A liquidated damages provision in a Franchise Agreement may be construed as a penalty under Washington law if the amount is found to bear no reasonable relation to actual damages. As a result, the liquidated damages provision in Item 6 of the FDD and the Franchise Agreement may be unenforceable in Washington.

To be consistent with RCW 19.100.180, Item 17(o) of the FDD and Section 27 of the Franchise Agreement are amended to state the franchisor shall purchase from the franchisee the relevant assets upon expiration and termination with good cause at their fair market value at the time of expiration or termination, with such amounts permitted to be offset by any amounts owed by the franchisee to the franchisor.

Section 7.1 of the Franchise Agreement does not waive any claim that may arise under the Franchise Investment Protection Act of Washington.

Section 22.1 of the Franchise Agreement is revised to state that the franchisee will not indemnify the franchisor parties for the franchisor parties' gross negligence or willful misconduct.

The general release included in Sections 5.2.4 and 16.3.8 of the Franchise Agreement do not apply to claims arising under the Franchise Investment Protection Act, chapter 19.100 RCW, or any rule or order adopted thereunder, in accordance with RCW 19.100.220(2).

RCW 19.100.180 provides that the franchisor deals with the franchisee in good faith. As a result, any such provisions contained in the franchise agreement, including Section 30.10 of the Franchise Agreement or elsewhere, will not apply to Washington franchisees to the extent they contravene RCW 19.100.180.

Section 30.12 of the Franchise Agreement is revised to state: "All of our and your and your owners' obligations which expressly or by their nature survive this Franchise Agreement's expiration or termination, including those post-termination obligations set forth in this Section 30, will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or expire by their nature.

Section 8.8 of the Owner Agreement contained in the Franchise Agreement does not apply to Washington franchisees to the extent it contravenes RCW 19.100.220(2) or RCW 19.100.180(2)(g).

Section 8.9 of the Owner Agreement contained in the Franchise Agreement is revised to state: "In the event of any discrepancy between this Franchise Owner Agreement and the Franchise Agreement, this Franchise Owner Agreement shall control. Notwithstanding the foregoing, we are not expressly aware of any such discrepancies as of the effective date of this Franchise Owner Agreement.

Section 7 of the System Protection Agreement and Section 5 of the Confidentiality Agreement state franchisee agrees to waive any right to challenge the terms of the brand covenants as being overly broad, unreasonable or otherwise unenforceable. These provisions do not apply to Washington franchisees to the extent they contravene RCW 19.100.220(2) and RCW 111.180(2)(g).



Section 7 of the Approval of Requested Assignment contained in Exhibit G-5 of the FDD states: “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.” This provision does not apply to Washington franchisees to the extent it contravenes RCW 19.100.

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.

### Fee Deferral

Items 5 and 7 of the FDD and the Franchise Agreement are amended to state that franchisor will defer collection of the initial franchise fee until franchisor has fulfilled its pre-opening obligations to the franchisee and the franchise is open for business.

### 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.

- California
- Hawaii
- Illinois
- Iowa
- Indiana
- Maryland

- Michigan
- Minnesota
- New York
- North Dakota
- Ohio

- Rhode Island
- South Dakota
- Virginia
- Washington
- Wisconsin

Dated: \_\_\_\_\_, 20\_\_\_\_

**FRANCHISOR:**

ART OF DRAWERS FRANCHISE SYSTEMS, LLC

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

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

**FRANCHISEE:**

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

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

Rev. 071823





## **EXHIBIT G**

### **CONTRACTS FOR USE WITH THE ART OF DRAWERS 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 Art of Drawers Business. The following are the forms of contracts that Art of Drawers Franchise Systems, LLC 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**

**ART OF DRAWERS 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 Art of Drawers Franchise Systems, LLC, a Georgia limited liability company (“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 an Art of Drawers 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.

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 Georgia.

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.

*(Signatures on following page)*



**IN WITNESS WHEREOF**, Releasor has executed this Release as of the date first written above.

**FRANCHISEE:**

\_\_\_\_\_, a  
\_\_\_\_\_

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

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

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

**FRANCHISEE'S OWNERS:**

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 092122



## EXHIBIT G-2

### ART OF DRAWERS FRANCHISE

#### SAMPLE SYSTEM PROTECTION AGREEMENT

This System Protection Agreement (“SP Agreement”) is entered into by the undersigned (“you” or “your”) in favor of Art of Drawers Franchise Systems, LLC, a Georgia limited liability company, and its successors and assigns (“us,” “we,” or “our”), upon the terms and conditions set forth in this SP Agreement.

1. **Definitions.** For purposes of this SP 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 an Art of Drawers 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 an Art of Drawers business or the solicitation or offer of an Art of Drawers franchise, whether now in existence or created in the future.

“*Franchisee*” means the Art of Drawers 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 an Art of Drawers 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 an Art of Drawers business, which may be periodically modified by us.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an Art of Drawers business, including “Art of Drawers ,” and any other trademarks, service marks, or trade names that we designate for use by an Art of Drawers business. The term “Marks” also includes any distinctive trade dress used to identify an Art of Drawers 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 Art of Drawers 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 Art of Drawers business.

“*Restricted Territory*” means the geographic area within: (i) a 25-mile radius from Franchisee’s Art of Drawers business; and (ii) a 25-mile radius from all other Art of Drawers 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 12-mile radius from Franchisee’s Art of Drawers business (and including the premises of the approved location of Franchisee).

“*System*” means our system for the establishment, development, operation, and management of an Art of Drawers 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 SP 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 Art of Drawers 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 Art of Drawers 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 SP 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 Art of Drawers 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 SP 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 SP 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 SP 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 SP Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SP AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**8. Breach.** You agree that failure to comply with the terms of this SP Agreement will cause substantial and irreparable damage to us and/or other Art of Drawers franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this SP 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 SP Agreement are exclusive of any other, but may be combined with others under this SP 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 SP Agreement.

**9. Miscellaneous.**

a. If we pursue legal remedies against you because you have breached this SP Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

b. This SP Agreement will be governed by, construed, and enforced under the laws of Georgia, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this SP Agreement.

c. Each section of this SP Agreement, including each subsection and portion thereof, is severable. If any section, subsection, or portion of this SP Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this SP Agreement agrees that the court may impose such limitations on the terms of this SP 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 SP Agreement are reasonable in terms of scope, duration, and geographic area. However, we may at any time unilaterally modify the terms of this SP 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 SP Agreement to ensure that the terms and covenants in this SP Agreement are enforceable under applicable law.



EXECUTED on the date stated below.

Date \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Typed or Printed Name

Rev. 120619





## EXHIBIT G-3

### ART OF DRAWERS FRANCHISE

#### SAMPLE CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (“Confidentiality Agreement”) is entered into by the undersigned (“you”) in favor of Art of Drawers Franchise Systems, LLC, a Georgia limited liability company, and its successors and assigns (“us”), upon the terms and conditions set forth in this Confidentiality Agreement.

**1. Definitions.** For purposes of this Confidentiality Agreement, the following terms have the meanings given to them below:

“*Art of Drawers Business*” means a business that provides design and installation services to retrofit cabinets, pantries, closets, garages and other areas and other related products and services using our Intellectual Property.

“*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 Art of Drawers franchisees to use, sell, or display in connection with the marketing and/or operation of an Art of Drawers Business, whether now in existence or created in the future.

“*Franchisee*” means the Art of Drawers 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 an Art of Drawers 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 an Art of Drawers Business.

“*Marks*” means the logotypes, service marks, and trademarks now or hereafter involved in the operation of an Art of Drawers Business, including “Art of Drawers” and any other trademarks, service marks, or trade names that we designate for use by an Art of Drawers Business. The term “Marks” also includes any distinctive trade dress used to identify an Art of Drawers Business, whether now in existence or hereafter created.

“*System*” means our system for the establishment, development, operation, and management of an Art of Drawers 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 Confidentiality Agreement. In order to avoid such damage, you agree to comply with this Confidentiality 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



Art of Drawers 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 Art of Drawers Franchise Systems, LLC. 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 Confidentiality 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 Confidentiality 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 Confidentiality 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 Confidentiality Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS CONFIDENTIALITY AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE, OR OTHERWISE UNENFORCEABLE.**

**6. Breach.** You agree that failure to comply with this Confidentiality Agreement will cause substantial and irreparable damage to us and/or other Art of Drawers franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of this Confidentiality 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 Confidentiality Agreement are exclusive of any other but may be combined with others under this Confidentiality 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 Confidentiality Agreement.

**7. Miscellaneous.**

a. Although this Confidentiality Agreement is entered into in favor of Art of Drawers Franchise Systems, LLC, 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 Confidentiality Agreement and prevail against you, you agree to pay our reasonable attorney fees and costs in doing so.

c. This Confidentiality Agreement will be governed by, construed, and enforced under the laws of Georgia, and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Confidentiality Agreement.

d. Each section of this Confidentiality Agreement, including each subsection and portion, is severable. If any section, subsection, or portion of this Confidentiality Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection, or portion; and each party to this Confidentiality Agreement agrees that the court may impose such limitations on the terms of this Confidentiality 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 Art of Drawers Franchise Systems, LLC (“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: \_\_\_\_\_

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

Its: \_\_\_\_\_

Federal Tax ID Number: \_\_\_\_\_

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**NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT.**



**EXHIBIT G-5**

**ART OF DRAWERS FRANCHISE**

**SAMPLE APPROVAL OF REQUESTED ASSIGNMENT**

This Approval of Requested Assignment ("Approval Agreement") is entered into on \_\_\_\_\_, 20\_\_\_\_, between Art of Drawers Franchise Systems, LLC ("Franchisor"), a Georgia limited liability company, \_\_\_\_\_ ("Former Franchisee"), the undersigned owners of Former Franchisee ("**Owners**") and \_\_\_\_\_, ("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 an Art of Drawers 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 Approval 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 Approval Agreement, and conditioned upon New Franchisee's signing the New Franchise Agreement pursuant to Section 5 of this Approval 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 Approval 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 Approval 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 Approval 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 an Art of Drawers 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 Approval 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 approving the 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 Approval Agreement shall be in writing, and if delivered by hand, or transmitted by U.S. certified mail, return receipt requested, postage prepaid, or via telegram or telefax, shall be deemed to have been given on the date so delivered or transmitted, if sent to the recipient at its address or telefax number 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 Approval Agreement, including any and all actions that may be required or contemplated by the Former Franchise Agreement.

11. Affiliates. When used in this Approval Agreement, the term "Affiliates" has the meaning as given in Rule 144 under the Securities Act of 1933.

12. Miscellaneous. This Approval Agreement may not be changed or modified except in a writing signed by all of the parties hereto. This Approval 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 Approval Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13. Governing Law. This Approval Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Georgia.



**IN WITNESS WHEREOF**, the parties have executed this Approval Agreement under seal, with the intent that this be a sealed instrument, as of the day and year first above written.

**FRANCHISOR:**

Art of Drawers Franchise Systems, LLC

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FORMER FRANCHISEE:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**NEW FRANCHISEE:**

\_\_\_\_\_  
By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Rev. 031821



**EXHIBIT G-6**

**ART OF DRAWERS FRANCHISE**

**MULTI-FRANCHISE ADDENDUM TO FRANCHISE AGREEMENT**

THIS ADDENDUM (the “Addendum”) is entered into and made effective as of the date set forth on the signature page hereof, by and between Art of Drawers Franchise Systems, LLC (“Franchisor”) and the franchisee named on the signature page of this Addendum (“Franchisee”). This Addendum relates to that certain Art of Drawers franchise agreement dated \_\_\_\_\_, 20\_\_ (“Franchise Agreement”) and supplements the terms of the Franchise Agreement in relation to the opening of additional Art of Drawers franchises. All capitalized terms not otherwise defined in this Addendum shall have the meaning set forth in the Franchise Agreement. To the extent this Addendum conflicts with the terms of the Franchise Agreement, the terms of this Addendum shall control.

1. **Initial Franchise Fee.** Franchisee has paid the initial franchise fee listed in Section 2 of this Addendum. The initial franchise fee is fully earned immediately upon receipt and non-refundable, regardless of whether Franchisee opens any additional Art of Drawers franchises.
2. **Type of Franchise.** Franchisee has purchased the franchise listed in the chart below, which allows Franchisee to open a certain number of additional Art of Drawers franchises at a later date (“Additional Franchises”) without paying an initial franchise fee.

Applicable Number of Art of Drawers Businesses (check one)	Number of Art of Drawers Business	Development Fee per Art of Drawers Business	Total Initial Franchise Fee
	1	\$60,000	\$60,000
	2	\$55,000	\$110,000
	3	\$45,000	\$135,000
	4	\$45,000	\$180,000
	5	\$45,000	\$225,000
	6	\$40,000	\$240,000
	7	\$40,000	\$280,000
	8	\$40,000	\$320,000
	9	\$40,000	\$360,000
	10	\$35,000	\$350,000

3. **Franchise Agreement and Unit Riders.** Franchisee shall exercise the rights under this Addendum only by entering into a separate unit rider (“Unit Rider”) with Franchisor for each Additional Franchise. Franchisee shall sign the current form of Art of Drawers Unit Rider then being used by Franchisor for a Art of Drawers franchise for each Additional Franchise. Franchisee acknowledges that the then-current form of Unit Rider may differ from the Unit Rider found in the Franchise Agreement. Franchisee will not be required to pay a separate initial franchise fee.
4. **Limited Rights.** This Addendum does not grant Franchisee the right to franchise, license, subfranchise, or sublicense others to operate Art of Drawers Businesses. Only Franchisee (and/or Franchisee-affiliated entities Franchisor approves) may develop, open, and operate Additional





Franchises pursuant to this Addendum and Unit Riders. This Addendum only grants Franchisee the right to enter into Unit Riders to open Additional Franchises subject to the terms of the franchise agreement for such Additional Franchises. Franchisee is not granted any territorial rights or other rights except those granted under the franchise agreement pursuant to the Unit Riders for the Additional Franchises. Except for the initial franchise fee, Franchisee shall be liable for all costs and expenses incurred in opening the Additional Franchises.

5. Term. This Addendum and Franchisee’s right to open Additional Franchises shall terminate as of the date of termination or expiration of the Franchise Agreement.

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

**FRANCHISOR:**

ART OF DRAWERS FRANCHISE SYSTEMS, LLC,  
A Georgia limited liability company

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

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

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

**FRANCHISEE:**

\_\_\_\_\_  
A(n) \_\_\_\_\_

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

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

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



## EXHIBIT H

### FRANCHISE DISCLOSURE QUESTIONNAIRE

**(This questionnaire is not to be used for any franchise sale in or to residents of California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin)**

As you know, Art of Drawers Franchise Systems, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of an Art of Drawers franchise. **You cannot sign or date this questionnaire the same day as the Receipt for the Franchise Disclosure Document, but you must sign and date it the same day you sign the Franchise Agreement.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer in the table provided below.

**Do not sign this Questionnaire if you are a resident of Maryland or the franchise is to be operated in Maryland.**

1.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Agreement and each attachment or exhibit attached to it that we provided?
  
2.        Yes\_\_ No\_\_    Have you received and personally reviewed the Franchise Disclosure Document and each attachment or exhibit attached to it that we provided?
  
3.        Yes\_\_ No\_\_    Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
  
4.        Yes\_\_ No\_\_    Do you understand all the information contained in the Franchise Disclosure Document, Franchise Agreement?
  
5.        Yes\_\_ No\_\_    Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant, or other professional advisor, or have you had the opportunity for such review and chosen not to engage such professionals?
  
6.        Yes\_\_ No\_\_    Have you had the opportunity to discuss the benefits and risks of developing and operating an Art of Drawers Franchise with an existing Art of Drawers franchisee?
  
7.        Yes\_\_ No\_\_    Do you understand the risks of developing and operating an Art of Drawers Franchise?
  
8.        Yes\_\_ No\_\_    Do you understand the success or failure of your Art of Drawers Franchise will depend in large part upon your skills, abilities, and efforts, and those of the persons you employ, as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs, and other relevant factors?



9. Yes\_\_ No\_\_ Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Georgia, if not resolved informally or by mediation (subject to state law)?
10. Yes\_\_ No\_\_ Do you understand that you must satisfactorily complete the initial training program before we will allow your Art of Drawers Franchise to open or consent to a transfer of the Art of Drawers Franchise to you?
11. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating an Art of Drawers Franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
12. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and any addendum, concerning advertising, marketing, media support, marketing penetration, training, support service, or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
13. Yes\_\_ No\_\_ Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue an Art of Drawers Franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?
14. Yes\_\_ No\_\_ Do you understand that the Franchise Agreement including each attachment or exhibit to the Franchise Agreement contains the entire agreement between us and you concerning the Art of Drawers Franchise?
15. Yes\_\_ No\_\_ Do you understand that we are relying on your answers to this questionnaire to ensure that the franchise sale was made in compliance of state and federal laws?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Date \_\_\_\_\_

Date \_\_\_\_\_



EXPLANATION OF ANY NEGATIVE RESPONSES (REFER TO QUESTION NUMBER):

Question Number	Explanation of Negative Response

Rev. 071823



**EXHIBIT I**  
**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:

State	Effective Date
California	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**EXHIBIT J**

**RECEIPTS**



**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 Art of Drawers Franchise Systems, LLC 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, Art of Drawers Franchise Systems, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Art of Drawers Franchise Systems, LLC 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 Art of Drawers Franchise Systems, LLC 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, DC 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:
Allan Young, 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia 30067, (770) 800-8410

Issuance Date: April 27, 2024

I received a disclosure document issued April 27, 2024 which included the following exhibits:

- Exhibit A List of State Administrators and Agents for Service of Process
- Exhibit B Financial Statements
- Exhibit C Franchise Agreement
- Exhibit D List of Current and Former Franchisees
- Exhibit E Franchise Operations Manual Table of Contents
- Exhibit F State Addenda and Agreement Riders
- Exhibit G Contracts for use with the Art of Drawers Franchise
- Exhibit H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

_____	_____	_____
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 Art of Drawers Franchise Systems, LLC 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, Art of Drawers Franchise Systems, LLC must provide this disclosure document to you at your first personal meeting to discuss the franchise. Michigan requires Art of Drawers Franchise Systems, LLC 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 Art of Drawers Franchise Systems, LLC 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 H Franchise Disclosure Questionnaire
- Exhibit I State Effective Dates
- Exhibit J Receipt

_____	_____	_____
Date	Signature	Printed Name
_____	_____	_____
Date	Signature	Printed Name

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**Please sign this copy of the receipt, date your signature, and return it to Art of Drawers Franchise Systems, LLC, 1395 South Marietta Pkwy SE Bldg. 900, Suite 904, Marietta, Georgia, 30067.**

