

*John G. Haraldson  
Chief Legal Officer  
(859) 948-2393*

May 5, 2023

**VIA ELECTRONIC FILING**

State of Wisconsin  
Department of Financial Institutions  
Division of Securities  
4822 Madison Yards Way, North Tower  
Madison, WI 53705

Re: A1 Kitchen & Bath Franchising, LLC (the "Franchisor")  
Annual Registration of Sale of Franchises

Dear Sir/Madam:

Attached for filing, please find a copy of the Franchise Disclosure Document in connection with the annual registration of the above-referenced Franchisor.

Payment of the filing fee in the amount of \$400 is being made electronically via corporate credit card.

Please feel free to contact me should you have any questions or comments regarding this annual registration.

Sincerely,

A1 Kitchen & Bath Franchising, LLC



John G. Haraldson  
Chief Legal Officer

JGH:sla  
Attachment

## FRANCHISE DISCLOSURE DOCUMENT



**A1 Kitchen & Bath Franchising, LLC**  
a North Carolina limited liability company  
107 Parr Drive  
Huntersville, North Carolina 28078  
Phone: (980) 443-2700  
Email: [development@thedesignery.com](mailto:development@thedesignery.com)  
Website: [www.thedesignery.com](http://www.thedesignery.com)

We offer qualified individuals and entities the right to operate a business which provides design and installation services for kitchen, bath and closet projects in new construction and renovation of both residential and commercial building under our then-current proprietary mark, which is currently “The Designery<sup>SM</sup>” (the “Franchised Business(es)”).

The total investment necessary to begin operation of a Franchised Business is between \$134,997 and \$272,447. This includes between \$60,900 and \$74,900 that must be paid to the franchisor or its affiliate(s).

We also offer qualified parties the right to enter into multiple franchise agreements simultaneously. A multi-unit addendum must be signed to operate multiple Franchised Businesses. The total investment necessary to begin operation of two (2) Franchised Businesses is between \$177,997 and \$329,447. This includes between \$97,900 and \$125,900 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of three (3) Franchised Businesses is between \$215,997 and \$381,447. This includes between \$135,900 and \$177,900 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of four (4) Franchised Businesses is between \$253,997 and \$433,447. This includes between \$173,900 and \$229,900 that must be paid to the franchisor or its affiliate(s). The total investment necessary to begin operation of five (5) Franchised Businesses is between \$281,997 and \$475,447. This includes between \$201,900 and \$271,900 that must be paid to the franchisor or its affiliate(s).

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, us or an affiliate of ours 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 to you. To discuss the availability of disclosures in different formats, contact A1 Kitchen & Bath Franchising, LLC at 107 Parr Drive, Huntersville, North Carolina 28078 or call (980) 443-2700.

The terms of your contract will govern your franchise relationship. Don’t rely on this disclosure document alone to understand your contract. Read your entire 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 29, 2023**

## 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 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 H.
<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 E 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 The Designery in my area?</b>	Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What’s it like to be a The Designery franchisee?</b>	Item 20 or Exhibit H 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 his 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 North Carolina. 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 North Carolina than in your own state.
2. **New Franchise Concept.** We do not have a proven concept for the business model we are seeking to franchise and our name and trademarks have no name recognition.
3. **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.
4. **Short Operating History.** This Franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise with a longer operating history.
5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
6. **Unregistered Trademark.** The primary trademark that you will use in your business is not federally registered. If the franchisor's right to use this trademark in your area is challenged, you may have to identify your business and its products or services with a name that differs from that used by other franchisees or the franchisor. This change can be expensive and may reduce brand recognition of the products or services you offer.
7. **Mandatory Minimum Payments.** You must make minimum monthly royalty fee 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.

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 FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY  
THE MICHIGAN FRANCHISE INVESTMENT LAW ONLY)**

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

- A. A prohibition on the right of a franchisee to join an association of franchisees.
- B. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this Act. This does not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- C. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause includes 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 6 months advance notice of franchisor's intent not to renew the franchise.
- E. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- F. A provision requiring that arbitration or litigation be conducted outside this state. This does 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 includes, 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.

J. If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor will, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations to provide real estate, improvements, equipment, inventory, certification, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

**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:

State of Michigan Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, MI 48909  
(517) 335-7567

Note: Despite paragraph F above, we intend, and we and you agree, to enforce fully the arbitration provisions of our Franchise Agreement. We believe that paragraph F is unconstitutional and cannot preclude us from enforcing these arbitration provisions.

**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**

The Franchisor is referred to in this Franchise Disclosure Document as “we,” “us” or “our.” “You” or “your” means the person who buys the franchise and includes your owners and principals if you are a corporation, limited liability company, or other business entity.

The Franchisor

We were previously a Georgia limited liability company formed on May 3, 2021. On March 11, 2022, we converted to a North Carolina limited liability company. Our principal business address is 107 Parr Drive, Huntersville, North Carolina 28078. We conduct business under our company name and our then-current proprietary marks (“Proprietary Marks”), which currently includes our primary mark: “THE DESIGNERY<sup>SM</sup>.” Our agents for service of process are listed in Exhibit A to this Franchise Disclosure Document.

We offer qualified individuals and entities the right to operate a business which provides design and installation services for kitchen, bath and closet projects in new construction and renovation of both residential and commercial properties (collectively, the “Approved Services”), under our then-current Proprietary Mark, which is currently “THE DESIGNERY<sup>SM</sup>” (the “Franchised Business”). You must also offer and sell products to your customers (the “Approved Products”) associated with the Approved Services, as we designate them. We began offering Franchised Businesses on May 15, 2021. We do not operate any THE DESIGNERY franchised businesses. However, a minority owner of Franchisor operates businesses of the type offered in this disclosure document. That business has been in operation since 2007 under different ownership and it has offered design services since 2019 under the current ownership. As of October 11, 2022, these businesses are franchisees. These businesses are referred to as “Affiliate Owned Locations” for purposes of Item 19 of this disclosure document and are listed in Item 20 as franchisees. Other than the aforementioned services, we do not engage in any other business activities and have not offered franchises in any other line of business.

The Franchised Business

Your Franchised Business will offer the Approved Products, as we designate them, and Approved Services within a defined (the “Designated Territory”). You do not need any specific prior experience in order to operate a Franchised Business.

Each Franchised Business operates according to our proprietary business system which includes our valuable know-how, information, trade secrets, methods, operations manual, standards, designs, methods of trademark usage, copyrights, sources and specifications, confidential communications, methods of Internet usage, marketing programs, and research and development (collectively, the “System”). We reserve the right to add, modify or change the System, Approved Products and Approved Services at any time.

You must secure a leased retail showroom/office facility within the Designated Territory that meets our current standards and specifications and is approved by us (the “Approved Location”). The Approved Location must include an office and retail showroom and storage space for equipment and inventory. You will need to lease approximately 500 to 1,500 square feet of commercial real estate for the Approved Location, which includes an office, retail showroom and space to securely store equipment and inventory.

We identify the System by means of certain trade names, service marks, trademarks, logos, emblems, distinctive trade dress, and indicia of origin, including, but not limited to, the mark “THE

DESIGNERY<sup>SM</sup>” and such other trade names, trademarks, and service marks as we now designate or may in the future designate in writing for use in connection with the System. We continue to develop, use and control the use of the Proprietary Marks in order to identify the source of services marketed under the Proprietary Marks and System to the public, and to represent the System’s high standards of quality, appearance and service.

You must enter into our current form of franchise agreement (each, a “Franchise Agreement”), which is attached to this Franchise Disclosure Document as Exhibit B, for each Franchised Business we grant you the right to open and operate.

### Multi-Unit Offering

We also offer qualified parties (based on level of business acumen and financial strength) the right to enter into a Multi-Unit Addendum attached to this Franchise Disclosure Document as Exhibit C (“Multi-Unit Addendum”). Subject to the terms of the Multi-Unit Addendum, you will be granted the right to execute up to five (5) Franchise Agreements to open and operate up to five (5) Franchised Businesses at once, each with their own Designated Territory that are typically contiguous to one another (“Multi-Unit Offering”). All agreements must be executed as part of the same transaction at the same time and on the same form of Franchise Agreement. Each Franchised Business will be opened and operated pursuant to its respective Franchise Agreement.

You will also need to comply with the terms and conditions set forth in our form Multi-Unit Addendum, including, but not limited to, minimum monthly royalty fees, and requirements for the vehicles, equipment and tools (which will apply to your operation of all Franchised Businesses granted as part of your Multi-Unit Offering). As part of the Multi-Unit Offering, you will be required to open at least one (1) Approved Location which may serve as a central Approved Location for all contiguous Designated Territories. You still will be required to commence soliciting customers, marketing and providing the Approved Products and Approved Services in each of the Designated Territories that are granted under the multiple Franchise Agreements you have entered into.

You will be required to sign all Franchise Agreements associated with your Multi-Unit Offering, as well as your Multi-Unit Addendum, at the same time. As of the Issuance Date of this Franchise Disclosure Document, we do not intend or expect to offer a new prospect the right to participate in a Multi-Unit offering for more than five (5) Franchised Businesses (but we reserve the right to do so). The disclosures in this Franchise Disclosure Document, however, assume that the Multi-Unit Offering will involve the purchase of up to five (5) Franchised Businesses.

### Parents, Predecessors and Affiliates

Our affiliate, DDL Investments, Inc. (d/b/a Homefront Brands or “HFB”) is a North Carolina corporation with a business address at 107 Parr Drive, Huntersville, North Carolina 28078. DDL Investments, Inc. provides certain services to us but does not provide products or services to our franchisees. DDL Investments, Inc. does not, and has not, offered or sold franchises in any line of business.

Our affiliate, A1 Kitchen and Bath, LLC, a Georgia limited liability company that has operated under the A1 Kitchen and Bath mark since 2019, which has rebranded to “The Designery” as of October 2022. This business operated under different ownership from its inception in 2007 to 2019 when it was acquired by its current owners. A1 Kitchen and Bath, LLC, which has a business address at 402 Direct Connection Drive, Rossville, Georgia 30741 operates a Franchised Business that is substantially similar to the business you will operate. A1 Kitchen and Bath, LLC does not offer any franchises in this or any other line of business and does not provide any products or services to franchisees.

Our affiliate, Top Shelf Cabinetry, LLC, a Georgia limited liability company formed on November 5, 2019, which has a business address at 402 Direct Connection Drive, Rossville, Georgia 30741 operates a Franchised Business that is substantially similar to the business you will operate at a retail location located at 165 Outlet Center Drive, Calhoun, Georgia 30701. Top Shelf Cabinetry, LLC does not offer any franchises in this or any other line of business and does not provide any products or services to franchisee.

Our affiliate, LP Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 franchises businesses under the mark “WINDOW HERO®” that provide window cleaning, pressure washing, house washing, gutter cleaning, gutter guard installation, window film installation, deck cleaning, and other services. LP Franchising, LLC began offering franchises on April 29, 2022 and its predecessor Labor Panes Franchising, Inc. began offering franchises under our proprietary mark “Labor Panes” in January 2013 in the United States. As of December 31, 2022, there were 23 Window Hero franchises operating in the United States, and 5 Window Hero franchises sold, but not yet operating in the United States..

Our affiliate, Temp Walls Franchise Management, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 franchises businesses under the mark “TEMPORARY WALL SYSTEMS®” that provide rental, installation and servicing of modular containment systems inside existing commercial buildings. Temp Wall Franchise Management, LLC began offering franchises on May 1, 2022. As of December 31, 2022, there were 8 Temporary Walls franchises operating in the United States, and 10 Temporary Walls franchises sold, but not yet operating in the United States..

Our affiliate, BiltRite Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 franchises businesses under the mark “BILTRITE®” that provide inspection services, insurance reports, meter readings, infrared scanning, and other services, including both residential and light commercial applications. BiltRite Franchising, LLC began offering franchises on August 19, 2022. As of December 31, 2022, there were 4 BiltRite affiliate-owned locations and no BiltRite franchises operating in the United States.

Our affiliate, HFB FenceCo Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 franchises businesses under the mark “TOP RAIL<sup>SM</sup>” that sell, furnish, and install wood, steel, aluminum, vinyl, and other types of fencing and related garden products for residential and commercial customers. HFB FenceCo Franchising, LLC began offering franchises on October 26, 2022. As of December 31, 2022, there were 21 Top Rail franchises operating in the United States, and 6 Top Rail franchises sold, but not yet operating in the United States.

Our affiliate, HFB MosquitoCo Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 franchises businesses under the mark “MOZZIE DOME<sup>SM</sup>” that sells, designs, installs and services outdoor misting systems and other repetitive application for mosquito, tick and fly control and elimination and control systems for both residential and commercial use. HFB MosquitoCo Franchising, LLC began offering franchises on December 6, 2022. As of December 31, 2022, there were no Mozzie Dome franchises operating in the United States, and 5 Mozzie Dome franchises sold, but not yet operating in the United States.

Except as stated above, we do not have any parents, predecessors or affiliates that: (a) offer or operate franchises in any line of business; or (b) are otherwise involved in any other business activity.

## Market and Competition

Your Franchised Business will offer our Approved Products and Approved Services, as implemented and designated, to the general public, which will include residential and commercial properties. The market for the Approved Products and Approved Services is well developed, and there will be competition from other national and regional chains and local businesses that offer the same or similar services within the Designated Territory you are granted.

Your competitive advantage in the marketplace will be based on your adherence to our System standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service in the operation of your Franchised Business.

## Industry Specific Regulations

Your Franchised Business will be subject to laws and regulations in your state, county or municipality regarding the operation of an establishment that offers and sells products and services which are the same or similar to our Approved Products and/or Approved Services. The Franchised Business will be subject to federal, state and local Occupational Safety and Health Administration (OSHA) and Environmental Protection Agency (“EPA”) regulations, and you must strictly comply with all such regulations regarding disposal of waste products. There are specific regulations pertaining to this industry, including laws that regulate the disposal, transportation, recycling and notice requirements for construction and remodeling waste.

You may be required, for example, to obtain specific education, training, apprenticeship, licensing, and/or certifications, and comply with certain workplace requirements and /or environmental requirements related to the operation of your Franchised Business in the Designated Territory or the offer and sale of our Approved Products and/or Approved Services therein. The federal Occupational Safety and Health Administration requires that you maintain a copy of a Material Safety Data Sheet in each vehicle you operate. These sheets provide the basic information to protect the safety and health of you and your employees. The failure to maintain the proper licensing and permits is a material breach of the Franchise Agreement.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Co-Founder and President of The Designery: Casey Ridley**

Mr. Ridley has served as the Co-Founder and President of The Designery in Huntersville, North Carolina since our inception. Mr. Ridley is also: (i) Co-Owner of our affiliate, A1 Kitchen and Bath, LLC, in Rossville, Georgia, and has held this position since June 2019; and (ii) Co-Owner of our affiliate, Top Shelf Cabinetry, LLC, in Calhoun, Georgia, and has held this position since January 2019.

### **Co-Founder and Vice President of Operations of The Designery: Dustin Ridley**

Mr. Ridley has served as the Co-Founder and President of The Designery in Huntersville, North Carolina since our inception. Mr. Ridley is also: (i) Co-Owner of our affiliate, A1 Kitchen and Bath, LLC, in Rossville, Georgia, and has held this position since June 2019; and (ii) Co-Owner of our affiliate, Top Shelf Cabinetry, LLC, in Calhoun, Georgia, and has held this position since January 2019; and (iii) Owner of Top Shelf Installs, LLC in Rossville, Georgia from June 2015 to June 2019.

### **Chief Executive Officer of HFB: Jeffrey Dudan**

Mr. Dudan has served as our Chief Executive in Huntersville, North Carolina since our inception. Mr. Dudan has also held the following positions: (i) Chief Executive Officer of Homefront Brands in Huntersville, North Carolina since March 2022; (ii) Advisor to Beem Light Sauna in Huntersville, North Carolina since January 2022; (iii) Advisor to RockBox Fitness in Huntersville, North Carolina from January 2019 to March 2022; (iv) Chief Development Officer of Mowbot, Inc. in Huntersville, North Carolina from August 2017 to April 2021; (v) Advisor to FranDevCo in Huntersville, North Carolina from March 2019 to March 2022; (vi) Advisor to Franchise Genesis in Huntersville, North Carolina from January 2021 to March 2022; and (vi) Chief Executive Officer of AdvantaClean Systems, Inc. in Huntersville, North Carolina from February 1994 to January 2019.

### **Chief Operating Officer and President of Franchising for HFB: Michael O’Driscoll**

Mr. O’Driscoll has served as our Chief Operating Officer and the Chief Operating Officer of Homefront Brands in Huntersville, North Carolina since March 2022. Mr. O’Driscoll has also served as our President of Franchising since April 2023. Mr. O’Driscoll has also held the following positions: (i) Global Business Strategist of EMF Advisory, Inc. in New York, New York since April 2021; (ii) Non-Executive Director & Advisor in Brisbane, Australia from March 2019 to April 2021; (iii) Non-Executive Board Director of Gutter-Vac Pty Ltd Australia from March 2019 to August 2020; and (iv) Chief Executive Officer of Nous House Australia in Brisbane, Australia from November 2016 to March 2019.

### **Chief Financial Officer of HFB: Michael Dudan**

Mr. Dudan has served our Chief Financial Officer and as the Chief Financial Officer of Homefront Brands in Huntersville, North Carolina since March 2022. Mr. Dudan has also held the following positions: (i) Advisor to Beem Light Sauna in Huntersville, North Carolina since March 2022; (ii) Advisor to RockBox Fitness Franchising in Huntersville, North Carolina from March 2019 to March 2022; and (iii) various roles, including Chief Financial Officer of the Carolina Panthers in Charlotte, North Carolina from March 2003 to March 2019.

### **Chief Marketing Officer of HFB: Carie Beeman**

Mrs. Beeman has served as our Chief Marketing Officer and Chief Marketing Officer of Homefront Brands in Huntersville, North Carolina since March 2023. Ms. Beeman has also held the following positions: (i) Senior Vice President of Marketing of City Facilities Management in Jacksonville, Florida from May 2022 to December 2022; (ii) Vice President of Brands of PODS Moving and Storage in Clearwater, Florida from November 2019 to May 2022; and (iii) Senior Director of Brands of Hertz Enterprise Holdings in Estero, Florida from February 2015 to November 2019.

### **Vice President of Operations of HFB: Chris Stefanco**

Mr. Stefanco has served as Vice President of Operations of Homefront Brands in Huntersville, North Carolina since March 2022. Prior to that time, Mr. Stefanco held various operations roles, including Vice President of Operations, with AdvantaClean Systems, Inc. in Huntersville, North Carolina from December 1999 to June 2020.

**Chief Development Officer of HFB: Zack Dudan**

Mr. Dudan has served as our Chief Development Officer and director and interim Chief Development Officer of Homefront Brands in Huntersville, North Carolina since January 2023. Mr. Dudan has also served as Chief Growth Officer of Homefront Brands since January 2018.

**Chief Legal Officer of HFB: John Haraldson**

Mr. Haraldson has served as our Chief Legal Officer and the Chief Legal Officer of Homefront Brands in Huntersville, North Carolina since November 2022. Mr. Haraldson has also held the following positions: (i) General Counsel of Lynx Franchising and its affiliates in Atlanta, Georgia, including the following brands: JAN-PRO, The Intelligent Office, FRSTeam, Archadeck, Conserva, Outdoor Lighting Perspectives, and Superior Fence & Rail from November 2019 to September 2022; and (ii) Vice President and Division General Counsel for the ServiceMaster Franchise Services Group, including the ServiceMaster Restore, ServiceMaster Clean, ServiceMaster Plumbing, Merry Maids, Furniture Medic, and AmeriSpec franchised brands in Memphis, Tennessee from June 2013 to January 2019.

**VP of Learning & Development of HFB: Greg Smith**

Mr. Smith has served as our Vice President of Learning and Development and Vice President of Learning and Development of Homefront Brands in Huntersville, North Carolina since November 2022. Mr. Smith has also held the following positions: (i) Director of Training and Development at Armstrong Transport Group in Charlotte, North Carolina from May 2021 to November 2022; (ii) Senior Instructional Designer at Saddle Creek Logistics in Lakeland, Florida from November 2020 to May 2021; (iii) Learning Consultant at Delray Learning Solutions in Delray Beach, Florida from February 2019 to June 2021; (iv) Vice President of Centralized Programs at Festiva Vacation Ownership in Orlando, Florida from March 2018 to February 2019; and (v) Director of Training and Development at Bluegreen Vacation Ownership in Boca Raton, Florida from August 2014 to March 2018.

**ITEM 3  
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4  
BANKRUPTCY**

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

**ITEM 5  
INITIAL FEES**

**Franchise Agreement**

*Initial Franchise Fee*

The initial franchise fee you must pay to us is \$54,900 (the “Initial Franchise Fee”), which is a fee for a territory of up to 80,000 owner-occupied households (“Qualified Households”) and is due upon execution of the Franchise Agreement. If your territory has more than 80,000 Qualified Households, your Initial Franchise Fee will increase from the baseline amount of \$54,900 by \$0.70 for each additional Qualified Household, up to an additional 20,000 Qualified Households (maximum of \$68,900). The Initial

Franchise Fee is deemed fully earned and non-refundable upon payment. During our last fiscal year ended December 31, 2022, four (4) Franchises were sold and the Initial Franchise Fee ranged from \$0 to \$40,000. We may in the future offer additional discounts or incentives for a limited time and for specific circumstances that lower the minimum Initial Franchise Fee based on territory size, location and whether the territory is sold to an existing franchisee.

*Franchisor Directed Advertising Fee Deposit*

Simultaneously with the payment of the Initial Franchise Fee, you are required to pay us an amount equal to nine thousand dollars (\$6,000) representing the first two months of Franchisor Directed Advertising Fees (“Local Advertising Fee Deposit”), as described below in Item 6. The Local Advertising Fee Deposit will be applied towards your first two months of Franchisor Directed Advertising Fees and is deemed a pro-rated credit towards your total required Local Advertising Requirement (defined in Item 6). The Directed Advertising Fee Deposit is refundable on a pro-rated basis if the Franchise Agreement is terminated prior to completing two months of operation.

We may periodically increase or decrease the Franchisor Directed Advertising Fee in an amount we deem appropriate in our Business Judgment, but in no event will that increase cause the Franchisor Directed Advertising Fee to be more than the Local Advertising Requirement. Further, we reserve the right to change the Franchisor Directed Advertising Fee from a dollar amount to a percentage of sales or to any other formula we designate. We will give you thirty (30) days’ advance notice by email or other means if we intend to change the Franchisor Directed Advertising Fee. For purposes of the Franchise Agreement and this disclosure document, the term “Business Judgment” means the exercise of reasonable business judgment in making Franchisor’s decision or exercising Franchisor’s rights. Franchisor’s decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor’s decision or action is intended, in whole or significant part, to promote or benefit the franchise System generally, even if the decision or action also promotes Franchisor’s financial or other individual interest. Examples of items that will promote or benefit the franchise System include, without limitation, enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the franchise System. This is a defined term for the purposes of the Franchise Agreement and this disclosure document and is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

Multi-Unit Offering

*Multi-Unit Fee*

If we grant you the right to participate in our Multi-Unit Offering, then you must pay us a multi-unit fee based on the number of Franchised Businesses we grant you the right to develop. Our multi-unit fee is set forth below (“Multi-Unit Fee”):

Number of Franchised Businesses	Multi-Unit Fee
1	\$54,900
2	\$94,900
3	\$129,900
4	\$164,900
5	\$189,900

If we grant you the right to develop more than five (5) Franchised Businesses, then you must pay us a Multi-Unit Fee equal to: (i) \$189,500 for the first five (5) Franchised Businesses; plus (ii) \$20,000 for each additional Franchised Business you are granted the right to develop. In addition, if any territory in a Multi-Unit Offering has more than 80,000 households, the Initial Franchise Fee allocated to that territory will increase from the applicable baseline amount (\$54,900 for unit 1 and the incremental amount for additional units) by \$0.70 for each additional household, up to an additional 20,000 households. The Multi-Unit Fee must be paid upon execution of the Multi-Unit Addendum and is deemed fully earned and non-refundable upon payment. We may in the future offer additional discounts or incentives for a limited time and for specific circumstances that lower the minimum Initial Franchise Fee based on territory size, location and whether the territory is sold to an existing franchisee.

Discount Programs

*Veteran Discount*

If you are a United States honorably discharged veteran who meets our qualifications for purchasing a Franchised Business, you will receive a discount of five thousand dollars (\$5,000) off of the Initial Franchise Fee for your first Franchised Business. Additional Franchised Businesses under a Multi-Unit Addendum will incur the Multi-Unit Fees set forth in the table above. You may use the veteran’s discount only once and only in accordance with the restrictions set forth in this Item 5. To qualify, a prospective franchisee must: (i) request The Designery Veteran’s discount at the time of application; (ii) meet our then-current qualifications for new franchisees; (iii) be at least fifty-one percent (51%) legally and beneficially owned by persons meeting our qualifying veteran status; and (iv) not have previously received a veterans incentive from us. You may meet our qualifying veteran status if you are a veteran who has received an honorable discharge from the U.S. Military, and you must give us a copy of your Form DD 214 showing your status as an honorably discharged veteran. We may discontinue the Veteran’s discount program at any time.

*HIRE Program Discount*

Under our “Elevate to Owner,” we offer a discounted Initial Franchise Fee for your first Franchised Business to qualified employees of our franchisees who: (i) have been recommended by a System franchisee; (ii) have been employed by a System franchisee for at least two (2) years; and (iii) otherwise qualify to be our franchisee. The discount is based upon years of service with one of our franchisees and is calculated as follows:

Discount On Initial Franchise Fee	Years Of Consecutive Employment With Franchisee
10%	2
15%	3
20%	4
25%	5+

Discounts under our Elevate to Owner Program will be applied to the Initial Franchise Fee for your first Franchised Business only, and the discount shall be calculated after any third-party broker fees are deducted, if any. Additional Franchised Businesses under a Multi-Unit Addendum will incur the Multi-Unit Fees set forth in the table above. You may use the Elevate to Owner Program discount only once and only in accordance with our standards and specifications.



*Conversion Roll-In Discount for Existing Businesses*

If you have an existing business that is the same or similar to a Franchised Business with annual gross revenue of at least \$500,000 and you agree to convert the existing business into a Franchised Business, we will discount your royalty fee during your first year of operation. Your Royalty Fee (defined in Item 6) during the first year of operation will be as follows:

Months of Operation	Royalty Fee
Months 1-4	25% of then-current Royalty Fee
Months 5-8	50% of then-current Royalty Fee
Months 9-12	75% of then-current Royalty Fee
Months 12+	The then-current Royalty Fee

*Combination and Application of Discounts*

You may not combine any of the discounts set forth above with any other discount. If you have received a discount for your first purchase of a Franchised Business or multiple Franchised Businesses under a Multi-Unit Addendum, you will not qualify for any of these discounts on subsequent purchases of Franchised Businesses unless we agree in writing. You must provide us with reasonable documentation that we request in order to assess your eligibility for a given discount program and any questions regarding your eligibility for discounts, or for combination of any discounts will be resolved by us in our sole discretion.

Except as described above, all of the fees described in this Item 5 are paid in a lump sum and are uniformly calculated and imposed.

*Initial Training Fee for Replacement or Additional Trainees*

We will provide the Initial Training Program (as defined in Item 11) for the first three (3) trainees at no charge. We reserve the right to charge a training fee of \$500, which we may increase upon sixty (60) days' written notice to you, for the following training that occurs prior to opening the business: (i) each person in excess of three (3) trainees, even if they attend the same training session; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent operating principal, designated manager or employee who attends the course at a scheduled training class at our headquarters or other location designated by us. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees during the Initial Training Program or any other training program.

**ITEM 6  
OTHER FEES**

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Royalty Fee <sup>(2)</sup>	The greater of: (i) 5-7% of your Gross Revenue; or (ii) the Minimum Royalty Fee (defined below in Item 6) each month (collectively, the “ <u>Royalty Fee</u> ”).	The Royalty Fee is currently due monthly within ten (10) business days after the end of each calendar month.	See Notes 1 and 2 for the definition of Gross Revenue. Your first Royalty Fee payment is due in the first full month after the date the Franchised Business opens and shall be paid based on all Gross Revenue accrued prior to the opening date and during your first full or partial month of operations.
Brand Fund Contribution <sup>(2)</sup>	Currently, one percent (1%) of your Gross Revenue (“ <u>Brand Fund Contribution</u> ”). We reserve the right to increase your Brand Fund Contribution to three percent (3%) of your Gross Revenue.	Same as Royalty Fee.	See Notes 1 and 2 below. This contribution will be used for a system-wide “Brand Fund” for our use in promoting and building the The Designery brand. The Brand Fund is discussed in Item 11.
Local Advertising Requirement <sup>(3)</sup>	Currently, the minimum required spend is the greater of: (i) three percent (3%) of Gross Revenue per month; and (ii) \$3,000 (the “ <u>Local Advertising Requirement</u> ”). We may increase the Local Advertising Requirement up to a maximum of four percent (4%) of Gross Revenue per month upon 90 days’ prior written notice to you. An amount up to the Local Advertising Requirement, currently the greater of \$3,000 per month or three percent (3%) of Gross Revenue per month must be paid to Franchisor (“ <u>Franchisor Directed Advertising Fee</u> ”), which amount will be applied as a credit to your Local Advertising Requirement amount.	Payable by the end of each month, as incurred, except that the Franchisor Directed Advertising Fee must be paid by the tenth (10 <sup>th</sup> ) of the month.	<p>If you fail to meet your Local Advertising Requirement in any month, we may require you to pay us the shortfall as an additional advertising fee or to pay us the shortfall for us to spend on local advertising in your Designated Territory (defined in Item 12).</p> <p>You are required to sign the Franchisor Directed Advertising Services Agreement attached to the Franchise Agreement as <u>Exhibit H</u>. Under this agreement, you will pay a Franchisor Directed Advertising Fee that is an amount up to the Local Advertising Requirement, currently the greater of three thousand dollars (\$3,000) per month or three percent (3%) of Gross Revenue per month. This fee is subject to periodic adjustment but will not be higher than the Local Advertising Requirement (and is a credit towards the Local Advertising Requirement).</p> <p>If local advertising directed by us is paid with a franchisee credit</p>

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
			card (or other method of direct payment), all such amounts spent that are directed by us will be credited to the monthly Franchisor Directed Advertising Fee.
Regional Advertising and Promotional Cooperative	If established, determined by the cooperative. The contribution amount is set by the cooperative, and may only exceed the Local Advertising Requirement of 4% of Gross Revenue if agreed to by 2/3 of the cooperative. If company-owned Franchised Businesses have controlling voting power (defined as 2/3 of the cooperative votes), then the contribution amount is limited to 2% above the maximum Local Advertising Requirement, unless 2/3 of the cooperative vote, excluding company owned Franchised Business votes, to approve a higher amount.	If established, determined by the cooperative.	We currently do not have a cooperative, but reserve the right to require one to be established in the future. Item 11 contains more information about advertising cooperatives.
Technology Fee	<p>Our then-current technology fee, which is currently (\$599) per month (the “<u>Technology Fee</u>”).</p> <p>We reserve the right to increase or decrease the Technology Fee at any time upon 30 days’ prior written notice to you.</p>	Same as Royalty Fee.	The Technology Fee currently includes fees related to your access to and usage of our reservation system, our intranet, any mobile applications we develop, and the System website. We may add, delete, or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount the Technology Fee may be increased. The first month will be assessed pro rata from the date on which you begin offering Approved Products and/or Approved Services.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Call Center Fee	We do not currently charge a call center fee; however, we reserve the right to establish a call center (“ <u>Call Center</u> ”) in the future and require your participation in the call center. If we do implement a call center, you will be required to pay up to four percent (4%) of your Gross Revenue each month (the “ <u>Call Center Fee</u> ”)	If implemented, due monthly within ten (10) business days after the end of each calendar month.	If implemented, the Call Center Fee will include fees related to your account setup and utilization of a call center for routing customers to your Franchised Business. We reserve the right to require you to use our preferred service provider to receive call center services, in which case we may charge the Call Center Fee.
Renewal Fee	\$5,000 (the “ <u>Renewal Fee</u> ”).	Upon execution of a successor franchise agreement.	Payable if you qualify to renew your Franchise Agreement(s) and choose to enter into a new successor franchise agreement(s). You will be obligated to pay a Renewal Fee for each Franchised Business you wish to renew under the Multi-Unit Addendum.
Transfer Fee	\$10,000 (the “ <u>Transfer Fee</u> ”) plus the cost of additional training where applicable.	A non-refundable \$3,000 deposit of the Transfer Fee is due with your written notice of proposed transfer and the balance of \$7,000 is due upon our approval at closing.	No Transfer Fee is due for transfers upon death or incapacity which occurs prior to the date of transfer.  Provided, however, that where a group of territories are under a single Multi-Unit Addendum, the Renewal Fee will be five thousand dollars (\$5,000) for the first Franchise Agreement and one thousand dollars (\$1,000) for each additional Franchise Agreement renewed at the same time.
Late Fee and Interest	The lesser of: (i) one and one-half percent (1½%) per month (eighteen percent (18%) per annum); or (ii) the maximum interest rate allowed by law from the due date of payment. You must also pay us \$100 for each week that a payment is paid after the due date which is in addition to the interest above.	When amount owed becomes past due.	Required whenever a payment to us or our affiliate(s) is made after its due date. Interest accrues from the original due date until payment is received in full.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Nonsufficient Funds Fee	The greater of \$100 per occurrence, or the highest amount allowed by law.	As incurred.	Payable if any check or EFT payment is not successful due to insufficient funds, stop payment, or any similar event.
Payment Service Fee	Up to four percent (4%) of total charge.	As incurred.	If payment is made to us or our affiliate(s) by credit card for any fee required, we may charge a service charge of up to four percent (4%) of the total charge.
Initial Training Fee for Replacement or Additional Trainees	<p>Currently, \$0 per trainee for up to three (3) trainees who attend a scheduled training class at our headquarters or other location designated by us, provided that all of your trainees are trained during the same training session.</p> <p>Currently, \$500 per day (plus our travel and living expenses) for additional on-site training in your Designated Territory. This amount may be modified upon notice by update to the Operations Manual.</p>	Within fourteen (14) days of receipt of an invoice. Depending on the circumstances, this fee may be payable before or after the business is opened.	We will provide the Initial Training Program (as defined in Item 11) for the first three (3) trainees at no charge. We reserve the right to charge a training fee of \$500 per person, which we may increase upon sixty (60) days' written notice to you, for training: (i) each person in excess of three (3) trainees, even if they attend the same training session; (ii) each person who is repeating the course or replacing a person who did not pass; (iii) each subsequent operating principal, Designated Manager (defined in Item 15), or employee who attends the course at a scheduled training class at our headquarters or other location designated by us. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees during the Initial Training Program or any other training program.
Additional Training Programs	The then-current fee, which varies based on the program, per employee or agent for each full or partial day for a scheduled training class at our headquarters or other location designated by us, plus their travel and living expenses, and an additional amount based on the program administered.	Within fourteen (14) days of receipt of an invoice.	We may charge you our then-current fee (currently, five hundred dollars (\$500 per employee or agent, plus our travel and living expenses) for optional or required training programs that we may provide in-person or otherwise. We may change this fee without limitation from time to time upon written notice to you.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
In-Person Consulting Services	The then-current fee, which is currently \$500 per employee or agent for each full or partial day, plus their travel and living expenses.	Within fourteen (14) days of receipt of an invoice.	Payable if we provide requested consulting services in person at a location other than our offices. We may change this fee without limitation from time to time upon written notice to you.
Temporary Designated Manager	The then-current fee, which is currently \$500 per employee or agent for each full or partial day, plus their travel and living expenses.	Within fourteen (14) days of receipt of an invoice.	Payable if we provide a Designated Manager (defined in Item 15) to work at your Franchised Business after the departure of your previous manager, until a new Designated Manager is hired and trained.
Temporary Management	The then-current fee charged by us during the period of management, plus any direct out-of-pocket costs and expenses. We reserve the right to charge up to ten percent (10%) of the Gross Revenue generated during the time period that we provide temporary management.	Within fourteen (14) days of receipt of an invoice.	Payable in the event of your death or if we exercise our right to manage your Franchised Business after a default.
Annual Conference Fee	We reserve the right to host an annual Conference (the “ <u>Annual Conference</u> ”) and charge you the then-current Annual Conference fee. The Annual Conference fee is currently \$1,000 for up to two (2) people to attend. We may charge our then-current fee for additional attendees (currently, \$500 per additional attendee). We reserve the right to host up to two (2) Annual Conferences per year.	Prior to attending the event.	Payable for you and your employee(s) who attend the Annual Conference that we host. You are responsible for the travel and living expenses of you and your employees. If you do not attend the Annual Conferences(s), you must still pay us the Annual Conferences Fee, regardless of the cause for non-attendance, unless you receive our advance written approval for such absence.
Product, Service, Supplier, and Service Provider Review	A \$1,000 alternative supplier fee / new product review fee, plus our actual costs of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs.	Upon demand.	Payable if you wish to offer products or use any supplies, equipment, or services that we have not approved or wish to purchase from a supplier or service provider that we have not approved, whether or not we approve the item, service, product, or service provider.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Insurance	Cost of premium plus a \$100 administrative fee for our services in procuring the insurance.	Upon demand.	Payable only if you fail to maintain the minimum insurance we require and we choose to procure the required insurance for you.
Remodel/ Re-equip/ Refurbish Requirement	\$25,000	Upon remodel/ re-equip/ refurbish.	Payable if we require you to remodel, re-equip, and otherwise refurbish your Franchised Business to bring it into conformity with our then-current brand image. A remodel/re-equip/refurbish will not be required in the last 12 months of a term, but will be a condition of renewal.
Relocation Fee	Actual costs and expenses of providing relocation assistance, plus a \$250 administrative fee.	Upon relocation.	You must reimburse us for our actual costs and expenses associated with evaluating your relocation request and/or any locations proposed by you for relocation, plus a two hundred fifty (\$250) administrative fee. We will provide you with copies of our invoices for our expenses from any third-party providers upon request.
Taxes	Varies.	As Incurred.	You must reimburse us for any taxes that we must pay to any taxing authority for your Franchised Business.
Audit Costs	Our costs and expenses, including costs for an independent accountant and attorneys' fees, any understated amounts, and related travel and living expenses.	Within fourteen (14) days of receipt of an invoice.	Payable if an audit or review shows an understatement of Gross Revenue for the audited or reviewed period of two percent (2%) or more, or if you fail to submit required reports.
Indemnification	Actual amount of our liabilities, fines, losses, damages, costs and expenses (including attorneys' fees, except to the extent such fees are determined by an arbitrator or court of competent jurisdiction to be unreasonable, in which case the fees shall be adjusted to be reasonable by such arbitrator or court).	Upon demand.	Payable if we incur losses due to your breach of the Franchise Agreement or any other action or inaction by you or any other person relating to your Franchised Business.

Type of Fee <sup>(1)</sup>	Amount	Due Date	Remarks
Reimbursement of Professional Fees and Expenses	Varies.	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. You must reimburse us if we are required to incur any expenses in enforcing our rights against you under the Franchise Agreement.
Enforcement Expenses	Our actual cost of de-identifying your Franchised Business or complying with other post-term obligations on your behalf.	Upon demand.	Payable if your Franchise Agreement expires or is terminated and you fail to de-identify (or comply with other post-term obligations) for your Franchised Business and we take steps to do so.

Explanatory Notes:

1. General. The table above provides recurring or isolated fees or payments that you must pay to us or our affiliates or that we or our affiliates impose or collect in whole or in part on behalf of a third party or that you are required to spend under the Franchise Agreement. All fees and expenses described in this Item 6 are nonrefundable. Except as otherwise indicated in the chart above, we uniformly impose all fees and expenses listed, they are payable to us and are fully earned upon receipt by us.

We have the right to periodically specify (in the confidential operations manual or otherwise in writing) different payees and/or payment methods, such as, but not limited to, weekly / biweekly / monthly payment, payment by auto-draft, credit card, and payment by check.

All fees are current as of the Issuance Date of this Franchise Disclosure Document. Certain fees that we have indicated may increase over the term of the Franchise Agreement.

*Manner of Payment.* With the exception of the Initial Franchise Fee and the Local Advertising Fee Deposit, you must pay all fees and other amounts owed to us and/or our affiliates via electronic funds transfer (“EFT”) through an electronic funds transfer program (the “EFT Program”), under which we automatically deduct all payments owed to us and/or our affiliates from the bank account you provide to us for use in connection with EFT Program (the “EFT Account”).

2. Royalty Fee. You must pay us a monthly Royalty Fee deducted on the tenth (10<sup>th</sup>) business day at the end of each calendar month in an amount equal to the greater of (i) the Royalty Fee (as delineated in the chart below); and (ii) the minimum monthly Royalty Fee (“Minimum Royalty Fee”) (as defined in the chart below). We reserve the right to change the interval when you pay the Royalty Fee to us upon reasonable notice to you.



*Royalty Fee.* Your Royalty Fee is calculated as follows:

Monthly Royalty Fee	Gross Revenue for Prior Month
7.0%	\$0.00 - \$75,000.00
6.0%	\$75,000.01 - \$150,000.00
5.0%	\$150,000.01+

For clarity purposes, if your Gross Revenue for the prior month is \$200,000, you will pay 7.0% for the first \$75,000, 6.0% for the second \$75,000 in Gross Revenue generated, and 5.0% for the last \$50,000 in Gross Revenue generated. The graduated Royalty Fee rate applies on a per franchise agreement basis, and multiple territories may not be aggregated together to qualify for a lower Royalty Fee rate.

*Minimum Monthly Royalty Fee.* Your Minimum Royalty Fee is based upon: (i) the number of months the Franchised Business has been open and operating; and (ii) the number of Designated Territories that the Franchised Business operates in. The Franchised Business shall be considered open and operating on the day that you complete the Initial Training Program (defined in Item 11). Your Minimum Royalty Fee of two hundred fifty dollars (\$250) (if you operate a single Franchised Business in one Designated Territory) begins four (4) months after the date you complete the Initial Training Program. The Minimum Royalty Fee is calculated as follows:

Time of Operation	1 Designated Territory	2 Designated Territories	3 Designated Territories	4 Designated Territories	5 Designated Territories
First 3 Months	5% to 7% of Gross Revenue	5% to 7% of Gross Revenue	5% to 7% of Gross Revenue	5% to 7% of Gross Revenue	5% to 7% of Gross Revenue
4 to 12 Months	\$250	\$500	\$750	\$1,000	\$1,250
Second Year	\$550	\$1,100	\$1,650	\$2,200	\$2,750
Third Year+	\$850	\$1,700	\$2,550	\$3,400	\$4,250

However, you will not be subject to a Minimum Royalty Fee during the first three (3) months of operations on the condition that you strictly comply with all of your obligations under the Franchise Agreement during the first three (3) months of operations. Notwithstanding the foregoing, you must still pay the Royalty Fee equal to seven to five percent (7% - 5%) of Gross Revenue generated by your Franchised Business for sales made during the first three (3) months.

**Gross Revenue Definition and Reports.** For purposes of this Agreement, “Gross Revenue” is defined to include all income of any type or nature and from any source that Franchisee derives or receives directly or indirectly from, through, by or on account of the operation of the Franchised Business (whether or not the products/services are approved by the Franchisor) at any time after the signing of the Franchise Agreement, in whatever form and from whatever source, including, but not limited to, cash, services in kind from barter and/or exchange, on credit or otherwise, and convenience, credit card user, or other fees charged to a customer, as well as business interruption insurance proceeds, all without deduction for expenses, including marketing expenses and taxes. Exclusions do not include reductions for financing program fees, credit card convenience fees or

user fees, or any other fees charged to a customer) . However, the definition of Gross Revenue does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities or any bona fide refunds you make to customers in the ordinary course of business. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from Gross Revenue as circumstances, business practices, and technology change.

Franchisee must send Franchisor a signed report (“Gross Revenue Report(s)”) on or before the tenth (10<sup>th</sup>) day of each month for the immediately preceding calendar month, in the manner and form specified by Franchisor. Each Gross Revenue Report must set forth: (i) Franchisee’s Gross Revenue generated during the previous calendar month; (ii) Franchisee’s calculation of the Royalty Fee and Brand Fund Contribution (defined in Section 3.5); and (iii) any other information Franchisor may require. Franchisor may change the form, content, and/or interval of the Gross Revenue Report from time to time and/or require Franchisee to submit Gross Revenue Reports upon notice to Franchisee.

3. Local Advertising Requirement. If you default on the payment of your Franchisor Directed Advertising Fee, we reserve the right, among other remedies, to: (a) suspend or refuse production of local advertising services (“Local Advertising Services”) until such payment has been made in full; (b) require that you enter into a payment plan for any past due amounts; and/or (c) require that you prepay a minimum of one (1) month of Franchisor Directed Advertising Fees for a period of time that we determine. We may periodically increase or decrease the Franchisor Directed Advertising Fee in an amount we deem appropriate in our Business Judgment (defined in Item 5), but in no event will that increase cause the Franchisor Directed Advertising Fee to be more than the Local Advertising Requirement. We reserve the right to change the Franchisor Directed Advertising Fee from a dollar amount to a percentage of sales or to any other formula we designate upon thirty (30) days’ notice by email or other means.

## ITEM 7 ESTIMATED INITIAL INVESTMENT

### A. YOUR ESTIMATED INITIAL INVESTMENT FOR A NEW FRANCHISED BUSINESS

Type of Expenditure <sup>(1)</sup>	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Initial Franchise Fee <sup>(2)</sup>	\$54,900	\$68,900	Lump Sum	Upon execution of the Franchise Agreement	Us
Franchisor Directed Advertising Fee Deposit <sup>(3)</sup>	\$6,000	\$6,000	Lump Sum	Upon execution of the Franchise Agreement	Us
Rent and Security Deposit <sup>(4)</sup>	\$2,000	\$8,000	As Incurred	As Incurred	Landlord
Utilities <sup>(5)</sup>	\$250	\$750	As Incurred	As Incurred	Utility Providers

Type of Expenditure <sup>(1)</sup>	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
	Low	High			
Leasehold Improvements <sup>(6)</sup>	\$25,000	\$65,000	As Incurred	As Incurred	Contractors
Grand Opening Marketing <sup>(7)</sup>	\$5,000	\$7,000	As Incurred	As Incurred	Vendors and suppliers
Inventory, Furniture, Fixtures and Equipment <sup>(8)</sup>	\$10,000	\$35,000	As Incurred	As Incurred	Us, Vendors and Suppliers
Business Management and Technology System <sup>(9)</sup>	\$1,000	\$3,000	As Incurred	As Incurred	Vendors and Suppliers
Insurance Deposits and Initial Premiums <sup>(10)</sup>	\$1,800	\$2,500	As Incurred	Prior to Opening	Insurance Company
Signage <sup>(11)</sup>	\$5,000	\$8,000	As Incurred	As Incurred	Vendor
Office Expenses <sup>(12)</sup>	\$500	\$1,000	As Incurred	As Incurred	Vendors
Licenses, Permits, and Certifications <sup>(13)</sup>	\$0	\$2,500	As Incurred	Prior to Opening	Government
Technology Fee (3 Months) <sup>(14)</sup>	\$1,797	\$1,797	As Incurred	As Incurred	Us, Vendors and Suppliers
Dues and Subscriptions <sup>(15)</sup>	\$1,000	\$8,000	As Incurred	As Incurred	Us, Vendors and suppliers
Professional Fees (lawyer, accountant, etc.) <sup>(16)</sup>	\$500	\$2,000	As Incurred	As Incurred	Professional Service Firms
Travel Expenses to Training <sup>(17)</sup>	\$250	\$3,000	As Incurred	As Incurred	Airlines, Hotels, and Restaurants
Additional Funds (3 Months) <sup>(18)</sup>	\$20,000	\$50,000	As Incurred	As Incurred	Employees, utilities, suppliers, us and other third parties
TOTAL <sup>(19)</sup>	\$134,997	\$272,447			

## Explanatory Notes:

1. Generally. Although you are not obligated to obtain an Approved Location until twelve (12) months after you execute your Franchise Agreement, chart above assumes that you operate your Franchised Business from a leased commercial retail showroom, which is approximately 500 to 1,500 square feet. All fees and payments described above are non-refundable, unless otherwise stated or permitted by the payee. Actual costs will vary for each franchise location depending on a number of factors, including market condition and the geographic location of your Franchised Business.
2. Initial Franchise Fee. Upon execution of your Franchise Agreement, you must pay to us an Initial Franchise Fee of \$54,900 which you must pay in a lump sum. If you purchase a territory that includes more than 80,000 Qualified Households, then you will be required to pay us \$0.70 for each additional household, up to an additional 20,000 Qualified Households for a total of 100,000 Qualified Households. The additional household fee also applies to multi-unit franchise purchases. The Initial Franchise Fee is non-refundable and deemed fully earned upon execution of your Franchise Agreement.
3. Franchisor Directed Advertising Fee Deposit. Simultaneously with execution of your Franchise Agreement and the payment of your Initial Franchise Fee, you must pay us a two-month Local Advertising Fee Deposit in an amount equal to \$6,000. The Local Advertising Fee Deposit will be applied towards your first two months of Franchisor Directed Advertising Fees and is deemed a pro-rated credit towards your total required Local Advertising Requirement. The Directed Advertising Fee Deposit is refundable on a pro-rated basis if the Franchise Agreement is terminated prior to completing two months of operation.
4. Rent and Security Deposit. We require that you manage and operate your Approved Location from an approved retail showroom facility with sufficient space, initially between 1,000 and 1,500 square feet. The low end of this estimate assumes that you will only have to pay a security deposit at the time of signing your lease. The amount of your security deposit and rent will vary depending on your landlord, the location, square footage, length of lease, and general market conditions.
5. Utilities. To secure the appropriate utilities for the operation of your Approved Location, including electricity, water, sewer and Internet access, you will be required to pay upfront deposits to each applicable utility company.
6. Leasehold Improvements. Our estimate for your initial expense for leasehold improvements is based on the assumption that you will lease the space from which you operate your Franchised Business. Our standard franchise offering, and corresponding Item 7A Chart estimate assumes that the premises of your Approved Location will be approximately 500 to 1,500 square feet with an appropriate design and layout that allows the space to accommodate the showroom without substantial construction or demolition to the existing space. The low end of this estimate assumes that you will operate from a smaller footprint in the range of 500 square feet and the space will otherwise not need any mechanical changes.
7. Grand Opening Marketing. In connection with the opening of the Franchised Business, you must spend a minimum of five thousand dollars (\$5,000) for grand opening advertising and promotion in the thirty (30) to sixty (60) days prior to opening the Franchised Business and the thirty (30) days after opening the Franchised Business in accordance with a plan that you must submit to us. We have the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations or other advertising firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward your Local Advertising Requirement. You

must provide us with supporting documentation evidencing these expenditures upon request. If you enter into a Multi-Unit Addendum with us, you will only be required to spend five thousand dollars (\$5,000) in total for Grand Opening Marketing for all Franchised Businesses, so long as they are located in contiguous Protected Territories. We reserve the right to increase the required spend to seven thousand dollars (\$7,000) as we deem necessary.

8. Inventory, Furniture, Fixtures and Equipment. This estimate covers the Approved Location equipment, furniture, fixtures and other items such as décor, retail display, storage shelving and similar items.
9. Business Management and Technology System. You must purchase the Business Management and Technology System (Item 11.G below) comprised of the computer hardware and software we designate for use in connection with your Franchised Business prior to commencing operations. You must purchase the components of the Business Management and Technology System from third parties or Approved Suppliers. The Business Management and Technology System may include, but is not limited to: (i) a business-class laptop computer with performance capabilities sufficient to run all of the software required to operate your Franchised Business; (ii) a laser printer meeting our standards and specifications; (iii) updated versions of QuickBooks, Microsoft Office and antivirus software; (iv) a tablet with Internet access and a smartphone; and (v) fees related to the managed service desk required to operate the Franchised Business. This includes setup fees and licensing fees for the first three (3) months of operation. The low end of this estimate assumes that you already have some or all of the required hardware or software. The high end assumes that you will need to purchase all of the components. The estimated amount for this section does not include the Technology Fee, which is set forth separately in the Item 7 table.
10. Insurance Deposits and Initial Premiums. We estimate that your initial insurance deposit and initial premiums will be approximately \$1,800 to \$2,500. You should check with your local agent for actual premium quotes and costs, as well as the actual cost of the deposit. The cost of coverage will vary based upon the area in which your Franchised Business will be located, your experience with the insurance carrier, your loss experience, your level of sales, and other factors beyond our control. You should also check with your insurance agent or broker regarding any additional insurance that you may want to carry beyond what we require you to obtain.
11. Signage. You are required to obtain and display signage for your Approved Location. The high end of this estimate assumes that you will obtain multiple signs.
12. Office Expenses. You will have an office in your Approved Location and are otherwise required to have a desk, file cabinet, chairs, miscellaneous office supplies and other items. We estimate that your office equipment, furniture and supplies will cost up to \$1,000, depending on what items you already have that are available for use.
13. Licenses, Permits, and Certifications. You must apply for, obtain and maintain all required permits and licenses necessary to operate the Franchised Business. The licenses will vary depending on local, municipal, county and state regulations. All licensing fees are paid directly to the governmental authorities when incurred and are due prior to opening the Franchised Business.
14. Technology Fee (3 months). The Technology Fee currently includes fees related to your access to and usage of our reservation system, intranet, any mobile applications that we develop, and the System website. We may add, delete or otherwise modify the products and services that are included in the Technology Fee. There is no cap on the amount of the Technology Fee may be

increased. The first month will be assessed on a pro rata basis from the date on which you begin offering Approved Products and/or Approved Services.

15. Dues and Subscriptions. The Dues and Subscriptions currently include fees related to your access and usage to the design software and the managed service desk required to operate the Franchised Business. This includes setup fees and licensing fees for the first three months of operation.
16. Professional Fees. This estimate is based on the fees necessary to create a franchisee entity and retain legal counsel and accountants to review this Franchise Disclosure Document.
17. Travel Expenses to Training. We estimate that your travel expenses for initial training will be between \$250 and \$3,000. While we do not charge you and up to two (2) additional persons to attend the phases of our Initial Training Program (defined in Item 11), you are required to pay for transportation to and from our Initial Training Program and pay all expenses associated with lodging, meals and other miscellaneous expenses during the time of training (including any employee wages). The range assumes that no additional people other than you and two (2) additional persons will attend our Initial Training Program. Please see Item 11 of this Franchise Disclosure Document for additional information. Any amounts that may be collected by the Franchisor/affiliate in the future are amounts payable to third party vendors.
18. Additional Funds (3 Months). The estimate of additional funds between \$20,000 and \$50,000 is for a period of at least three (3) months, and is based on an owner-operated business and does not include any allowance for an owner’s draw or salary. We estimate that, in general, you may expect to put additional cash into the Franchised Business during the first three (3) months of operation, and sometimes longer. This estimate includes ongoing fees that you will be required to pay throughout your operation of the Franchised Business such as Royalty Fees, local advertising expenses, Call Center Fees, Brand Fund Contributions, etc. This estimate does not include any fees paid for debt services. These figures are estimates and we cannot guarantee that you will not have additional expenses in starting the business. If you are converting your business to a Franchised Business, you may already have equipment, insurance and other items and this amount may be lower.
19. Total. This is an estimate of your initial start-up expenses for one (1) Franchised Business. These estimates are based on our experience in offering and selling franchises, as well as the experience of our existing franchisees and estimates we have received from third-party vendors.

**B. YOUR ESTIMATED INITIAL INVESTMENT FOR A MULTI-UNIT OFFERING**

Type of Expenditure <sup>(1)</sup>	Offering	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
		Low	High			
Multi-Unit Fee <sup>(2)</sup>	2-Pack	\$94,900	\$122,900	Lump Sum	Upon execution of the Multi-Unit Addendum	Us
	3-Pack	\$129,900	\$171,900			
	4-Pack	\$164,900	\$220,900			
	5-Pack	\$189,900	\$259,900			

Type of Expenditure <sup>(1)</sup>	Offering	Amount		Method of Payment	When Due	To Whom Payment is to be Paid
		Low	High			
Initial Investment to Open Initial Franchised Business <sup>(3)</sup>		\$80,097	\$203,547	See Item 7, Chart A		
Additional Initial Franchisor Directed Advertising Fee <sup>(4)</sup>	2-Pack	\$3,000	\$3,000	Lump Sum	Upon execution of the Multi-Unit Addendum	Us
	3-Pack	\$6,000	\$6,000	Lump Sum	Upon execution of the Multi-Unit Addendum	Us
	4-Pack	\$9,000	\$9,000	Lump Sum	Upon execution of the Multi-Unit Addendum	Us
	5-Pack	\$12,000	\$12,000	Lump Sum	Upon execution of the Multi-Unit Addendum	Us
Total <sup>(5)</sup>	2-Pack	\$177,997	\$329,447	This is the total estimated initial investment to enter into a Multi-Unit Addendum for the right to develop each of the multi-unit offerings we typically offer under a Multi-Unit Addendum, as well as the costs to open and commence operating your initial Franchised Business for the first three (3) months.		
	3-Pack	\$215,997	\$381,447			
	4-Pack	\$253,997	\$433,447			
	5-Pack	\$281,997	\$475,447			

Explanatory Notes:

1. Generally. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart 7B details the estimated initial investment associated with executing a Multi-Unit Addendum for the right to own and operate between two (2) and five (5) Franchised Businesses, as well as the initial investment to open your initial Franchised Business.
2. Multi-Unit Fee. You will be required to execute a Franchise Agreement for each of the Franchised Businesses you are granted as part of your Multi-Unit Offering, as well as our prescribed form of Multi-Unit Addendum, all at the same time. Upon the execution of these agreements, you will be required to pay us a Multi-Unit Fee in the amount of \$94,900 for the right to operate two (2) Franchised Businesses, \$129,900 for the right to operate three (3) Franchised Businesses, \$164,900 for the right to operate four (4) Franchised Businesses, and \$189,900 for the right to operate five (5) Franchised Businesses, which must be paid in a lump-sum at the time you sign the Multi-Unit Addendum. This includes the Multi-Unit Fee if you elect not to increase the number of households within your Designated Territory (Low) and if you increase to the maximum number of additional households (High). If you wish to increase the number of Qualified Households in your Designated Territory, then you will be required to pay us an additional \$0.70 per Qualified Household up to an additional 20,000 Qualified Households per Designated Territory. The Multi-Unit Fee is deemed fully earned and non-refundable upon payment.
3. Initial Investment to Open Initial Franchised Business. This figure represents the total estimated initial investment required to open the initial Franchised Business under the Multi-Unit Addendum. You will be required to enter into our current form of Franchise Agreement to govern each

Franchised Business you are granted the right to operate at the same time you sign your Multi-Unit Addendum. The range includes all the items outlined in Chart 7(A) of this Item, except for the \$54,900 Initial Franchise Fee because, upon full payment of the Multi-Unit Fee, you will not be required to pay any Initial Franchise Fee in connection with your Franchised Businesses.

4. Additional Initial Franchisor Directed Advertising Fee. You will be required to execute a Franchisor Directed Advertising Agreement. The Initial Franchisor Directed Advertising Fee for the first Franchise Agreement is included in the “Initial Investment to Open Initial Franchised Business” section. The incremental Initial Franchisor Directed Advertising Fee for each Franchise Agreement is \$1,500 per month times 2 months. A second Franchise Agreement adds \$1,500 x 2 months = \$3,000. Each additional franchise agreement adds \$3,000 to the Initial Franchisor Directed Advertising Fee deposit.
5. Total. Please note that this row does not include the initial investment you will need to undertake in connection with opening your second and any other additional Franchised Businesses you are granted the right to open under your Multi-Unit Addendum. The amounts listed in this Section include the initial investment to open your initial Franchised Business set forth in Note 2 immediately above, as well as the applicable Multi-Unit Fee (which is substituted for the Initial Franchise Fee that would otherwise be due with each franchise agreement). The amounts listed assume that all territories are contiguous. If the territories are not contiguous, then for each additional noncontiguous territory or group of noncontiguous territories, the grand opening marketing fee will increase from a low of five thousand dollars (\$5,000) to a high of seven thousand dollars (\$7,000).

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

You must operate your Franchised Business in conformance with our methods, standards and specifications which we prescribe in our confidential and proprietary operations manual (the “Operations Manual”), and various other confidential manuals, writings, and other information prepared by us for your use in operating a Franchised Business (together with the Operations Manual, the “Manuals”). We may periodically change our standards and specifications at our sole discretion, and you must comply with all changes.

### Approved Products and Approved Services

All Approved Products that we may designate, Approved Services, Approved Location / Storage Facility, vehicles, supplies, equipment, tools, uniforms, forms, advertising materials, computer hardware and software, and inventory used by you in connection with the Franchised Business must meet our then-current System standards and specifications, including, but not limited to, branding requirements (including color and label requirements), which we will establish and modify at our discretion. You may incur an increased cost to comply with such changes at your own expense.

We reserve the right to require you to purchase any of the items or services necessary to establish and operate your Franchised Business in accordance with our standards and specifications and/or from an Approved Supplier, from us, our affiliate(s), or our designated vendors and suppliers.

You must offer for sale all Approved Products that we may later designate and Approved Services which we prescribe, and only those products and services which we prescribe. You may not offer any other products or services for sale without having received our prior written authorization. You must at all times maintain sufficient levels of inventory as specified in the Operations Manual to adequately satisfy consumer



demand. You must offer, use and sell all private label products which we may now or in the future designate for sale by System franchisees. Private label products, to the extent required, are included in the Initial Inventory expense set forth in the Item 7 table.

Some suppliers may provide us with test equipment for use in our training center, advertise in our newsletters, and may also sponsor events and/or rent booth space at our Annual Conference or regional meetings.

### Approved Suppliers

If established, we may be the Approved Supplier for the Call Center and reserve the right to be the Approved Supplier for other products and services in the future. You must purchase your initial inventory, Business Management and Technology System (defined below in Item 11), branded items, signage and marketing materials, and computer equipment and software, insurance, grand opening marketing, and other ongoing marketing from one of our Approved Suppliers (defined in the following paragraph) or in accordance with our standards and specifications. Currently, our affiliates are not Approved Suppliers, but we reserve the right to require you to purchase additional items or services from our affiliates in the future.

Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of our trade dress, you must purchase product samples and other supplies, services, computer hardware and software, and other equipment from us or from approved or designated suppliers that we will specify from time to time in the Operations Manual and otherwise in writing (each an “Approved Supplier”). We, our affiliate, or a designated third party may be one of several, or the only, Approved Supplier of any item. We reserve the right to require you to purchase any products and services, including equipment, supplies, computer hardware and software directly from us or our affiliate. We and our affiliates have the right to realize a profit or otherwise derive revenue on any products or services that we, our affiliates, or our Approved Suppliers supply and/or provide to you.

We may establish business relationships, from time to time, with suppliers who may produce and/or provide certain products or services that you are required to purchase from only that supplier (each a “System Supplier”). These Approved Suppliers may provide, among other things, supplies, fixtures, technology, software, and equipment, all in accordance with our proprietary standards and specifications or private label goods that we have authorized and prescribed for sale by System Franchised Businesses.

### Ownership Interest in a Supplier/ Revenue Derived from Regional Franchise Purchases and Leases

Except where we are the approved supplier for items you must purchase, none of our officers owns any interest in any supplier with whom you are required or recommended to do business.

Under some circumstances, we may derive income in the form of rebates or marketing allowances paid to us by Approved Suppliers that we require you to use. During our last fiscal year ended December 31, 2022, we did not receive any rebates and did not derive any revenue from franchisees’ required purchases. During our last fiscal year ended December 31, 2022, our affiliates did not derive any revenue from our franchisees’ required purchases.

Your obligations to purchase certain products or services from us or our Approved Suppliers, and to purchase products, services, supplies, fixtures, equipment, computer hardware and software, training and real estate that meet our specifications, are considered “Required Purchases.” We estimate that your Required Purchases will account for approximately 70% to 95% of your total costs incurred in establishing your Franchised Business, and approximately 70% to 95% of your ongoing costs to operate the Franchised Business after the initial start-up phase.

### Alternative Product or Supplier Approval

If you wish to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, you must provide us the name, address and telephone number of the proposed supplier, a description of the item you wish to purchase, and the purchase price of the item, if known. At our request, you must provide us, for testing purposes, a sample of the item you wish to purchase. We are not required to approve any particular product or supplier. We may base our approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency and quality of operation we consider necessary or desirable in our System as a whole, as well as the maintenance of our Confidential Information (defined below in Item 14). We reserve the right to receive payments from suppliers on account of their dealings with you and other Franchised Businesses and to use all amounts we receive without restriction (unless instructed otherwise by the supplier) for any purposes we deem appropriate. We are not required to approve an unreasonable number of suppliers for a given item if we believe that such approval may result in higher costs or prevent the effective or economical supervision of approved suppliers.

You will be required to pay us a one thousand dollar (\$1,000) alternative supplier fee / new product review fee plus our actual cost of the inspection and our actual cost of testing the proposed product or evaluating the proposed service or service provider, including personnel and travel costs to review any alternate supplier. We will use reasonable efforts to notify you in writing if your request is approved or denied within thirty (30) days of: (i) our receipt of all supporting information from you regarding your request; and (ii) our completion of any necessary inspection or testing associated with your request. If we do not provide written approval within this time period, then your request will be deemed denied.

We may, but are not required to, provide your proposed supplier or provider with its specifications for the item that you wish the third party to supply, provided that the third party executes our required non-disclosure agreement form. Each supplier that we approve of must comply with our requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, you may enter into supply contracts with that third party, but under no circumstances will we guarantee your performance of any supply contract.

We may reinspect and revoke our approval of particular products or suppliers if we determine that such products or suppliers no longer meet our standards. Once you receive written notice from us that we have revoked our approval, you must immediately cease purchasing products from that supplier.

We do not provide any material benefit to you if you buy from sources we approve, but we may default you under (or terminate) your Franchise Agreement, or otherwise deny your request to renew these agreements, based upon your failure to make required purchases from our Approved Suppliers or otherwise in accordance with our standards and specifications.

### Approved Location

You will operate the Franchised Business from an Approved Location that meets our standards and specifications. The Approved Location must be between 500 – 1,500 square feet. The Approved Location should include a designated office space in addition to a retail store front. If you operate in multiple territories that are contiguous, you will only be required to have one (1) Approved Location. If you operate in multiple territories that are not contiguous, you will be required to have an Approved Location in each Designated Territory.

We must review and approve any proposed location, as well as any lease associated with the proposed location prior to your entering into any lease for the proposed location. You must secure the Approved Location and open the Franchised Business within one hundred eighty (180) days of executing the Franchise Agreement, in the event that you have not already obtained our approval prior to executing the Franchise Agreement. We may provide you with standards and specifications for the design and layout of the premises of the Approved Location. Your Approved Location is subject to our approval and must meet our specifications. You must have your landlord execute our form of Collateral Assignment (attached to the Franchise Agreement as Exhibit G).

### Advertising and Promotional Materials

We must approve all self-generated advertising materials prior to publication or use.

### Insurance

You must purchase and maintain, at your own expense, insurance covering the operation and location of your Franchised Business as we may require. You must purchase the required insurance at least thirty (30) days before opening your Franchised Business or upon signing a lease for the Approved Location. The limits described in the paragraph below are the minimum amounts that you are required to purchase. If you sign a lease or contract that requires a higher amount than provided below, then you must obtain the higher level of coverage under the terms of the lease or contract. If you sign a lease or contract that does not require as much coverage, you must still purchase enough insurance to meet our requirements.

You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify it. All insurance policies required under your Franchise Agreement and as set forth in the Franchise Agreement (excluding workers' compensation) must name us, our officers, directors, shareholders, partners, agents, and representatives as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than thirty (30) days' prior written notice in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to us at the earlier of ninety (90) days after the Effective Date of the Franchise Agreement or prior to the commencement of our Initial Training Program (defined in Item 11). Insurance coverage must be at least as comprehensive as the minimum requirements set forth in the chart below and in the Franchise Agreement (Article 9 of the Franchise Agreement). You must consult your carrier representative to determine the level of coverage necessary for the Franchised Business. Higher exposures may require higher limits. Presently, our insurance requirements are as follows:

A. Comprehensive general liability insurance extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least \$1,000,000 per occurrence, \$2,000,000 in aggregate;

B. Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which the Franchised Business is located, including statutory workers' compensation limits and employers' liability limits of at least \$1,000,000;

C. Commercial vehicle liability insurance with limits of not less than \$1,000,000 combined single limit for all owned, hired, and non-owned vehicles you, your employees, or any other person performing work on your behalf, operate;

D. Business interruption insurance equal to twelve (12) months of your net income and continuing expenses, including Royalty Fees;

E. Commercial umbrella liability insurance with a total liability limit of at least \$1,000,000;

F. Employment practices liability insurance with a limit of at least \$250,000 including actions of a third party, and a minimum of \$25,000 for wage and hour disputes;

G. 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, with a minimum limit of \$500,000 per claim and in the aggregate; and

H. All other insurance that we require in the Operations Manual or that is required by law or by the lease or sublease for the Franchised Business.

I. For all subcontractors and independent contractors that you use, we recommend the following insurance requirements:

i. The subcontractor(s) and/or independent contractor(s) shall carry the same limits and coverages that are carried by you;

ii. You shall be named as an additional insured under the subcontractor(s) and/or independent contractor(s) policy(ies);

iii. The subcontractor(s) and/or independent contractor(s) policy(ies) shall carry a waiver of subrogation endorsement as well as a primary and non-contributory endorsement; and

iv. Any policy shall provide a thirty (30) days' notice of cancellation.

We must approve all insurance carriers in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A-VII or better, as reported in the most recent edition of A.M. Best's Insurance Reports. Our acceptance of an insurance carrier does not constitute our representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy.

### Computer Hardware and Software

You must purchase any computer hardware, software and peripherals that meet our System standards and specifications. Please see Item 11 of this Franchise Disclosure Document for additional information regarding our computer hardware and software purchasing requirements.

### Purchasing and Distribution Cooperatives; Rebate Programs

We currently do not have any purchasing or distribution cooperatives; however, we reserve the right to establish these types of cooperatives in the future. We may negotiate certain purchase arrangements (including price terms) for the purchase of certain items with suppliers for the benefit of franchisees.

**ITEM 9  
FRANCHISEE'S OBLIGATIONS**

The table lists your principal obligations under the Franchise Agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

Obligation	Section in Franchise Agreement	Section in Multi-Unit Addendum	Item of Disclosure Document
a. Site selection and acquisition / lease	Section 7.1	Not Applicable	Items 7, 11 and 12
b. Pre-opening purchases / leases	Sections 7.1, 7.3, 7.4, 7.6, 7.8 and 7.11	Section 4	Items 7 and 8
c. Site development and other pre-opening requirements	Sections 7.1 and 9	Not Applicable	Items 6, 7, 8 and 11
d. Initial and ongoing training	Sections 7.2 and 8	Section 6	Item 11
e. Opening	Section 7.3	Not Applicable	Item 11
f. Fees	Sections 2.2.9, 3, 6, 7.4.3.1, 7.6.5.1, 8.1.2, 8.1.3, 8.2, 8.3, 9.5, 11.1, 12.3, 12.5.3, 14.3.2.8, 22.8, Data Sheet and Exhibit H	Sections 2, 3, 7, 8 and 9	Items 5, 6, 7 and 11
g. Compliance with standards and policies / operations manual	Sections 6 and 7	Not Applicable	Items 8 and 11
h. Trademarks and proprietary information	Sections 4, 5, 7.8 and 7.14	Not Applicable	Items 13 and 14
i. Restrictions on products / services offered	Sections 1.2 through 1.8, 7.4 and 7.5	Not Applicable	Items 8, 12 and 16
j. Warranty and customer service requirements	Section 7.18	Not Applicable	Item 15
k. Territorial development and sales quotas	Not Applicable	Not Applicable	Items 12 and 17
l. Ongoing product / service purchases	Sections 7.4 and 7.5	Not Applicable	Items 8 and 11
m. Maintenance, appearance and remodeling requirements	Sections 7.1.2, 7.15, and 7.17	Not Applicable	Items 6, 8 11, 12
n. Insurance	Section 9	Not Applicable	Items 7 and 8
o. Advertising	Section 12	Not Applicable	Items 6 and 11
p. Indemnification	Section 13.2	Not Applicable	Item 6
q. Owners' participation / management / staffing	Sections 7.6.3 through 7.6.5, and 7.10	Not Applicable	Items 11 and 15

Obligation	Section in Franchise Agreement	Section in Multi-Unit Addendum	Item of Disclosure Document
r. Records and reports	Sections 10 and 11	Not Applicable	Item 6
s. Inspections and audits	Sections 7.7 and 11	Not Applicable	Items 6 and 11
t. Transfer	Section 14	Section 10	Item 17
u. Renewal	Section 2.2	Section 9	Item 17
v. Post-term obligations	Sections 16.1 and 17.2	Not Applicable	Item 17
w. Noncompetition covenants	Section 17	Not Applicable	Item 17
x. Dispute Resolution	Section 18	Not Applicable	Item 17

## ITEM 10 FINANCING

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

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

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

### A. Pre-Opening Obligations

Before you open your Franchised Business, we (or our designee(s)) will provide you with the following assistance:

1. We will define your Designated Territory (Franchise Agreement, Section 1.2). We do not generally own a premises which is then leased to a franchisee.

2. We will provide you with site selection guidelines and general specifications and standards, including any specific requirements (Franchise Agreement, Exhibit E). We consider some or all of the following factors when determining whether or not a site meets our approval: general location and neighborhood, size, physical characteristics of existing buildings, and lease terms.

3. We will provide initial training in the System and our policies and procedures to your required trainees (Franchise Agreement, Section 8).

4. We will provide you with either a written copy or electronic access to our Operations Manual and other manuals, on loan as long as the Franchise Agreement or successor franchise agreement remains in effect. The table of contents for the Operations Manual is attached as Exhibit G to this Franchise Disclosure Document. The Operations Manual is currently 130 pages (Franchise Agreement, Section 6.1).

5. We, or an approved third-party supplier, will deliver to you your initial supply of inventory and supplies, which you must offer for sale to your customers. We will also provide you with a list of approved and recommended suppliers and a list of equipment that you will need to operate your Franchised

Business. We do not deliver or install any of these tools or pieces of equipment (Franchise Agreement, Section 6.2).

6. We will provide advice and guidance, as we deem necessary in our sole discretion, in preparing you to open your Franchised Business, including standards and procedures for obtaining inventory and supplies, providing approved services, advertising and promoting the business, and otherwise operating the Franchised Business during the start-up phase (Franchise Agreement, Section 6).

7. We will initiate the Local Advertising Services described in Item 8, subject to your payment of the applicable fees (Franchise Agreement, Section 12.5.3).

8. We will approve your Franchised Business opening, provided that you have met all of our requirements for opening, including completion of initial training, obtaining a vehicle that meets our requirements, and purchase of the Initial Inventory and all necessary tools and equipment. We estimate that the typical length of time between signing a Franchise Agreement and opening your Franchised Business is approximately ninety (90) to one-hundred and fifty (150) days. Factors affecting this length of time include, among others: hiring of the requisite employees; successful completion of initial training; local ordinances or community requirements; obtaining a vehicle that meets our requirements; issuance of all necessary licenses, permits and approvals; and procuring required insurance. You must select and secure your Approved Location no later than sixty (60) days after the effective date of the Franchise Agreement, and must open the Franchised Business no later than one hundred eighty (180) days after the effective date of the Franchise Agreement. We may extend this deadline, in our sole discretion, which we may condition on you executing a general release in our favor (Franchise Agreement, Section 7.3).

9. We will provide you with a dedicated phone number which you must use in connection with your Franchised Business and in all marketing items (Franchise Agreement, Section 7.11).

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 key employees. You will be responsible for training your employees and independent contractors, including any training on the day-to-day operations of the Franchised Business. You will be responsible for hiring, training, directing, scheduling, and supervising your employees and independent contractors in the day-to-day operations of the Franchised Business. We do not provide the above services to renewal franchisees and may not provide all of the above services to franchisees that purchase existing Franchised Businesses.

## B. Training

### *Initial Training*

You (or your operating principal if you are an entity) and your Designated Manager (defined below in Item 15) (the “Required Trainees”) must attend and satisfactorily complete to our satisfaction the initial training program before you open your Franchised Business. Initial training currently consists of approximately five (5) days of training to be held at our Home Office located at 107 Parr Drive, Huntersville, North Carolina, and other location(s) designated by us near Charlotte, North Carolina at least thirty (30) days prior to opening your Franchised Business (“Initial Training Program”). We may provide on-site follow-up training, as we, in our sole discretion, deem necessary to be conducted four (4) to six (6) weeks after your Franchised Business opens for business. We will conduct initial training at least six (6) times per year (approximately every other month), but may conduct training sessions more frequently in our discretion. We reserve the right to modify the length, location and timing of initial training. We may waive a portion of the Initial Training Program or alter the training schedule if we determine that your

trainees have sufficient prior experience or training. The Initial Training Program will be provided as soon as practicable after you sign your Franchise Agreement(s) (Franchise Agreement, Section 8).

We will provide instructors, facilities, and materials for initial training (currently, \$0) for up to three (3) of your representatives (including your Required Trainees) for the training fee provided that all of your trainees are trained during the same training session. If space is available, you may bring more than three (3) total representatives to initial training. We reserve the right to charge a training fee of five hundred dollars (\$500), which we may increase upon sixty (60) days' written notice to you, for training: (i) each person in excess of three (3) trainees, even if they attend the same training session; (ii) each person who is repeating the course or replacing a person who did not pass; and (iii) each subsequent operating principal, Designated Manager (defined in Item 15), or employee who attends the course at a scheduled training class at our headquarters or other location designated by us. You are responsible for any travel and living expenses, wages, and other expenses incurred by your trainees during the Initial Training Program or any other training program.

Our Initial Training Program currently consists of the following. 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. Some or all of the classroom training may now or in the future be provided virtually.

TRAINING PROGRAM			
Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Welcome and Culture	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Introduction to Services	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Compliance and Royalties	.5	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Introduction to CRM	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Introduction to Design Software	2	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Design Software Setup	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
CRM Setup	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Design Software Hands-On	5	0	Our Home Office (Huntersville, NC), virtually, or other location we designate



TRAINING PROGRAM			
Subject	Hours Of Classroom Training	Hours Of On-The-Job Training	Location
Sale Process Overview	2	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Sales Training and Scenario Role Play	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Staffing and Store Management	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Market Introduction Program	1.5	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Contractor Referral and Lead Generation	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Marketing Overview	2	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Store Setup and Design	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Install Communications / Expectations	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Subcontractor and Local Vendor Management	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Product / Materials Focus	4	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Warranty Overview	2	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Leadership	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
Graduation	1	0	Our Home Office (Huntersville, NC), virtually, or other location we designate
<b>TOTALS</b>	<b>32 Hours</b>	<b>0 Hours</b>	

### Explanatory Notes:

1. The training subjects may vary, and the training may be less than the times indicated above, depending on the number and experience of the attendees. We use manuals, PowerPoint presentations, online videos and tutorials, a learning management system, and other materials as instructional materials in our Initial Training Program and other training programs.

2. The instructors for our Initial Training Program and other training programs all have experience working with us or similar businesses. The following individuals will lead our training programs: (i) Casey Ridley, our President since July 2022, who has eight years' experience in operating a Franchised Business; (ii) Dustin Ridley, our Vice President of Operations, who has eight years of experience in operating a Franchised Business and 12 years of industry experience; and (iii) Chris Stefanco, Vice President of HFB since March 2022, who has over 20 years' experience in franchise operations, training and business coaching in the services business industry. We may also use certain vendors and current franchisees to assist in the training program.

3. Your Required Trainees must successfully complete the Initial Training Program at least thirty (30) days before opening your Franchised Business. We will determine, in our discretion, what constitutes successful completion of the Initial Training Program. If your Required Trainees are unable to successfully complete, in our sole discretion, the Initial Training Program for any reason, your Required Trainees must repeat the Initial Training Program or you must send replacement Required Trainees to complete the Initial Training Program. If your Required Trainees have not, in our sole discretion, successfully completed the Initial Training Program thirty (30) days before the opening of your Franchised Business, we may terminate the Franchise Agreement, in which case we will not refund any initial fees paid by you.

#### *Additional Training*

We may periodically conduct mandatory or optional training programs for your Required Trainees and/or your employees at our office or another location that we designate. There will be no charge for training programs that we require you or your employees to attend, but we may charge you our then-current fee for optional training programs. We may provide additional training in person or via recorded media, teleconference, video conference, the Internet, webinar, or any other means, as we determine. We may require your Required Trainees or employees to satisfactorily complete any additional training programs that we specify. We may require your Required Trainees to participate in refresher or advanced training each year.

If, in our sole judgment, you fail to maintain the quality and service standards set forth in the Manuals, we may, in addition to all of our other rights and remedies, assign trainers to the Franchised Business to retrain Franchised Business employees and restore service levels and/or require you or your employees to repeat initial training or attend additional training programs at a location that we designate. We may charge our then-current fee for each trainer assigned to your Franchised Business and any remedial training.

If your Designated Manager (defined in Item 15) ceases to be employed by you at the Franchised Business and you are unable to immediately appoint and train a new manager, we may, in our sole discretion and for our then-current fee, provide a Designated Manager to work at your Franchised Business temporarily until a new Designated Manager is appointed and trained.

### *Training by You*

You and/or your operating principal and your Designated Manager(s) are responsible for training all of your other employees (and subsequent Designated Managers) in accordance with our standards and training programs. If, in our sole judgment, you fail to properly train your employees or other personnel in accordance with our standards, we may prohibit you from training additional employees and either require them to attend training at our headquarters or pay for our costs and expenses to send one of our representatives to train them at your Franchised Business.

### *Delegation*

We may delegate the performance of any or all of our obligations under the Franchise Agreement to an area representative, affiliate, agent, independent contractor, or other third party. If we appoint an area representative in the area that includes your Franchised Business, the area representative will provide training, support, marketing, and other services to you on our behalf and will have the authority to exercise many of our rights and perform many of our obligations under the Franchise Agreement.

In addition to participating in ongoing training, you will be required to attend an Annual Conference of all franchisees at a location we designate and pay a conference fee if we hold an annual meeting of all franchisees (See Item 6). We reserve the right to host up to two Annual Conferences per year. You are responsible for all travel and expenses for your attendees.

### C. Post-Opening Obligations

After you open your Franchised Business, we (or our designee(s)) will provide you with the following assistance:

1. Review Advertising. We will review any advertising or promotional programs or materials that you develop (Franchise Agreement, Section 12.1).
2. Administer Local Advertising. We will administer the Local Advertising Services described in Item 8 for the Franchisor Directed Advertising Fee set forth in Item 6 (Franchise Agreement, Section 12.5.3 and Franchise Agreement, Exhibit H).
3. Brand Fund Management. We will manage the Brand Fund as described below in this Item 11. We will prepare an unaudited statement of contributions and expenditures for the Brand Fund and make it available within one hundred twenty (120) days after the close of our fiscal year to franchisees who make a written request for a copy (Franchise Agreement, Section 12.3).
4. Requested Consulting Services. We will provide you additional consulting services with respect to the operation of the Franchised Business upon your reasonable request and subject to the availability of our personnel at a mutually convenient time. We will make available to you information about new developments, techniques and improvements in the areas of advertising, management, operations, and Franchised Business design. We may provide such additional consulting services through the distribution of printed or filmed material, an Intranet or other electronic forum, meetings or seminars, teleconferences, webinars, or in person. If such services are rendered in person other than at our offices, you must pay us our then-current training fee and our expenses (Franchise Agreement, Section 6.3).
5. Additional Training. We may schedule, and require you, your Designated Manager (if applicable), and other employees, to attend additional or refresher training courses. We may charge you our then-current tuition fee for you and any other persons that attend such additional or refresher training, and

you will be solely responsible for all expenses associated with such training (including travel, lodging, meals and employee wages incurred). We will provide this training to you and your employees at our corporate headquarters, at any other training facility we designate, or virtually. We may also provide you with remedial training if we determine, in our sole discretion after conducting an audit or inspection of your Franchised Business, that you are not complying with our System standards and specifications. The purpose of remedial training is to get you back on track and in compliance with our standards and specifications (Franchise Agreement, Section 6.5).

6. System Updates. We may, as we deem necessary in our sole discretion, modify and update the System and Manuals, including any standards and specifications, and provide you with updated lists of: (i) Approved Products and Approved Services; (ii) Approved Suppliers; and (iii) items you must purchase in accordance with our System standards and specifications (i.e., equipment, fixtures, inventory and supplies) (Franchise Agreement, Section 1.1 and Section 6.1).

7. Call Center Updates. We reserve the right to establish and administer a Call Center (as defined below in Item 11), as we deem advisable, to manage prospective and existing customers and route/assign work orders/inquiries as we deem necessary in our sole discretion (Franchise Agreement, Section 6.6).

8. Evaluate Alternate Suppliers. We will review any alternate supplier or non-approved item you propose for use in connection with the Franchised Business, and subsequently approve or deny these proposals as disclosed more fully in Item 8 of this Franchise Disclosure Document (Franchise Agreement, Section 7.4.3).

9. Relocation Review. We will evaluate sites to which you propose to relocate your Franchised Business in accordance with our then-current System Standards for Approved Locations. You must reimburse us for our reasonable costs and expenses associated with evaluating your relocation request and/or any locations proposed by you for relocation. We will provide you with copies of our invoices for our expenses from any third-party providers upon request (Franchise Agreement, Section 7.1.1).

10. Ongoing Advice. We may provide periodic advice and guidance regarding the ongoing operation of your Franchised Business and/or the use of the Proprietary Marks and System in general, as we deem necessary or advisable in our sole discretion. Our advice and assistance may be provided through meetings, printed materials and/or other media that we may make available to you in the System from time to time, or otherwise by telephone, email or other manner of communication. In certain circumstances, we reserve the right to charge our then-current training fee in connection with providing such assistance and/or be reimbursed for our expenses in providing any on-site assistance (Franchise Agreement, Section 6.3).

11. Pricing. If we determine that we may lawfully require you to charge certain prices for products or services, certain minimum prices for products or services, or certain maximum prices for goods or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. Otherwise, you are solely responsible for determining the prices that you charge customers. You must provide us with your current price list upon our request. We reserve the right to negotiate arrangements with customers who have regional or nationwide facilities ("National Accounts"), including pricing, which will bind all Franchised Businesses providing services to such National Accounts. If you wish to perform services for a National Account and we permit you to do so, you may be required to honor pre-negotiated pricing and terms with these National Accounts. We may offer preferred customer plans that offer customers discount prices under certain terms and conditions. You are not required to offer these plans to customers; however, if you do elect to participate in our preferred customer plans, you must offer the discount prices set by the plans in accordance with the terms of the plan (Franchise Agreement, Section 1.4).

D. Advertising and Marketing

*Local Advertising Services*

The Franchisor Directed Advertising Services Agreement (that you are required to sign and specifies that we will develop and control all content for the Local Advertising Services (the "Advertising")) will remain in effect indefinitely and will automatically terminate upon the expiration or termination of the Franchise Agreement. If you are in default of your obligations under the Franchisor Directed Advertising Services Agreement or the Franchise Agreement, we may suspend some or all of the Local Advertising Services without terminating either agreement. However, we can also terminate the Franchisor Directed Advertising Services Agreement prior to the end of the term by written notice if: (i) you are in default under the Franchise Agreement or any other agreement with us or one of our affiliates; (ii) you are in default under the Franchisor Directed Advertising Services Agreement and the default continues for a period of ten (10) days after we deliver written notice of default; or (iii) we discontinue the Local Advertising Services. We have the right, in our sole Business Judgment (defined in Section 3.14 of the Franchise Agreement), to discontinue the Local Advertising Services in whole or in part and to require you to pay all or a portion of the amount of the Franchisor Directed Advertising Fee to one or more other services that we establish to supplement or take the place of the Local Advertising Services.

*Brand Fund*

We have established a creative Brand Fund (the "Brand Fund") for the common benefit of the System. You are currently required to participate in and contribute one percent (1%) of your Franchised Business's Gross Revenue; however, we reserve the right to increase the Brand Fund Contribution up to three percent (3%) of your Gross Revenue (Franchise Agreement, Section 12.3).

The Brand Fund Contribution is presently payable on a monthly basis directly to the Brand Fund via EFT on the tenth (10<sup>th</sup>) day of each month for the sales made during the immediately preceding month. We reserve the right to use the Brand Fund Contributions, in our sole discretion, to develop, produce and distribute national, regional and/or local marketing materials and to create advertising materials and public relations materials which promote, in our sole judgment, the services offered by System franchisees (Franchise Agreement, Section 12.3). We may use the Brand Fund Contributions to satisfy any and all costs of maintaining, administering, directing, preparing and producing advertising, including the cost of preparing and producing Internet, television, radio, magazine and newspaper advertising campaigns; the cost of direct mail and outdoor billboard advertising; the cost of soliciting National Accounts; the cost of public relations activities and advertising agencies; the cost of developing and maintaining an Internet website; personnel and other departmental costs for advertising that we internally administer or prepare; and building partnerships with national and regional brands. Not all System franchisees will benefit directly or on a pro rata basis from such expenditures (Franchise Agreement, Section 12.3). While we do not anticipate that any part of Brand Fund Contributions will be used for advertising that is principally a solicitation for franchisees, we reserve the right to use the Brand Fund Contributions for public relations or recognition of our brand; for the creation and maintenance of a website, a portion of which can be used to explain the franchise offering and solicit potential franchisees; and to include a notation in any advertisement indicating "Franchises Available" (Franchise Agreement, Section 12.3).

If we do not spend all Brand Fund Contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. You must contribute to the Brand Fund regardless of amounts due from other System franchisees.

We will prepare on an annual basis, and will have available for you within one hundred twenty (120) days of the end of the fiscal year, an unaudited statement of contributions and expenditures for the

Brand Fund. Upon your written request, we will provide you with the statement. There is no requirement that the Brand Fund be audited (Franchise Agreement, Section 12.3).

We reserve the right to incorporate the Brand Fund as a separate business entity. The Brand Fund is not a trust or our asset and we are not a fiduciary to you with respect to, or a trustee of, the Brand Fund or the monies therein, and we assume no obligation or liability to you with respect to the maintenance, direction or administration of the Brand Fund (Franchise Agreement, Section 12.3).

We may periodically assist franchisees to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives (“Surveys”). The cost of such programs will be borne by the Brand Fund. The cost of these programs may be charged directly to you if your results from a Survey fall below System-established minimum standards for such Surveys, which will be determined at the time we conduct a Survey (Franchise Agreement, Section 12.3).

We have the sole right to determine how to spend contributions to the Brand Fund, or any funds from any other advertising program, and the sole authority to determine the selection of the advertising materials and programs; provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. We are not required, under the Franchise Agreement, to spend any amount on advertising in your Designated Territory. Not all System franchisees will benefit directly or on a pro rata basis from our expenditures (Franchise Agreement, Section 12.3).

We reserve the right to be reimbursed from the Brand Fund Contributions for actual costs and overhead, if any, that we may incur in activities which are related to directing and implementing the Brand Fund (Franchise Agreement, Section 12.3).

Company or affiliate-owned Franchised Businesses may contribute to the Brand Fund, but they are not required to do so (Franchise Agreement, Section 12.3).

We reserve the right to suspend or terminate the Brand Fund at any time, and any surplus funds may only be used for marketing and advertising purposes until fully expended (Franchise Agreement, Section 12.3).

During our last fiscal year ended December 31, 2022, we collected Brand Fund Contributions. The Brand Fund was used for production of advertising and promotional materials (31%), media placement (35%), administrative expenses (18%), and other items, including publicity efforts (16%).

#### *Advisory Council*

We currently do not have an advisory council, but reserve the right to establish an advisory council for the purpose of exchanging ideas and problem-solving methods, to advise us on expenditures for System-wide advertising, and to coordinate franchisee efforts (an “Advisory Council”). In the event you are elected and accept, you must participate actively in the Advisory Council and participate in all Advisory Council meetings as we require. We reserve the right to prepare and amend the governing documents for the Advisory Council from time to time as we deem necessary, and we will determine the topic areas to be considered by the Advisory Council. The Advisory Council shall act in an advisory capacity only, and we shall have the right to form, change or dissolve an Advisory Council at any time, as we deem necessary in our sole discretion (Franchise Agreement, Section 12.6).

### *Local Advertising Requirement*

In addition to the Brand Fund Contributions, each month you are required to spend the greater of: (i) three thousand dollars (\$3,000); or (ii) three percent (3%) of your Gross Revenue generated during the immediately preceding calendar month on advertising and promoting your Franchised Business within the Designated Territory in accordance with our standards and specifications (the “Local Advertising Requirement,” as defined in Item 6). We reserve the right to increase your Local Advertising Requirement to the greater of: (i) four thousand dollars (\$4,000); or (ii) four percent (4%) of Gross Revenue upon ninety (90) days’ prior written notice to you. If you wish to use any advertising or promotional materials other than those currently approved for use by System franchisees, then you must submit the materials you wish to use to us for our prior written approval at least thirty (30) days prior to your intended use or publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within fifteen (15) days of the date we receive the proposed materials from you. If you do not receive our written approval during that time period, the proposed materials shall be deemed disapproved. Once approved, you may use the materials unless we withdraw or revoke our approval, which we may do at any time with written notice. All advertising must prominently display the Proprietary Marks and must comply with any standards we establish as specified in the Operations Manual or in any other writing. We may require you to discontinue using any advertising or marketing material within a specified time frame, and at your own cost and expense (Franchise Agreement, Section 12.1).

### *Grand Opening Marketing*

In connection with the opening of the Franchised Business, you must spend a minimum of five thousand dollars (\$5,000) for grand opening advertising and promotion in the thirty (30) to sixty (60) days prior to opening the Franchised Business and the thirty (30) days after opening the Franchised Business in accordance with a plan that you must submit to us. We reserve the right to modify your grand opening plan, in our sole discretion, and may require you to use a public relations or other advertising firm to assist with your grand opening. No amount paid by you for your grand opening will be credited toward your Local Advertising Requirement. You must provide us with supporting documentation evidencing these expenditures upon request. If you enter into a Multi-Unit Addendum with us, you will only be required to spend five thousand dollars (\$5,000) in total for Grand Opening Advertising for all Franchised Businesses so long as they are located in contiguous Designated Territories. We reserve the right to increase the required spend to seven thousand dollars (\$7,000) as we deem necessary (Franchise Agreement, Section 12.5.1).

### *Advertising Cooperatives*

We currently do not have any advertising cooperatives and have no plans to form such cooperatives in the immediate future. However, you must join and actively participate in any organizations or associations of franchisees or advertising cooperatives that we establish or that are established at our direction for the purpose of promoting, coordinating and purchasing advertising in local, regional or national areas where there are multiple Franchised Businesses, and you must abide by the bylaws, rules and regulations duly required by such advertising cooperative, which we reserve the right to mandate or approve if and when we form such cooperative. If we form an advertising cooperative, we will have the right to determine how membership will be defined, whether company-owned or affiliate-owned Franchised Businesses will participate in the cooperative, and whether we, an affiliate, a franchisee or a third party will administer the cooperative. If you join an advertising cooperative, we or the advertising cooperative may require you to spend additional funds on marketing programs conducted by the advertising cooperative, which may be in addition to your Local Advertising Requirement. There is no cap on this potential spending obligation. The contribution amount is set by the cooperative, and may only exceed the Local Advertising Requirement of \$4,000 or 4% of Gross Revenue if agreed to by 2/3 of the cooperative. If company-owned

Franchised Businesses have controlling voting power (defined as 2/3 of the cooperative votes), then the contribution amount is limited to 2% above the maximum Local Advertising Requirement, unless 2/3 of the cooperative vote, excluding company owned Franchised Business votes, to approve a higher amount. If we form an advertising cooperative, we will make any governing documents available to you for your review.

### *Promotional Programs*

You must participate in all Franchised Business promotional programs that we offer to franchisees. You must follow our guidelines concerning the acceptance and reimbursement of gift certificates, gift cards, coupons, corporate discounts, and other promotional programs as we set forth from time to time in the Manuals or otherwise in writing. You will not allow use of gift certificates, gift cards, or coupons (including Groupon and similar discounts) unless approved or offered by us.

#### E. Website and Internet Presence

You must have and maintain adequate hardware and software in order to access the Internet at the bit speed we require from time to time. We reserve the right, but not the obligation, to establish and maintain a website that provides information about the System and the products and services offered by Franchised Businesses. If we exercise our right to create such a website, we will have sole discretion and control over it. We also have the right, but not the obligation, to create interior pages on our website(s) that contain information about your Franchised Business and other System locations. If we do create such a page, we may require you to prepare all or a portion of the page for the Franchised Business, at your sole expense, and may require you to use a template that we provide (Franchise Agreement, Sections 12.2.1 and 12.2.2).

Unless you obtain our prior written consent, you are prohibited from establishing or maintaining a separate website, or otherwise maintaining a splash page or other presence on the Internet through any social networking site in connection with the operation of your Franchised Business, including, without limitation, Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, Snapchat, TikTok, or any other social media, referral and/or networking site that uses any variation of the Proprietary Marks or references the System. If you seek and obtain our approval to create a separate website or other web presence, you must: (i) establish and operate the website according to our standards and policies as we describe in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify your site(s). We may require you to update the content of any social media and/or networking site at the times and in the manner we decide (Franchise Agreement, Section 12.2.3).

We reserve the right to modify our policies regarding both our and your use of Internet websites as we deem necessary or appropriate for the best interests of the System (Franchise Agreement, Section 12.2.). We are currently the sole registrant of the domain name *www.thedesignery.com* and we will be the sole registrant of any other domain names we decide to register in connection with the System in the future. You are prohibited from registering any domain name that contains words used in, or similar to, any trademark or service mark owned or used by us or our affiliate, or any colorable variation thereof (including any abbreviation, acronym, phonetic variation or visual variation) (Franchise Agreement, Section 12.2.5).

#### F. Computer Hardware and Software

You must obtain, maintain, and use the business management and technology system that we specify periodically in the Manuals to: (i) enter and track purchase orders and receipts and customer information; (ii) update inventory; (iii) enter and manage your customer's contact information; (iv) generate sales reports and analysis relating to the Franchised Business; and (v) provide other services relating to the operation of the Franchised Business ("Business Management and Technology System").



The Business Management and Technology System currently includes a laptop computer, a tablet computer, a printer and a smartphone device. Specifications for the brand, operating capabilities, and functionality of these hardware components will be set forth in the Manuals and is subject to change. At a minimum, the components of the Business Management and Technology System must be connected to the Internet via a high-speed Internet connection, and must be able to run our designated software programs and general business software such as email, word processing and similar programs.

The Business Management and Technology System will use third-party software from our approved vendors, including ServiceMinder for point-of-sale functions, email marketing, and all customer management functions. For any proprietary software or third-party software that we require you to use, you must execute and be responsible for the fees associated with any software license agreements or any related software maintenance agreements that we or the licensor of the software require.

We estimate that the Business Management and Technology System will cost between \$1,000 and \$3,000, which includes the cost of the hardware, software licenses, related equipment, and network connections, including related installation costs. We, or our approved suppliers, will act as vendors or suppliers of some or all of the components of the Business Management and Technology System.

You must maintain the Business Management and Technology System at your expense and must purchase any hardware or software maintenance or technical support programs that we require. You must replace, upgrade, or update the Business Management and Technology System as we may require from time to time. We will establish reasonable deadlines for implementation of any changes to our Business Management and Technology System requirements, but there are no contractual limitations on our right to require changes to the Business Management and Technology System.

We currently do not require you to enter into, or expect that you will need to enter into, any maintenance, updating, upgrading or support contracts related to the Business Management and Technology System. We, our affiliates, and third-party vendors are not obligated to provide you with any ongoing maintenance, repairs, upgrades or updates. Vendors may be able to offer optional maintenance, updating, upgrading, or support contracts to you, which we estimate may cost between \$200 and \$400 per year. You may also be required to use a Managed Services Desk for franchisee emails and software support, which is currently \$55 per month for franchisee and \$20 per month for staff members. This fee may be increased or decreased upon thirty (30) days of notice to Franchisee. Franchisor does not have any contractual obligations to maintain, repair, update or upgrade franchisee's computerized system.

You will be required to procure and pay for certain types of software and software support. You will be required to obtain kitchen software, which is currently \$1,800 per year and closet software, which is currently \$200 per month (with each additional user costing between \$50-\$100 per month). We reserve the right to alter these fees at any time or offer them to you as an upfront or annual fee. We reserve the right to have you pay either us or an affiliate directly for this software. You, at all times, must give us unrestricted and independent electronic access (including user IDs and passwords, if necessary) to the Business Management and Technology System for the purposes of obtaining the information relating to the Franchised Business. You must permit us to download and transfer data via a high-speed Internet connection or such other connection that we specify on a real-time basis. There are no contractual limitations on our right to access data stored in the Business Management and Technology System, and we may program the Business Management and Technology System to automatically transmit data and reports about the operation of your Franchised Business to us. We are the sole owners of all databases, lists, templates, programs and any other software components that have been created and/or customized by or for us using the Business Management and Technology System, or otherwise generated through your Franchised Business.

## ITEM 12 TERRITORY

### *Designated Territory*

Upon signing the Franchise Agreement, we will provide you an area designated by zip codes in which you will have protected rights (the “Designated Territory,” as defined in Item 1). The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Approved Location. Typically, a Designated Territory will consist of approximately 80,000 Qualified Households, depending upon geography, demographics, and other factors. The geography, demographics and other factors we use in defining your Designated Territory are based upon information provided to us by third-party sources that we select at our sole discretion. If your Designated Territory has more than 80,000 Qualified Households, your Initial Franchise Fee will increase from the baseline amount of \$54,900 by \$0.70 for each additional household, up to an additional 20,000 households. The Initial Franchise Fee is deemed fully earned and non-refundable upon payment.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources).

### *Relocation of the Franchised Business*

If you would like to relocate the Approved Location, you must receive our written consent and our approval, which will not be unreasonably withheld, provided: (i) the new Approved Location is satisfactory to us and within your Designated Territory; (ii) your lease, if any, for the new location complies with our then-current requirements; (iii) you comply with our then-current requirements for constructing, outfitting and furnishing the new Approved Location; (iv) the new Approved Location will not, as determined in our sole discretion, materially and adversely affect the Gross Revenue of any other Franchised Business; (v) you have fully performed and complied with each provision of the Franchise Agreement within the last three (3) years prior to, and as of, the date we consent to such relocation (the “Relocation Request Date”); (vi) you are not in default, and no event exists as of the Relocation Request Date; and (vii) you have met all of our then-current training requirements. If you lose your lease, you must secure our approval of another site and enter into a lease for the new approved site within ninety (90) days after you lose your lease for the Approved Location.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will neither operate, nor award to another person a franchise to operate, another Franchised Business in your Designated Territory, nor will we service, or authorize others to service, customers in your Designated Territory, except in limited circumstances described below in this Item 12, and provided you are not in default under the Franchise Agreement.

You may not solicit any customers outside of your Designated Territory without our prior written consent (which may be withheld for any reason). If you solicit or sell Approved Services outside of the Designated Territory without our prior written consent, in addition to all other rights and remedies available to us for a breach of the Franchise Agreement, we will have the right to terminate the Franchise Agreement.

### *Adjacent Territory Policy*

You may have customer relationships, or your in-territory advertising may result in customers reaching out to you for Approved Services in an adjacent territory. You may provide Approved Services outside of your Designated Territory in adjacent open territory (i.e., not the Designated Territory of another franchisee). This policy, so long as it is in effect and not withdrawn or modified, constitutes the required written consent to provide Approved Services in adjacent open territory. You may also provide Approved Services in the Designated Territory of another franchisee whose Designated Territory is adjacent to yours, but only if all of the following conditions are met:

1. You must inform the adjacent franchisee of the opportunity before commencing services or agreeing to provide services to the client.
2. After you inform the client that there is another franchisee that provides services where the Approved Services are to be performed, the client requests in writing that you provide the services rather than the adjacent franchisee. You must obtain written proof to demonstrate compliance with this requirement.
3. You provide a revenue share with the adjacent franchisee as agreed between the parties not to exceed three percent (3%) of the Gross Revenue for the work to be performed in the adjacent franchisee's Designated Territory. If there is no agreement as to a revenue share, the revenue share percentage will be set by us in an amount not to exceed three percent (3%).
4. You receive prior written permission from us, which permission may be granted for each project or for projects generally in our absolute discretion. We may refuse to grant permission for any reason or no reason.

You and the adjacent franchisee may (but are not required to), by mutual written agreement, enter into a referral fee agreement where one franchisee refers business to the other franchisee for work in the other franchisee's Designated Territory.

Open Territory Transition. If you provide Approved Services to customers in an adjacent territory that becomes a Designated Territory of another franchisee, upon sale of that newly Designated Territory to another franchisee, you will be obligated to transfer customers that are in the newly purchased territory to the franchisee that purchased the newly Designated Territory. This obligation does not include "Work-in-Progress" at the time of the sale of the adjacent open territory. "Work-in-Progress" means any customer with whom you have a contract to perform Approved Services where you have not completed the Approved Services. An Approved Service is deemed completed when final payment is due pursuant to the contract. However, any Work-in-Progress is **not** subject to the revenue share requirement for providing Approved Services in the Designated Territory of another franchisee above. You must use your best efforts to complete any Work-in-Progress within six (6) months after the adjacent open territory is sold. Any leads in an adjacent territory that becomes a Designated Territory of another franchisee must be provided to the adjacent franchisee at no cost unless you and the adjacent franchisee have entered into a referral fee agreement. You are obligated to cooperate with the adjacent franchisee to ensure an orderly transition of customers to the adjacent franchisee. You are obligated to transfer a list of all past and present customers in the purchased territory to the adjacent franchisee.

This Adjacent Territory Policy is part of the Operations Manual and is subject to modification or elimination by a change to the Operations Manual.

### *National Accounts*

We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to provide services to any entity that owns or otherwise has responsibility for a building or common services in more than one location whose business is not confined to one particular franchisee's Designated Territory, regardless of the contract amount of the services to be performed (a "National Account"). We or any party we may designate shall have the right to perform the services for the National Account within your Designated Territory. Any dispute as to whether a particular customer or account is a National Account will be determined by us, and our determination will be final and binding. You are not entitled to any right to compensation or consideration for work performed by others in your Designated Territory for National Accounts.

You may choose to participate in the National Accounts program ("National Accounts Program") to service National Accounts for which the ultimate client of the National Account is located in the territory consistent with the then-current National Accounts Program Participation Agreement. You acknowledge and agree that we or a third party service provider we designate may begin servicing National Accounts in the Designated Territory if: (i) we believe that you are not meeting our standards and specifications applicable to the National Accounts you are servicing or the National Accounts Program generally; (ii) we believe that you are in default of the Franchise Agreement; (iii) the National Account has requested that we or a third party it selects service its clients; (iv) you are not then participating in the National Accounts Program (or are not eligible to participate in the National Accounts Program); (v) you do not offer or are not authorized by us or the applicable licensing authority to offer the service to be provided; or (vi) you refuse to service the National Account.

We have the right to discontinue or terminate a National Account or the entire National Accounts Program. We may impose any restrictions and/or requirements as a condition to your acceptance of each National Account. We reserve the right to charge fees on National Account revenue. These fees, if charged, will be a required condition of participating in our National Accounts Program and these fees are subject to change annually. We may require you to conduct thorough background checks on all employees who will service any National Account and may require proof of compliance with this and other requirements at such intervals as we and/or the National Account dictates.

### *Rights Reserved By Us*

Among other things, we and our affiliates also reserve the exclusive right to: (i) establish and operate, and license third parties the right to establish and operate, other Franchised Businesses using the Proprietary Marks and System at any location outside of the Designated Territory; (ii) acquire, merge with, engage in joint ventures with, or otherwise affiliate with, and thereafter own and operate and franchise others the right to own and operate, any business of any kind, including businesses that offer products that are similar to those provided by your Franchised Business, within or outside your Designated Territory; (iii) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; (iv) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited under your Franchise Agreement; (v) designate and service National Accounts; (vi) service, route and/or assign any and all customer work orders and inquiries received through our Call Center; and (vii) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited under your Franchise Agreement.

### *Alternate Channels of Distribution*

We, our affiliates, or third parties may distribute our and our affiliates' products and services in your Designated Territory, including those already developed and those yet to be developed, through alternate channels of distribution that we may choose. These alternate channels of distribution will include, but are not limited to, the sale and distribution of the products and services via the Internet and through joint marketing with partner companies under terms and conditions that we deem appropriate. This does not give you the right to: (i) distribute such products or services; or (ii) share in any of the proceeds that a party received through these alternate channels. We are not required to pay you for soliciting or accepting orders from inside your Designated Territory.

### *Restriction on Rights*

You do not have the right to open additional Franchised Businesses, nor do you have any right of first refusal on any other location. You do not have the right to use the Proprietary Marks or the System at any location outside of the Designated Territory. You may not offer any Approved Products or Approved Services in wholesale, e-commerce, or other channels of distribution besides the retail operation of the Franchised Business within the Designated Territory without our prior written consent. Any media advertising or direct mail marketing that you conduct must be predominantly focused within your Designated Territory, unless we agree otherwise.

You may service customers outside of your Designated Territory, with our prior written approval, if customers are located in areas geographically contiguous to your Designated Territory, and no other franchisee of ours has been awarded that territory, nor is the territory protected as an affiliate-owned business (an "Open Territory"), except for certain limited circumstances, if any, that are more fully set forth in the Operations Manual. You have no rights to use other channels of distribution (Internet, catalog sales, telemarketing, or other direct marketing) except as specifically approved by us in writing or in the Operations Manual.

You may only operate your Franchised Business and service customers within your Designated Territory, unless we have approved you to service customers in Open Territories or Designated Territories adjacent to yours. As long as you are in compliance with the Franchise Agreement, we will not, during the term of your Franchise Agreement, operate or grant others the right to operate any other Franchised Business within the Designated Territory.

If we grant you permission to operate in an Open Territory, we have the right to sell or assign it or any part of it at any time, without notice to you. We may revoke your rights to operate in any Open Territory at any time, even if we permitted you to service customers in that Open Territory in the past. You will not have a right of first refusal or option to buy a territory that was formerly designated as an Open Territory. Once an Open Territory is assigned to another System franchisee or affiliate-owned business, you will have no further rights to service customers in that Open Territory.

### *Multi-Unit Addendum*


If you enter into a Multi-Unit Addendum, you will have the right to simultaneously open and operate a mutually agreed upon number of Franchised Businesses, each with its own Designated Territory. The total number of Franchised Businesses to be opened under your Multi-Unit Addendum and the Designated Territory for each Franchised Business will be dependent upon a number of factors such as: (i) your financial and operational abilities to operate multiple Franchised Businesses simultaneously; (ii) the location and demographics of the general area where we mutually agree you will be opening these locations; and (iii) other factors that we deem relevant in our sole discretion.

You must simultaneously execute our current Franchise Agreement for each Franchised Business that we grant you the right to open under your Multi-Unit Addendum. Your Designated Territory for each Franchised Business under your Multi-Unit Addendum will typically be contiguous geographic areas and you may operate all of the Franchised Businesses under your Multi-Unit Addendum from one Approved Location located within one of your Designated Territories. We will use our then-current standards for accepting the Approved Location and designating Designated Territories.

You must continuously operate each Franchised Business under your Multi-Unit Addendum. If you fail to continuously operate a Franchised Business, we may terminate the Franchise Agreement for that particular Franchised Business and offer the Designated Territory to another System franchisee. We will not terminate any other Franchise Agreement under your Multi-Unit Addendum solely based upon your failure to operate a Franchised Business in a separate Designated Territory under your Multi-Unit Addendum. Other events of default which permit us to terminate the Franchise Agreement for one Franchised Business may permit us to terminate any other Franchise Agreement or other agreement between you and us.

### ITEM 13 TRADEMARKS

You will have the limited right to use the following Proprietary Marks that are currently pending with the United States Patent and Trademark Office (“USPTO”), as well as any other Proprietary Mark we may now or in the future designate in connection with the System, provided you use these Proprietary Marks in accordance with our System standards and specifications:

Mark	Serial No.	Filing Date	Status
	97/477,286	June 27, 2022	Pending
THE DESIGNERY	97/477,185	June 27, 2022	Pending

We do not have a federal registration for the Proprietary Marks listed in the table immediately above (serial numbers 97/477,185 and 97/477,286). Therefore, these Proprietary Marks do not have the same legal benefits and rights as a federally-registered trademark. If our right to use these Proprietary Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

All required affidavits relating to the Proprietary Marks have been filed. There are currently no effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court; no pending interference, opposition or cancellation proceedings; nor any pending material litigation involving the Proprietary Marks. Currently, there is no litigation pending or otherwise that limits our ability to use or license the Proprietary Marks to you or any other franchisee. There are no other agreements that will affect our right to use, and license you to use, the Proprietary Marks in any manner material to the System and franchises offered in this Franchise Disclosure Document.

Your right to use the Proprietary Marks granted under the Franchise Agreement is non-exclusive, and we retain the right, among others: (i) to use the Proprietary Marks for selling products and services; (ii) to grant others licenses for the Proprietary Marks, in addition to those licenses already granted to

existing franchisees; and (iii) to develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you.

All your usage of the Proprietary Marks and any goodwill you establish will be for our exclusive benefit and you retain no rights in the Proprietary Marks on the termination or expiration of the Franchise Agreement. You may not use the Proprietary Marks as a part of any corporate or trade name or as part of a domain name, or an electronic address, nor may you use any trade name, trademark, service mark, emblem or logo other than the Proprietary Marks, as we may designate. You must prominently display the Proprietary Marks on the items we designate, including signs and packaging materials. You must obtain fictitious or assumed name registrations we require or under applicable law. You must identify yourself as the owner of the Franchised Business by placing your name on the Franchised Business and on all checks, invoices, receipts, contracts and other documents that bear any of the Proprietary Marks, and on all printed materials your name must be followed by the phrase “a The Designery franchisee” or any other phrase as we direct. Upon termination or expiration of the Franchise Agreement, you are required to de-identify your Franchised Business, removing all of our Proprietary Marks, logos or other proprietary items that we specify.

You must immediately notify us of any information that you acquire concerning any use by others of names or marks which are the same, or confusingly or deceptively similar to any of the Proprietary Marks. At our request, you must assist us to protect and maintain our interest in the Proprietary Marks, and we will pay or reimburse your out-of-pocket costs incurred in rendering such assistance, unless we are required to take action to protect our interests due to your wrongful acts or those of any person under your control.

We are not obligated to protect you from the right to continued use of the Proprietary Marks. Although our right to pursue any third-party infringers of our Proprietary Marks is optional, as a company policy, we may elect to aggressively protect our rights under the Proprietary Marks. If at any time we consider it to be advisable (in our sole discretion) for us and/or you to modify or discontinue the use of any Proprietary Mark and/or use one or more additional or substitute trade or service marks, you must comply with our directions within a reasonable time after receiving notice from us and at your expense. We are not obligated to reimburse you for the costs you incur in complying with our directions or the loss of revenue or expenses caused by any modification or discontinuance of a Proprietary Mark. We are not required to protect you against third party claims of trademark infringement or unfair competition; however, we reserve the right to assist in the defense of such matters.

You must immediately notify us of any apparent infringement or challenge to your use of any Proprietary Mark, or any claim by any person of any rights in any Proprietary Mark. You agree not to communicate with any person other than us, our attorneys of choice and your attorneys in connection with any such claim or challenge. If we choose to take over or control the defense of any claim, or challenge the cost of such defense will be paid by us, provided that if any claim or challenge is caused by your wrongful acts, we may request that you indemnify us for any claims or damages we incur. This includes paying all of our attorneys’, experts’ or other professional fees we may incur to defend any claim or challenge resulting from any of your wrongful acts. In limited instances, if we take over any claim or challenge, we may reimburse you for the reasonable expenses you incur in connection with cooperating with us, as we deem necessary in our sole discretion.

The Designery, LLC, led by Courtney Shearer is currently doing business as The Designery: A Kitchen and Bath Design House at 75 Mobile Ave. NE, Atlanta, GA 30305. This business may have superior common law rights to use “The Designery” in the Atlanta, GA market.

## ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights that are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the System including our Operations Manual, advertising, and business materials. Additionally, we do not have any patent applications that are pending and/or material to this offering.

We own all right, title and interest in and to any Advertising (and related campaign or consumer data) created in or for the Local Advertising Services. You will not acquire any right, title or interest in the Advertising and/or related campaign or consumer data, other than the right to access and use the Advertising, as expressly granted in the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement and the Franchisor Directed Advertising Services Agreement.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of this unauthorized use. We may revise any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise Agreement, you will receive information which we consider to be our trade secrets and confidential information, including, but not limited to, information regarding the setup of a Franchised Business; information about proprietary products and methods; any proprietary software we may now or in the future create; our Operations Manual; trade secrets; price marketing mixes related to the sale of products or services offered or authorized for sale by System franchisees; standards and specifications for equipment, design and equipment layout; systems and training manuals; training systems; compensation systems; marketing strategies; online marketing systems; sales systems; sales training; location identification and acquisition; general operations; our copyrighted materials; and methods and other techniques and know-how concerning the operation of the Franchised Business which may be communicated to you or of which you may be apprised by virtue of your operation of a Franchised Business (collectively, the “Confidential Information”).

You must not, during or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company, any Confidential Information, except to your employees that must have access to it in order to operate the Franchised Business. Certain additional information, including: (i) current customer and prospective customer names and addresses; (ii) information about credit extensions to customers; (iii) customer service purchasing histories; (iv) rates charged to customers; and (v) sources of suppliers and purchasing arrangements with suppliers, also constitute our trade secrets and Confidential Information. Any and all information, knowledge, know-how, techniques, and other data, which we designate as confidential will be deemed Confidential Information for purposes of the Franchise Agreement. We have expended considerable time, effort and money to develop the System, and the Confidential Information is not well known outside of the System. The Confidential Information is of great value to us, and we are implementing this non-disclosure policy in an effort to protect our trade secrets and Confidential Information.

If you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of the Franchised Business, you must promptly notify us and provide us with all necessary related information, without compensation. Any such concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other related intellectual property rights. You and your principals will assign to us any rights you may have or acquire, including the right to modify the concept, process or improvement, and otherwise



must waive and/or release all rights of restraint and moral rights. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing these rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any concept, process or improvement. In the event that these provisions are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement if this use or sublicense would otherwise directly or indirectly infringe your rights.

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

You (or your principals) must devote their personal full-time attention, skill and best efforts to the management and operation of the Franchised Business and to promote and increase the demand for our products and services within the Designated Territory. We may allow you to operate other non-competing businesses, on a case-by-case basis. You agree that you may not, without our prior written consent, engage in any commercial activity that: (i) may benefit or promote a competing business; and (ii) may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and System. Your (or your principals') violation of these terms will be a material breach of the Franchise Agreement, and we may terminate the Franchise Agreement with notice and without an opportunity to cure.

Upon your written request, we may permit you to employ a manager to manage the day-to-day operations of the Franchised Business (the "Designated Manager"), provided the Designated Manager: (i) is approved by us in writing prior to hiring; and (ii) successfully completes our Initial Training Program before assuming any managerial responsibility. The Franchised Business must, at all times, be staffed with at least one individual who has successfully completed the Initial Training Program. In the event that a Designated Manager resigns or is otherwise terminated, the replacement must be trained pursuant to our then-current standards. The new Designated Manager must successfully complete training within thirty (30) days of hiring. The Designated Manager is not permitted to seek or maintain other employment or engage in any other business activities during the term of the Franchise Agreement. The Designated Manager is not required to possess any equity interest in the Franchised Business.

Any Designated Manager and, if you are an entity, an officer that does not own equity in the franchisee entity must sign the Confidentiality and Restrictive Covenant Agreement, the form of which is attached to the Franchise Agreement in Exhibit B to this Franchise Disclosure Document. All of your employees, independent contractors, agents or representatives that may have access to our Confidential Information must also sign a Confidentiality and Restrictive Covenant Agreement. If you are a legal entity, each owner (i.e., each person holding an ownership interest in you), including the operating principal, must sign a Personal Guaranty guaranteeing the obligations of the entity in the form of which is attached to the Franchise Agreement in Exhibit B to this Franchise Disclosure Document. We also require that the spouses of the Franchise owners sign the Personal Guaranty.

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

You must offer for sale all products and services which we prescribe and only those products and services which we prescribe. You may not offer any other products and services for sale without having received our prior written authorization.

All products and services you use or offer for sale from your Franchised Business must comply with our standards and specifications. Our standards and specifications are set forth in the Operations Manual, which is revised from time to time. You are responsible for ensuring that your Franchised Business meets these standards at all times. We have the right to inspect your Franchised Business or attend a project site for quality control purposes. We have the right to change our System from time to time.

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

**This table lists certain important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution. 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	2.1	Ten (10) years, which will commence on the date we execute the Franchise Agreement.
b. Renewal or extension of term	2.2 to 2.3	One (1) successive ten (10)-year term. If the Franchise Agreement expires without you properly exercising your renewal right and you continue to accept the benefits of the Franchise Agreement thereafter, then, at our option, we may treat the Franchise Agreement either as: (i) expired as of the date of expiration, with you then illegally operating a franchise in violation of our rights; or (ii) continued on a month-to-month basis (the “ <u>Holdover Period</u> ”) until you and we agree to enter into our then-current form of franchise agreement for a renewal term or until you or we provide the other with written notice of termination, in which case the Holdover Period will terminate thirty (30) days after receipt of the notice of termination. In the latter case, all of your obligations shall remain in full force and effect during the Holdover Period as if the Franchise Agreement had not expired, except that the franchise fee during the Holdover Period will be increased to ten percent (10%) of Gross Revenue for all types of products/services and without any reductions. All obligations and restrictions imposed on you upon expiration of the Franchise Agreement shall take effect upon termination of the Holdover Period.
c. Requirements for franchisee to renew or extend	2.2.1 to 2.2.9	You must: (i) provide notice of your renewal no fewer than twelve (12) months and no greater than eighteen (18) months prior to the end of the term; (ii) demonstrate to our satisfaction that you have the right to operate the Franchised Business at the Approved Location for the duration of the renewal term or, if you are unable to continue operating at the Approved Location, secure a substitute location that is acceptable to us; (iii) complete to our satisfaction, no later than ninety (90) days prior to expiration of your then-current term, any updates to all required equipment, supplies, inventory, hardware and software, and vehicles and all maintenance, refurbishing, renovating, updating and remodeling of the Franchised Business premises, as necessary to bring the Franchised Business and all equipment into full compliance with our then-current System standards and specifications for new franchisees; (iv) not be in breach of any provision of the Franchise

Provision	Section In Franchise Agreement	Summary
		<p>Agreement, or any other agreement with us, our affiliates, or approved/designated suppliers and vendors, and also have been in substantial compliance with these agreements during their respective terms; (v) satisfy all monetary obligations you have to us, our affiliates, and approved or designated suppliers/vendors and also have timely met these obligations throughout the term; (vi) execute our then-current form of franchise agreement, the terms of which may materially vary from the terms of your current Franchise Agreement at least three (3) months prior to the expiration of your current Franchise Agreement; (vii) satisfy our then-current training requirements and have obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Approved Products and Approved Services at any location within the Designated Territory; (viii) execute a general release in favor of us and our affiliates in the form we prescribe; and (ix) pay a Renewal Fee equal to five thousand dollars (\$5,000).</p> <p>You will be obligated to pay a Renewal Fee for each Franchised Business you wish to renew under the Multi-Unit Addendum. Provided, however, that where a group of territories are under a single Multi-Unit Addendum, the Renewal Fee will be five thousand dollars (\$5,000) for the first Franchise Agreement and one thousand dollars (\$1,000) for each additional Franchise Agreement renewed at the same time and in a contiguous territory.</p>
d. Termination by franchisee	Not Applicable	Not Applicable. However, franchisees may terminate under any grounds permitted by applicable law.
e. Termination by franchisor without cause	Not Applicable	Not Applicable.
f. Termination by franchisor with cause	15.1 to 15.4	We may terminate your Franchise Agreement upon your default and, in some instances, failure to cure. Termination is effective upon delivery of written notice, except as otherwise provided in the Franchise Agreement.
g. "Cause" defined – curable defaults	15.3	<p>The following are curable defaults under the Franchise Agreement, provided you cure the default within fifteen (15) days of our notice of:</p> <p>(i) your failure to pay any sums due us, our affiliates or any of our System Suppliers, Approved Suppliers, or vendors; (ii) your failure to immediately endorse and deliver to us any payments due us from any third party that are erroneously made to you; (iii) your failure to maintain sufficient inventory of marketing materials and other supplies; (iv) your failure to maintain the prescribed months, days or hours of operation at the Franchised Business; (v) your failure to personally supervise day-to-day operations or failure to employ a sufficient number of qualified, competent personnel as we require; (vi) your failure to maintain the strict quality controls reasonably required by the Franchise Agreement and/or the Operations Manual; and (vii) your failure to procure or maintain any licenses, certifications or permits necessary for the operation of the Franchised Business.</p>



Provision	Section In Franchise Agreement	Summary
		<p>operation of the Franchised Business in a manner that presents a health or safety hazard to customers or the general public; (xi) you violate any of the restrictive covenants set forth in the Franchise Agreement; (xii) a levy or writ of attachment or execution or any other lien is placed against you or any of your principals or any of their assets which are not released or bonded against within thirty (30) days; (xiii) you or your principal(s) become insolvent; (xiv) you voluntarily or otherwise abandon the Franchised Business; (xv) you make any unauthorized transfer of the Franchised Business; (xvi) you offer any unauthorized or unapproved products or services at or from the Franchised Business; (xvii) you order or purchase supplies, signs, or other required items and/or inventory from an unapproved supplier; (xviii) you misuse, or make unauthorized use of, any proprietary software that we may develop; (xix) you fail to maintain the required insurance or repay us for insurance we paid for you; (xx) you fail, within fifteen (15) calendar days after notification of non-compliance by federal/ state/ local government authorities, to comply with any law or regulation applicable to the Franchised Business; (xxi) the government takes any action against you that results in an obligation upon us that we believe is uneconomical, not in our best interest, or which would result in having an unintended relationship or obligation; (xxii) you fail to comply with any anti-terrorism law or provisions; (xxiii) you take any assets or property of the Franchised Business for personal use; (xxiv) there are insufficient funds in your EFT bank account to cover any payment to Franchisor two (2) or more times in any twelve (12)-month period; (xxv) you fail to commence operations of the Franchised Business within the required time period; (xxvi) you operate or conduct business outside of the Designated Territory without our consent; and (xxvii) you or your principal(s) do not provide your best efforts as described in Section 7.10 of the Franchise Agreement.</p>
<p>i. Franchisee’s obligations on termination/non-renewal</p>	<p>16.1</p>	<p>Upon termination or expiration of the Franchise Agreement, your obligations include: (i) immediately cease all operations of the Franchised Business; (ii) immediately pay all amounts owed to us, our affiliates and our major suppliers and vendors; (iii) immediately discontinue using the Proprietary Marks; (iv) immediately cease using the Business Management and Technology System and Operations Manual, and within ten (10) days return all proprietary and confidential materials; (v) immediately cease use of all telephone and facsimile numbers and related listings, as well as any permitted domain names and/or social media pages, that were used in connection with the Franchised Business (collectively, the “<u>Assigned Property</u>”) and take all necessary steps to assign the Assigned Property to us or our designee; (vi) immediately vacate the premises of the Franchised Business and arrange for transfer of the lease, if applicable; (vii) within ten (10) days, return all stationery, printed matter, signs, advertising materials, supplies and other items containing our Proprietary Marks and trade dress; (viii) cease holding yourself or the Franchised Business out as part of our System; (ix) cease all contact with Franchised Business customers; (x) take all actions necessary to amend or cancel any assumed name, business name or equivalent registration that contains any trade name or Proprietary Mark, and furnish evidence to us that you have complied with this obligation within fifteen (15)</p>

Provision	Section In Franchise Agreement	Summary
		days; (xi) permit us to make a final inspection of your financial records, books and other accounting records within one (1) month of the termination / expiration or transfer of your Franchise Agreement; (xii) comply with your post-term restrictive covenants set forth in Section 17 of the Franchise Agreement; (xiii) cease using any methods, procedures or techniques associated with us or the System in advertising or any other manner; (xiv) de-identify all vehicles used in connection with the Franchised Business; (xv) execute from time to time any necessary papers, documents, and assurances to effectuate Section 16 of the Franchise Agreement; (xvi) provide us with any social media account information and access thereto; (xvii) reimburse us for any costs that we incur in enforcing your obligations under Section 16 of the Franchise Agreement.
j. Franchisor’s right to transfer	14.5	There are no restrictions on our right to sell, transfer or assign the Franchise Agreement.
k. “Transfer” by franchisee – defined	14.1	“ <u>Transfer</u> ” as a verb means to sell, assign, give away, transfer, pledge, mortgage or encumber, voluntarily, involuntarily, or by operation of law (such as through divorce or bankruptcy proceedings), any interest in the Franchise Agreement, the Franchised Business, substantially all the assets of the Franchised Business, or in the ownership of the Franchised Business (if you are an entity). “ <u>Transfer</u> ” as a noun means any sale, assignment, gift, transfer, pledge, mortgage or encumbrance.
l. Franchisor approval of transfer by franchisee	14.1  14.4	Any transfer requires our prior written consent and a general release. Franchisor will not unreasonably withhold, condition, or delay a request to transfer by Franchisee.  If you are an individual and desire to assign your rights under the Franchise Agreement to a corporation or limited liability company, and if certain conditions are met, we will consent to the transfer without assessing a transfer fee, and such assignment will not be subject to our right of first refusal.
m. Conditions for franchisor approval of transfer	14.3.2	Our approval of a proposed transfer is conditioned upon the satisfaction of the following conditions, as applicable: (i) all of your accrued monetary obligations to us, our affiliates, suppliers and vendors have been paid; (ii) you have cured all existing defaults under the Franchise Agreement and any other agreement with us, our affiliates and designated/Approved Suppliers and vendors within the time period permitted for cure, and have substantially complied with these agreements during their respective terms; (iii) you and your principals and the transferee (if it had any prior relationship with us or our affiliates) must execute a general release under seal of any and all claims against us and our affiliates (including our officers, directors, shareholders and employees, in their corporate and individual capacities) in the form we prescribe; (iv) transferor and transferee must execute a mutual general release relieving all claims against each other; (v) you or the transferee must provide us with a copy of the executed purchase agreement for the Franchised Business, as well as all other documents relevant to the transaction; (vi) transferee must satisfactorily demonstrate to us that it meets our educational,

Provision	Section In Franchise Agreement	Summary
	14.4	<p>managerial and business standards to operate the Franchised Business; (vii) transferee must either execute our then-current form of franchise agreement, which may contain materially different terms than your Franchise Agreement, and assume a full term as set forth in the then-current form of franchise agreement for new franchisees; or, at our option, enter into an assignment and assumption of the Franchised Business and all rights and obligations thereunder; (viii) you must pay us our transfer and training fees; (ix) transferee must satisfactorily complete our Initial Training Program at its own expense within the time frame we designate; (x) you, your principals and members of their respective families must comply with the post-termination provisions of the Franchise Agreement; (xi) transferee must obtain and maintain all permits and licenses required for the operation of the Franchised Business within the time limits we set; (xii) if you are operating from a leased location, the lessor of that location must approve the assignment of the lease to the transferee; (xiii) the transfer must comply with any state and federal laws that apply to the transfer; (xiv) you must ensure that all projects in progress at the time of the transfer will be continued without interruption, and the transferee must promptly notify all current customers of the change in ownership; (xv) the purchase price and terms of transfer must not be overly burdensome to transferee; (xvi) you must request that we provide the transferee with our current form of Franchise Disclosure Document; (xvii) our approval of your transfer does not constitute a waiver of any claims we might have against you; and (xviii) we may disclose to any prospective transferee financial information concerning you and your Franchised Business which you have supplied to us under the Franchise Agreement.</p> <p>You do not need to pay a transfer fee if you are an individual and you wish to transfer the Franchise Agreement to a corporation or limited liability company, provided the following conditions are met: (i) the business entity is newly organized and its activities are confined to operating the Franchised Business; (ii) you remain, at all times, the owner of at least fifty-one percent (51%) of the outstanding shares of the entity; (iii) the entity agrees to assume all of your obligations under the Franchise Agreement; (iv) all stockholders of the corporation, or members and managers of the limited liability company must execute our prescribed form of personal guaranty; (v) at our request, you must provide true and correct copies of all documents and contracts governing the rights, obligations and powers of the owners. If you are a partnership, corporation or limited liability company, you and your principals, and the transferee (if it has had any previous relationship with us or our affiliates), must execute a general release. If we approve a Transfer to allow ownership by an ESOP, trust or private equity firm, there may be additional requirements.</p>





Provision	Section In Franchise Agreement	Summary
the term of the franchise		engage in, be employed as an officer, director or principal of, lend money to, extend credit to, or have any interest in any other business that, directly or indirectly, by itself or through licensees or franchisees, offers any products and/or services authorized or offered for sale by System franchisees (a “ <u>Competitive Business</u> ”) within the Designated Territory or the Designated Territory of any other System franchisee, provided that Section 17.1.1 of the Franchise Agreement does not apply to: (i) such person’s ownership of a Franchised Business under a Franchise Agreement with us; or (ii) such person’s ownership of a less than five percent (5%) legal or beneficial interest in any publicly traded company providing such services; (b) employ or seek to employ any person who is at that time employed by us or our affiliates, or otherwise directly or indirectly induce or try to induce an employee to leave his or her employment with us, our affiliates or other System franchisees; (c) solicit any current, former or prospective customer solicited by your Franchised Business or any other customer that you become aware of as a result of access to our System or other franchisees for any competitive purpose.
r. Non-competition covenants after the franchise is terminated or expires	17.2	For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, your owners, officers, directors, or principals, nor any member of the immediate family of you or your owners, principals, officers or directors may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation: (1) own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in any Competitive Business: (a) within the Designated Territory, (b) within a twenty-five (25)-mile radius of the Designated Territory of any other Franchised Business, or (c) within a twenty-five (25)-mile radius of any other System business operated by us or our affiliate. This covenant does not apply to: (i) your ownership of a Franchised Business under a Franchise Agreement with us; or (ii) your ownership of a less than five percent (5%) legal or beneficial interest in any publicly-traded company providing services the same as or similar to a Competitive Business; (2) employ or seek to employ any person who is at that time employed by us or our affiliates, or another System franchisee, or otherwise directly or indirectly induce or try to induce an employee to leave his or her employment with us our affiliates or other System franchisees; and (3) solicit any current, former or prospective customer solicited by your Franchised Business, or any other customer that you have become aware of as a result of access to our System and other franchisees for any competitive purpose.
s. Modification of the agreement	22.1	The Franchise Agreement may not be modified except by a written agreement that both of us sign.

Provision	Section In Franchise Agreement	Summary
t. Integration/ merger clause	22.1	Only the terms of the Franchise Agreement and the Franchise Disclosure Document are binding (subject to state law). Any representations or promises made outside of the Franchise Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations we made in this Franchise Disclosure Document.
u. Dispute resolution by arbitration or mediation	18.2	Any disagreement, litigation, claim, dispute, suit, action, controversy or proceeding of any type whatsoever, including any claim for equitable relief and/or where you are acting as a “private attorney general” suing pursuant to a statutory claim or otherwise, between or involving you and us on whatever theory and/or facts based, and whether or not arising out of the Franchise Agreement (including any dispute or disagreement relating to arbitration, including the arbitrability of the Franchise Agreement or any of its provisions), or offer, sale or negotiation of a The Designery Franchise, or the relationship of the parties arising from the Franchised Business or from entering into the Franchise Agreement, or any claim that the Franchise Agreement or any part of the Franchise Agreement is invalid, illegal or otherwise voidable, void or unenforceable (“Dispute”) will be processed in the following manner, you and we each expressly waiving all rights to any court proceeding, except as expressly provided in Section 18.3.1 of the Franchise Agreement. You must first bring any claim or dispute between you and us to our management, after providing notice as set forth in Section 18.6 of the Franchise Agreement. You must exhaust this internal dispute resolution procedure before you may bring your Dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of the Franchise Agreement. You and we agree that the franchise relationship is unique and that as a result, it is important that anyone who serves as a mediator or arbitrator in a Dispute must have a minimum of seven (7) years’ substantive experience in franchise law.
	18.3	If you and we are unable to resolve a Dispute using the internal dispute resolution procedure, then Disputes which are not first resolved through the internal dispute resolution procedure set forth in Section 18.2 of the Franchise Agreement, must be submitted first to non-binding mediation in Mecklenburg County, North Carolina under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. The mediation will be conducted by one (1) mediator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA’s Commercial Mediation Rules and who will conduct the mediation in accordance with such rules. Mediation must be conducted on an individual, not a class-wide, basis; only we (and/or our affiliates and our and their respective owners, officers, directors, agents and employees) and you (and/or your Owners, guarantors, affiliates, officers, directors, agents and employees, if applicable) may be the parties to any mediation proceeding described in Section 18.3 of the Franchise Agreement; and no such mediation proceeding may be

Provision	Section In Franchise Agreement	Summary
	18.3.1	<p>consolidated with any other mediation proceeding between Franchisor and any other person, corporation, limited liability company or partnership. We and you agree that statements made by us, you or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. If the 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, then, subject to the exclusions set forth in Section 18.3.1 of the Franchise Agreement, all Disputes must be submitted to binding arbitration before one arbitrator of the AAA in accordance with its commercial arbitration rules. The arbitration will be conducted by one (1) arbitrator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA’s Commercial Arbitration Rules and who will conduct the arbitration in accordance with such rules. Except as provided in Section 18.3.1 of the Franchise Agreement, no party may file litigation involving any Dispute unless it has complied with the mediation and arbitration provisions in Article 18 of the Franchise Agreement regarding that Dispute. “Filing litigation” includes asserting a counterclaim, third-party claim or other claim relating to a Dispute (irrespective of whether the party asserting the claim filed the legal action in which the claim is asserted). Our rights to mediation and arbitration, as set forth herein, may be specifically enforced by us. Each party shall bear its own cost of mediation and arbitration and we and you shall share mediation costs equally. This agreement to mediate and arbitrate shall survive any termination or expiration of the Franchise Agreement.</p> <p>The parties shall not be required to first attempt to mediate or arbitrate a controversy, Dispute or claim through mediation if such controversy, Dispute or claim relates to an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information; (ii) any claims pertaining to or arising out of any warranty issue; (iii) any of the restrictive covenants contained in the Franchise Agreement; (iv) any of your payment obligations that are more than forty-five (45) days past due; (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency; (vi) any claims relating to your obligations on termination or expiration of the Franchise Agreement; (vii) any claims relating to any Transfer of an interest in you, the Franchised Business or your assets; or (viii) any matters involving danger, health or safety.</p>
v. Choice of forum	18.4	All claims not subject to mediation and/or arbitration must only be brought in a competent court of general jurisdiction located in Mecklenburg County, North Carolina or, if appropriate, the United States District Court for the Western District of North Carolina (subject to applicable state law).

Provision	Section In Franchise Agreement	Summary
w. Choice of law	18.1	North Carolina law governs all claims arising out of the Franchise Agreement, without reference to its conflict of laws provision (subject to applicable state law).

**ITEM 18  
PUBLIC FIGURES**

We do not currently use any public figure to promote our System.

**ITEM 19  
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, and/or affiliate owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2022, there were four (4) franchised locations in operation.

This Item sets forth certain Gross Revenue (as defined in the notes below) information for the Affiliate-Owned Locations from January 1, 2022 – December 31, 2022 (the “2022 Measurement Period”).

The Affiliate-Owned Locations have been in operation since 2019 using a system of operations substantially similar to the THE DESIGNERY<sup>SM</sup> System and upon which the THE DESIGNERY<sup>SM</sup> System is based. The Affiliate-Owned Locations converted its branding to THE DESIGNERY<sup>SM</sup> on June 1, 2022. The data was obtained through reported financial statements. **The information in this Item has not been audited, is based on historical financial data provided to us by the Affiliate-Owned business.** Prior to converting to Franchised Businesses the Affiliate-Owned Locations were not subject to the franchisee fees relating to royalties and advertising (including mandatory minimum advertising spend requirements). More than one of the Affiliate-Owned Locations may be managed together by the same personnel. Other than as described above there are no other material financial or operational differences between the Affiliate-Owned Locations and operational franchise outlets.

**Only our Affiliate-Owned Locations have earned this much. Your individual results may differ. There is no assurance that you’ll do as well.**

Specifically, Part I of this Item sets forth certain Gross Revenue, Gross Profit, expenses, and other estimated fees for two Affiliate-Owned Locations. Part II sets forth Gross Revenue by month for 2021 and 2022.

**PART I: GROSS REVENUE, GROSS PROFIT, EXPENSES, ESTIMATED FEES, AND  
ADJUSTED NET INCOME GENERATED BY THE REPORTED AFFILIATE-  
OWNED LOCATION DURING THE 2021-2022 MEASUREMENT PERIOD**

<b>Affiliate Outlet: The Designery - Calhoun</b>				
	<b>2022 Measurement Period</b>		<b>2021 Measurement Period</b>	
	<b>Total</b>	<i>Percentage</i>	<b>Total</b>	<i>Percentage</i>
<b>Gross Sales</b>	<b>\$829,855</b>	<i>100.00%</i>	<b>\$776,702</b>	<i>100.00%</i>
Cost of Goods Sold	\$372,634	<i>44.90%</i>	\$388,718	<i>50.00%</i>
<b>Gross Profit</b>	<b>\$457,221</b>	<i>55.10%</i>	<b>\$387,984</b>	<i>50.00%</i>
<b>Disclosed Expenses:</b>				
Commission	\$29,045	<i>3.50%</i>	\$34,238	<i>4.40%</i>
Misc. G&A Expense	\$27,251	<i>3.28%</i>	\$13,156	<i>1.10%</i>
Rent & Lease	\$45,362	<i>5.47%</i>	\$45,449	<i>5.90%</i>
Utilities	\$7,800	<i>0.94%</i>	\$7,800	<i>1.00%</i>
Local Marketing	\$36,000	<i>4.34%</i>	\$36,000	<i>4.60%</i>
<b>Franchisor Fees</b>				
Royalty Fee (~ 6.88%)	\$57,085	<i>6.88%</i>	\$60,080	<i>7.00%</i>
Brand Fund Fee (1%)	\$8,299	<i>1.00%</i>	\$7,767	<i>1.00%</i>
Technology Fee (\$599/mo.)	\$7,188	<i>0.87%</i>	\$7,188	<i>0.93%</i>
<b>Total Disclosed Expenses</b>	<b>\$218,030</b>	<i>26.27%</i>	<b>\$209,889</b>	<i>27.00%</i>
<b>Adjusted Profit</b>	<b>\$239,191</b>	<i>28.82%</i>	<b>\$178,094</b>	<i>22.93%</i>

Affiliate Outlet: The Designery - Rossville				
	2022 Measurement Period		2021 Measurement Period	
	Total	Percentage	Total	Percentage
<b>Gross Sales<sup>(1)</sup></b>	<b>\$3,516,058</b>	100.00%	<b>\$3,153,261</b>	100.00%
Cost of Goods Sold <sup>(2)</sup>	\$2,392,261	68.04%	\$2,270,142	71.99%
<b>Gross Profit<sup>(3)</sup></b>	<b>\$1,123,797</b>	31.96%	<b>\$883,119</b>	28.01%
<b>Disclosed Expenses:</b>				
Commission	\$48,981	1.39%	\$33,718	1.07%
Misc. G&A Expense <sup>(4)</sup>	\$234,496	6.67%	\$368,096	11.67%
Rent & Lease <sup>(5)</sup>	\$42,375	1.21%	\$52,500	1.66%
Utilities <sup>(6)</sup>	\$15,152	0.43%	\$23,721	0.75%
Local Marketing <sup>(7)</sup>	\$36,000	1.02%	\$38,597	1.22%
<b>Franchisor Fees</b>				
Royalty Fee (~ 5.77%) <sup>(8)</sup>	\$202,803	5.77%	\$157,663	5.00%
Brand Fund Fee (1%) <sup>(9)</sup>	\$35,161	1.00%	\$31,533	1.00%
Technology Fee (\$599/mo.) <sup>(10)</sup>	\$7,188	0.20%	\$7,188	0.23%
<b>Total Disclosed Expenses<sup>(11)</sup></b>	<b>\$622,156</b>	17.69%	<b>\$713,016</b>	22.61%
<b>Adjusted Profit<sup>(12)</sup></b>	<b>\$501,641</b>	14.27%	<b>\$170,103</b>	5.39%

Notes to Part I:

1. Gross Revenue. “Gross Revenue” includes all income of any type or nature and from any source that is derived or received directly or indirectly from, through, by or on account of the operation of the Business at any time, in whatever form and from whatever source, including but not limited to cash, services, in kind from barter and/or exchange, on credit or otherwise as well as business interruption insurance proceeds, all without deduction for expenses including marketing expenses and taxes. However, the definition of Gross Revenues does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities.
2. Cost of Goods and Services Sold. “Cost of Goods and Services Sold” means the direct nonmanagerial and non-administrative cost of goods sold and labor incurred by the Affiliate-Owned Location in directly performing and/or installing Approved Services and Products resulting in Gross Revenue. Cost of Goods and Services Sold does not include managerial expenses, including field management, administrative expenses, disclosed expenses, operating expenses, or general expenses including, but not limited to credit card processing and bank fees.
3. Gross Profit. Gross Profit is calculated by taking Gross Revenue and subtracting Cost of Goods and Services Sold. Gross Profit is not net profit or income and, except as to Cost of Goods and

Services Sold, does not include the deduction of all other expenses incurred by a Franchised Business including, but not limited to, Disclosed Expenses, operating expenses, interest, taxes, depreciation, and amortization.

4. Misc. SG&A Expense. “Misc. SG&A Expense” means the administrative and managerial expenses incurred by the Affiliate-Owned Location in the normal course of business. This includes general expenses related to office supplies, discretionary dues and subscriptions, commissions, bonuses, maintenance, and other related staffing, general, and other administrative expenses that are not directly incurred by outlet in performing/providing Approved Services and Products.
5. Rent & Lease. The term “Rent and Lease” means the total amount the Affiliate-Owned Location incurred in connection with base rent over the Measurement Period.
6. Utilities. The term “Utilities” means the total amount the Affiliate-Owned Location expended on utilities over the Measurement Period. Utilities includes electric, gas, and water.
7. Estimated Local Marketing. The term “Estimated Local Marketing” means the total Local Marketing Expenditures that the Affiliate-Owned Location would have to pay us or otherwise expend over the Measurement Period if the Affiliate-Owned Location were owned by a System franchisee and governed by our current form of franchise agreement. The Local Marketing Requirement is currently the greater of (i) three percent 3(%) of Gross Revenue, or (ii) \$3,000 per month. We took the minimum of \$3,000 and multiplied that amount by 12 to generate this line item.
8. Estimated Royalty Fee. The term “Estimated Royalty Fee” means the Royalty Fee that the Affiliate-Owned Location would have had to pay us over the Measurement Period if the Affiliate-Owned Location were owned by a System franchisee and governed by our current form of franchise agreement. The Royalty Fee is currently: (i) 7% of Gross Revenue generated between \$0 - \$75,000; (ii) 6% for Gross Revenue generated between \$75,000.01 - \$150,000; and (iii) 5% for Gross Revenue generated above \$150,000.01.
9. Estimated Brand Fund Contribution. The term “Estimated Brand Fund Contribution” means the Brand Fund Contribution the Affiliate-Owned Location would have expended over the Measurement Period if the Affiliate-Owned Location were owned by a System franchisee and governed by our current form of franchise agreement. Our Brand Fund Contribution is currently one percent (1%) of Gross Revenue. The Brand Fund Contribution is calculated by taking the total Gross Revenue of \$776,702 and multiplying that amount by 0.01 (1%).
10. Estimated Technology Fee. The term “Estimated Technology Fee” means the Technology Fee the Affiliate-Owned Location would have spent over the Measurement Period if the Affiliate-Owned Location were owned by a System franchisee and governed by our current form of franchise agreement. The technology fee is calculated by taking the current Technology Fee of \$425/month and multiplying that amount by 12.
11. Total Disclosed Expenses. Total Disclosed Expenses is calculated by adding Misc. SG&A Expense, Rent & Lease, Utilities, Estimated Local Marketing, Estimated Royalty Fee, Estimated Brand Fund Contribution, and Estimated Technology Fee. It does not include any other expense other than the ones noted herein.

12. Adjusted Profit. Adjusted Profit means Gross Profit less Disclosed Expenses. Adjusted Profit is not equal to net profit or income and, except as to Cost of Goods Sold and Disclosed Expenses, does not include the deduction of all other expenses incurred by a Franchised Business including, but not limited to, other operating expenses, management wages, interest, taxes, depreciation, and amortization.

**PART II**  
**MONTHLY GROSS REVENUE GENERATED BY**  
**THE AFFILIATE-OWNED LOCATIONS**  
**DURING THE 2021-2022 MEASUREMENT PERIOD**

	Affiliate-Owned Location 1	Affiliate-Owned Location 2	Affiliate-Owned Location 1	Affiliate-Owned Location 2
	2021		2022	
January	\$212,070	\$64,860	\$238,824	\$49,467
February	\$236,690	\$63,878	\$303,390	\$58,511
March	\$258,715	\$47,987	\$291,648	\$88,319
April	\$226,976	\$72,774	\$351,583	\$83,314
May	\$283,533	\$56,933	\$333,690	\$65,541
June	\$267,831	\$53,388	\$330,171	\$104,702
July	\$215,750	\$59,355	\$352,395	\$93,195
August	\$364,430	\$78,948	\$277,777	\$54,183
September	\$350,247	\$89,506	\$375,917	\$105,940
October	\$247,028	\$48,220	\$225,017	\$54,575
November	\$234,694	\$75,043	\$219,333	\$21,297
December	\$255,297	\$65,810	\$216,313	\$50,811
<b>Total</b>	<b>\$3,153,261</b>	<b>\$776,702</b>	<b>\$3,516,058</b>	<b>\$829,855</b>

General Notes to Item 19:

1. Territory Sizes. We recently restructured the size of the Protected Territory that we grant under our current form of franchise agreement. The Affiliate-Owned Locations operate in territories of the following sizes:
  - a. Affiliate-Owned Location 1 – Approximately 139,000 Qualified Households.
  - b. Affiliate-Owned Location 2 – Approximately 44,000 Qualified Households.
  
2. Prior Trademark. During the 2021 Measurement Period, the Affiliate-Owned Locations operated under our prior proprietary mark “A1 Kitchen and Bath Design.” The Affiliate-Owned Locations began transitioning to our current mark “The Designery<sup>SM</sup>” on June 1, 2022.



3. **Affiliate-Owned Location.** The term “Affiliate-Owned Location” means any location that is owned directly or indirectly by us, our affiliates, or any person identified in Item 2 of this Franchise Disclosure Document.

**Our Affiliate-Owned Locations have earned this much. 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.**

Written substantiation of the data used in preparing this Item will be made available upon request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Franchised Business, however, we may provide you with the actual records of that Franchised Business. If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting our Chief Development Officer, Zack Dudan, at 107 Parr Drive, Huntersville, NC 28078, (980) 441-1121, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20  
OUTLETS AND FRANCHISEE INFORMATION**

Table No. 1  
System-wide Outlet Summary  
For Years 2020 to 2022

Outlet Type	Year	Outlets At The Start Of The Year	Outlets At The End Of The Year	Net Change
Franchised	2020	0	0	0
	2021	0	0	0
	2022	0	4 <sup>(1)</sup>	+2
Company-Owned and Affiliate-Owned	2020	2	2	0
	2021	2	2	0
	2022	2 <sup>(1)</sup>	0	0
Total Outlets	2020	2	2	0
	2021	2	2	0
	2022	2	4	+2

<sup>(1)</sup>Two of these outlets were formerly affiliate-owned and have been converted to franchised.

Table No. 2  
Transfers of Outlets from Franchisees to New Owners  
(Other than the Franchisor)  
For Years 2020 to 2022

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

Table No. 3  
Status of Franchised Outlets  
For Years 2020 to 2022

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
Georgia	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2 <sup>(1)</sup>	0	0	0	0	2
Tennessee	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
Total	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	4	0	0	0	0	4

<sup>(1)</sup>These outlets were formerly affiliate-owned and have been converted to franchised.

Table No. 4  
Status of Company-Owned Outlets  
For Years 2020 to 2022

State	Year	Outlets At Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets At End Of The Year
Georgia	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2 <sup>(1)</sup>	0	0	0	0	0

State	Year	Outlets At Start Of The Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold To Franchisee	Outlets At End Of The Year
Total	2020	2	0	0	0	0	2
	2021	2	0	0	0	0	2
	2022	2 <sup>(1)</sup>	0	0	0	0	0

<sup>(1)</sup>These outlets were formerly affiliate-owned and have been converted to franchised.

Table No. 5  
Projected Openings As Of  
December 31, 2022

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Affiliate-Owned Outlets In The Next Fiscal Year
Colorado	0	1	0
Florida	0	2	0
Georgia	0	2	0
Louisiana	0	2	0
North Carolina	0	4	0
Pennsylvania	0	2	0
South Carolina	0	2	0
Tennessee	0	2	0
Texas	0	4	0
Totals	0	21	0

In some instances, current and former franchisees will sign provisions restricting their ability to speak openly about their experience with the System. You may wish to speak to current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

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.

There are no trademark-specific organizations formed by our franchisees that are associated with our System. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

## ITEM 21 FINANCIAL STATEMENTS

Attached as Exhibit E to this Franchise Disclosure Document are our audited financial statements as of December 31, 2022. We have not been in business for three years or more, and therefore 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<sup>st</sup>.

**ITEM 22**  
**CONTRACTS**

Attached to this Franchise Disclosure Document are the following contracts and their attachments:

Exhibit B	Franchise Agreement and Exhibits
Exhibit C	Multi-Unit Addendum
Exhibit D	State Specific Addenda
Exhibit F	Sample Assignment and Assumption Agreement
Exhibit I	Franchisee Affirmations And Acknowledgements

**ITEM 23**  
**RECEIPTS**

Exhibit K of this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to A1 Kitchen & Bath Franchising, LLC, 107 Parr Drive, Huntersville, North Carolina 28078.

**EXHIBIT A  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

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

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

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

LIST OF STATE ADMINISTRATORS	
<p><b><u>CALIFORNIA</u></b></p> <p>(state administrators) Department of Financial Protection and Innovation 320 W. 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 / Toll Free (866) 275-2677</p> <p>2101 Arena Blvd. Sacramento, CA 95834 (866) 275-2677</p> <p>1350 Front Street San Diego, CA 92101 (619) 525-4233</p> <p>One Sansome Street, #600 San Francisco, CA 94104 (415) 972-8559</p> <p>(agents for service of process) California Commissioner of the Department of Financial Protection and Innovation 320 W. 4<sup>th</sup> Street, Suite 750 Los Angeles, CA 90013-2344</p> <p>Commissioner of Department of Financial Protection and Innovation One Sansome Street, #600 San Francisco, CA 94104</p> <p>Commissioner of Department of Financial Protection and Innovation 2101 Arena Blvd. Sacramento, CA 95834</p>	<p><b><u>CONNECTICUT</u></b></p> <p>(state administrator) State of Connecticut Department of Banking Securities &amp; Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230</p> <p>(agent for service of process) Banking Commissioner</p>

**LIST OF STATE ADMINISTRATORS**

**HAWAII**

(state administrator)  
 Business Registration Division  
 Department of Commerce and Consumer Affairs  
 335 Merchant Street, Room 203  
 Honolulu, HI 96813  
 (808) 586-2722

(agent for service of process)  
 Commissioner of Securities  
 State of Hawaii  
 335 Merchant Street  
 Honolulu, HI 96813  
 (808) 586-2722

**ILLINOIS**

Franchise Bureau  
 Office of the Attorney General  
 500 S. Second Street  
 Springfield, IL 62706  
 (217) 782-4465

**INDIANA**

(state administrator)  
 Indiana Secretary of State  
 Securities Division, E-111  
 302 Washington Street  
 Indianapolis, IN 46204  
 (317) 232-6681

(agent for service of process)  
 Indiana Secretary of State  
 201 State House  
 200 W. Washington Street  
 Indianapolis, IN 46204  
 (317) 232-6531

**MARYLAND**

(state administrator)  
 Office of the Attorney General  
 Securities Division  
 200 St. Paul Place  
 Baltimore, MD 21202-2021  
 (410) 576-6360

(agent for service of process)  
 Maryland Securities Commissioner  
 200 St. Paul Place  
 Baltimore, MD 21202-2021  
 (410) 576-6360

**MICHIGAN**

(state administrator)  
 Consumer Protection Division  
 Antitrust and Franchise Unit  
 Michigan Department of Attorney General  
 525 W. Ottawa Street  
 G. Mennen Williams Building, 1<sup>st</sup> Floor  
 Lansing, MI 48933  
 (517) 373-7117

(agent for service of process)  
 Corporations Division  
 Bureau of Commercial Services  
 Department of Labor and Economic Growth  
 P.O. Box 30054  
 Lansing, MI 48909

**MINNESOTA**

(state administrator)  
 Minnesota Department of Commerce  
 85 7<sup>th</sup> Place East, Suite 500  
 St. Paul, Minnesota 55101-2198  
 (651) 296-6328

(agent for service of process)  
 Minnesota Commissioner of Commerce

**LIST OF STATE ADMINISTRATORS**

**NEW YORK**

(state administrator)  
 Office of the New York State Attorney General  
 Attention: Barbara Lasoff  
 Investor Protection Bureau  
 Franchise Section  
 120 Broadway, 23<sup>rd</sup> Floor  
 New York, NY 10271-0332  
 (212) 416-8236

(agent for service of process)  
 New York Department of State  
 Attention: UCC  
 One Commerce Plaza  
 99 Washington Avenue, 6<sup>th</sup> Floor  
 Albany, NY 12231  
 (518) 473-2492

**NORTH DAKOTA**

North Dakota Securities Department  
 State Capitol, Fifth Floor, Dept. 414  
 600 E. Boulevard Avenue  
 Bismarck, ND 58505  
 (701) 328-4712

**OREGON**

Department of Insurance and Finance  
 Corporate Securities Section  
 Labor and Industries Building  
 Salem, OR 97310  
 (503) 378-4387

**RHODE ISLAND**

Securities Division  
 Department of Business Regulation  
 Bldg. 69, First Floor  
 John O. Pastore Center  
 1511 Pontiac Avenue  
 Cranston, RI 02920  
 (401) 462-9582

**SOUTH DAKOTA**

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

**VIRGINIA**

(state administrator)  
 State Corporation Commission  
 Division of Securities and Retail Franchising  
 1300 E. Main Street, 9<sup>th</sup> Floor  
 Richmond, VA 23219  
 (804) 371-9051

(for service of process)  
 Clerk of the State Corporation Commission  
 1300 E. Main Street, 1<sup>st</sup> Floor  
 Richmond, VA 23219  
 (804) 371-9733



LIST OF STATE ADMINISTRATORS

**WASHINGTON**

(state administrator)  
Department of Financial Institutions  
Securities Division  
P.O. Box 9033  
Olympia, WA 98507-9033  
(360) 902-8760

(agent for service of process)  
Director, Department of Financial Institutions  
Securities Division  
150 Israel Road S.W.  
Tumwater, WA 98501

**WISCONSIN**

(state administrator)  
Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue, 3<sup>rd</sup> Floor  
Madison, WI 53703  
(608) 266-1064

(agent for service of process)  
Administrator, Division of Securities  
Department of Financial Institutions  
201 W. Washington Avenue, 3<sup>rd</sup> Floor  
Madison, WI 53703

**EXHIBIT B  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISE AGREEMENT**

**EXHIBIT B**



**THE DESIGNERY**

**FRANCHISE AGREEMENT**

Franchise #: \_\_\_\_\_

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

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

Designated Territory: \_\_\_\_\_

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**EXHIBITS:**

- Exhibit A Personal Guaranty and Guaranty of Spouses
- Exhibit B Conditional Assignment of Franchisee’s Telephone Numbers, Facsimile Numbers and Domain Names
- Exhibit C Confidentiality and Restrictive Covenant Agreement for Employees
- Exhibit D Electronic Funds Withdrawal Authorization
- Exhibit E Site Selection Addendum
- Exhibit F Statement of Ownership
- Exhibit G Collateral Assignment of Lease
- Exhibit H Franchisor Directed Advertising Services Agreement



## DATA SHEET

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

Guarantors: \_\_\_\_\_

\_\_\_\_\_

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

Approved Location: \_\_\_\_\_

\_\_\_\_\_

Designated Territory: See map and list of Zip Codes on the following page.

Telephone Number: \_\_\_\_\_

Email Address: \_\_\_\_\_

Initial Franchise Fee: \$ \_\_\_\_\_

Initial Franchisor  
Director Advertising Fee: \$ \_\_\_\_\_

Multi-Unit Addendum:  Yes  No

Territory Map and Zip Codes – the “Designated Territory”

In the event of a conflict between the map and zip codes, the zip codes control.

[insert map and list of zip codes]

**The terms of this Data Sheet are incorporated into the attached Franchise Agreement.**

**A1 KITCHEN & BATH FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

This FRANCHISE AGREEMENT (the “Agreement” or “Franchise Agreement”) is entered into and made effective on \_\_\_\_\_, 20\_\_\_\_ (the “Effective Date”), by and between: (i) A1 Kitchen & Bath Franchising, LLC, a North Carolina limited liability company, with its principal place of business at 107 Parr Drive, Huntersville, North Carolina 28078 (“Franchisor”); and (ii) \_\_\_\_\_, a(n) \_\_\_\_\_, with its principal place of business at \_\_\_\_\_, which is identified more fully in the attached Data Sheet (“Franchisee”).

**RECITALS**

A. Through the expenditure of a considerable amount of time, effort and money, Franchisor has developed a system for the operation of franchised businesses under its then-current proprietary marks, currently “THE DESIGNERY<sup>SM</sup>” (each, a “Franchised Business(es)”) that offer design and installation services for kitchen, bath and closet projects in new construction and renovation of both residential and commercial buildings, and any services that Franchisor may later designate (collectively, the “Approved Services”).

B. Franchised Businesses are established and operated using Franchisor’s proprietary operating system, the distinguishing characteristics of which include: (i) valuable know-how, information, trade secrets and methods; (ii) Franchisor’s proprietary standards and specifications for certain products and services used in connection with providing Franchisor’s Approved Products and Approved Services to customers; (iii) certain proprietary products developed by Franchisor (the “Approved Products”); (iv) Franchisor’s standards and specifications for sales techniques, marketing and advertising programs; (v) proprietary initial and ongoing training programs; and (vi) standards and specifications for operating the Franchised Business in the manner set forth in this Agreement and Franchisor’s proprietary and confidential Operations Manual (defined in Section 6.1) that franchisees have access to, which may be modified from time to time by Franchisor (collectively, the “System”).

C. The System is identified by Franchisor’s proprietary trademarks, service marks, trade dress, logos and other indicia of origin (collectively, the “Proprietary Marks”). The rights to all such Proprietary Marks as are now, or shall hereafter be, designated as part of the System will be owned exclusively by Franchisor or its affiliates and be used for the benefit of Franchisor, its affiliates, and Franchisor’s franchisees to identify to the public the source of the products and services marketed thereunder. Franchisor may continue to develop, expand, use, control, and add to the Proprietary Marks and System for the benefit of itself, its affiliates, and its franchisees and licensees in order to identify for the public the source of products and services marketed thereunder and to represent the System's high standards of quality and service.

D. Franchisor offers franchises for the development and operation of Franchised Businesses to be operated and promoted within a designated geographical territory (the “Designated Territory”).

E. Franchisee desires to establish and operate a Franchised Business within the Designated Territory hereinafter designated, to use in connection therewith, Franchisor’s System and the Proprietary Marks and to derive the benefits of Franchisor’s information, experience, advice, guidance and customer goodwill.

F. Franchisor desires to grant Franchisee the right to open and operate a Franchised Business based on Franchisee's representations to Franchisor, including those representations set forth in Franchisee's franchise application, in accordance with the terms and conditions set forth in this Agreement.

G. Franchisee recognizes the importance to Franchisor, to its other franchisees and to the public of maintaining the integrity, standards, qualities and attributes of products and services associated with the Proprietary Marks and System, and is willing to adhere to certain uniform standards, procedures and policies to maintain such integrity, standards, qualities and attributes.

**NOW, THEREFORE,** in consideration of the foregoing recitals and the mutual promises, commitments and understandings contained herein, Franchisor and Franchisee hereby agree as follows:

## **1. GRANT OF FRANCHISE**

1.1. **Grant and Acceptance.** Franchisor hereby grants to Franchisee, upon the express terms and conditions contained in this Agreement, and Franchisee hereby accepts, a non-exclusive license to establish and operate one (1) Franchised Business, under the System and Proprietary Marks identified below, and the right to use the System and Proprietary Marks in the operation of the Franchised Business. Except as otherwise provided in this Agreement, Franchisee may offer and sell only Franchisor's Approved Products and Approved Services within the Designated Territory set forth in Section 1.2 of this Agreement and the Data Sheet. Franchisee must request permission to provide additional new Products and Approved Services from Franchisor, which permission Franchisor may grant, deny, or condition in its sole discretion. In addition, Franchisee may provide Franchisor's Approved Products and Approved Services in adjacent territories (as those are determined by Franchisor) if permitted by and subject to the terms and conditions set forth in the Operations Manual (defined in Section 6.1). Franchisor has the right to supplement, improve or otherwise modify the System from time to time in Franchisor's discretion, and Franchisee agrees to comply with all changes which may include, without limitation, the offer and sale of new or different products or services as Franchisor may specify. Franchisee acknowledges and agrees that this Agreement does not grant Franchisee the option or right to purchase additional Franchised Businesses and/or additional designated territories.

1.2. **Designated Territory.** Except as otherwise provided in this Agreement (and the Operations Manual (defined in Section 6.1)) and for so long as Franchisee is not in default of this Agreement, Franchisor shall not establish and operate, nor license any other third party the right to establish and operate, any Franchised Business under the System and the Proprietary Marks within the protected area identified in the Data Sheet, the terms of which are incorporated herein by reference (the "Designated Territory") during the term of this Agreement. Franchisor and its affiliates retain all other rights, including, without limitation, those rights set forth in Sections 1.4 through 1.8 of this Agreement. Franchisee is permitted to conduct the Franchised Business outside of the Designated Territory in adjacent open territory (i.e., not the Designated Territory of another franchisee) if Franchisee receives Franchisor's prior written consent, and in compliance with our the current Adjacent Territory Policy (described in the Operations Manual). The Adjacent Territory Policy is subject to modification or elimination by a change to the Operations Manual. Franchisee may not operate within another franchisee's Designated Territory, except for certain limited circumstances, if any, that are more fully set forth in the Operations Manual, and other franchisees may operate in Franchisee's Designated Territory, in limited circumstances, if any, as set forth in the Operations Manual. Other than these operations, Franchisee is not permitted to operate or market the Franchised Business outside of the Designated Territory without Franchisor's prior written consent. All sales and other activities conducted within or outside the Designated Territory must be conducted in accordance with the terms of this Agreement and Franchisor's operating methods, standards and specifications as set forth in the Operations Manual (defined in Section 6.1).



1.3. **Approved Location.** Franchisee must operate the Franchised Business from a retail showroom that is approved by Franchisor and meets Franchisor's standards and specifications (the "Approved Location"). Franchisee must submit the proposed site of the retail showroom for Franchisor's approval within thirty (30) days of the Effective Date of this Agreement and secure the Approved Location within sixty days (60) days of the Effective Date of this Agreement. Franchisee must lease approximately 500 to 1,500 square feet of commercial real estate for the retail showroom/office and to securely store equipment/inventory. Franchisor may provide Franchisee with standards and specifications for the design and layout of the premises of the Approved Location, and Franchisor must review and approve any proposed location, as well as any lease associated with the proposed location, prior to Franchisee entering into any lease for the proposed location. If Franchisor has not approved a location from which Franchisee must operate the Franchised Business as of the date Franchisee signs this Agreement, the parties will enter into Franchisor's prescribed form of Site Selection Addendum (in the form attached as Exhibit E to this Agreement), the terms of which will govern the parties' site selection obligations. Franchisee may not relocate the Franchised Business without Franchisor's prior written consent.

1.4. **National Accounts.** Franchisor will have the exclusive right, on behalf of itself, its affiliate(s), Franchisee, and/or other franchisees utilizing the Proprietary Marks, to negotiate and enter into agreements or approve forms of agreement to provide services to "National Accounts" (defined in Section 1.4.1), including National Accounts that Franchisee has solicited or serviced. Franchisee may not solicit any National Accounts outside of the Designated Territory, or solicit any National Accounts within or outside of the Designated Territory who are already under contract with Franchisor.

1.4.1. The term "National Account" means any business or businesses under common control, ownership or branding which operate locations in, or deliver products and services beyond, one designated territory, regardless of the volume of products and/or services to be purchased by the customer. Any dispute as to whether a particular customer is a National Account will be determined by Franchisor, in its sole discretion, and Franchisor's determination will be final and binding.

1.4.2. Franchisee may choose to participate in the National Accounts program ("National Accounts Program") to service National Accounts for which the ultimate client of the National Account is located in the Designated Territory consistent with the then-current National Accounts Program Participation Agreement. Franchisee acknowledges and agrees that Franchisor or a third-party service provider Franchisor designates may begin servicing National Accounts in the Designated Territory if: (i) Franchisor believes that Franchisee is not meeting Franchisor's standards and specifications applicable to the National Accounts Franchisee is servicing or the National Accounts Program generally; (ii) Franchisor believes that Franchisee is in default of this Agreement; (iii) the National Account has requested that Franchisor or a third party it selects service its clients; (iv) Franchisee is not then participating in the National Accounts Program (or is not eligible to participate in the National Accounts Program); (v) Franchisee does not offer or is not authorized by Franchisor or the applicable licensing authority to offer the service to be provided; or (vi) Franchisee refuses to service the National Account.

1.4.3. Franchisee agrees that neither the direct provision by Franchisor or a franchisee, licensee or designee of Franchisor of services to National Account customers as authorized above, nor Franchisor's contracting with another party to provide such services as authorized above, shall constitute a violation of the grant of license contained in this Agreement or any other provision of this Agreement, even if such services are delivered from a location within the Designated Territory. Franchisee disclaims any right to compensation or consideration for work performed by others in the Designated Territory pursuant to this Section.

1.4.4. Franchisor has the right to discontinue or terminate a National Account or the entire National Accounts Program. Franchisor may impose any restrictions and/or requirements as a

condition to your acceptance of each National Account. Franchisor reserves the right to charge fees on National Account revenue. These fees, if charged, will be a required condition of participating in our National Accounts Program and these fees are subject to change annually. Franchisor may require Franchisee to conduct thorough background checks on all employees who will service any National Account and may require proof of compliance with this and other requirements at such intervals as Franchisor and/or the National Account dictates.

**1.5. Reservation of Rights.** Franchisee acknowledges that, except as otherwise provided in this Agreement, Franchisee's right to provide the Approved Products and Approved Services, and otherwise use the Proprietary Marks and System within the Designated Territory is non-exclusive, and Franchisor and its affiliates expressly reserve the right to: (i) open and operate, and license others the right to open and operate, Franchised Businesses that offer products and use the Proprietary Marks and System at any location outside of the Designated Territory; (ii) open and operate, and license others the right to open and operate, businesses that offer similar products and services to those offered by the Franchised Business under any other mark at any location, within or outside the Designated Territory; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses near the Franchised Business that offer products and services that are the same or substantially similar to the Approved Products and Approved Services; (iv) exercise its rights under Section 1.6 of this Agreement in the events of catastrophe(s); (v) designate and service National Accounts; (vi) service, route, and/or assign any and all customer work orders and inquiries received through Franchisor's Call Center (defined in Section 6.6) in accordance with this Agreement; and (vii) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System to engage in any other activities not expressly prohibited in this Agreement.

**1.6. Events of Catastrophe.** Notwithstanding Section 1.4, in the event of a natural disaster or other similar catastrophic situation, as Franchisor determines in its sole discretion, Franchisor, its affiliate(s) and other System franchisees may be permitted to provide support to Franchisee and/or perform work in the Designated Territory, including the provision of labor, materials, equipment, and project management on projects in the Designated Territory, and Franchisee will not be entitled to any proceeds from the provision of these services performed by third parties within the Designated Territory.

**1.7. Alternate Channels of Distribution.** Franchisee acknowledges and agrees that certain of Franchisor's or its affiliates' products and services, whether now existing or developed in the future, may be distributed in Franchisee's Designated Territory by Franchisor, Franchisor's affiliates, or other third parties that Franchisor designates, in such manner and through such channels of distribution as Franchisor, in its sole discretion, shall determine. Such alternate channels of distribution will include, but are not limited to, the sale and distribution of the products and services via the Internet and through joint marketing with partner companies under terms and conditions that Franchisor deems appropriate. Franchisee understands that this Agreement grants Franchisee no rights: (i) to distribute Approved Products and Approved Services as described in this Section; or (ii) to share in any of the proceeds received by any such party therefrom.

#### **1.8. Right to Service Customers in Designated Territory; Use of Call Center**

**1.8.1.** If Franchisor establishes a Call Center (defined in Section 6.6), then Franchisee must ensure that all initial calls made to the Franchised Business are forwarded to the Call Center, which is part of Franchisor's proprietary Call Center. Once a customer's call is routed to the Call Center and assigned to the Franchised Business, Franchisor will route that customer's work to Franchisee if the customer's location (where the work is to be performed) is within the Designated Territory, unless: (i) Franchisor determines that the work is in the nature of an emergency and: (a) Franchisee does not respond to the assignment within a time period Franchisor deems reasonable, in its sole discretion, appropriate under the circumstances; or (b) Franchisee is not able to perform the required services for the customer within a time period Franchisor deems reasonably appropriate, in its sole discretion; (ii) the work is of such a large scope,

complexity and/or commercial nature that Franchisor determines, in its sole discretion, that Franchisee is not capable of performing the work requested in accordance with System standards and specifications and/or the prevailing standard of care in the industry for the type of work requested (in which case Franchisor may route the work order to Franchisee and additional franchisees, or other franchisees, or Franchisor's affiliate, for completion); (iii) the work order is mistakenly routed to another franchisee or affiliate-owned business due to either the customer providing incorrect information to a Call Center representative or an inadvertent error on the part of the Call Center representative when taking the information from the customer; (iv) Franchisee is not operating the Franchised Business in compliance with this Agreement; or (v) Franchisor reasonably determines that a portion of the Designated Territory has been subjected to a disaster or catastrophe.

1.8.2. Franchisee acknowledges and agrees that Franchisor's rights under this Section are necessary to: (i) maintain uniformity across the System and ensure that all work performed under the Proprietary Marks meets Franchisor's System standards for customer service; and (ii) account for inadvertent mistakes by Franchisor's customers and Franchisor's Call Center. Franchisee further acknowledges that it does not have any right to share in the Gross Revenue generated from customers that are serviced within the Designated Territory unless Franchisee is assigned, and subsequently provides services to, such customers.

## **2. TERM AND RENEWAL**

2.1. **Term.** The initial term of the Franchise is for a period of ten (10) years, which will commence on the date Franchisor executes this Agreement.

2.2. **Renewal.** Franchisee has the right to renew this Agreement for one (1) successive, additional ten (10)-year period, provided Franchisee has met the following conditions:

2.2.1. Franchisee has notified Franchisor of Franchisee's intention to renew this Agreement in writing at least twelve (12) months, and no more than eighteen (18) months, prior to expiration of the current term;

2.2.2. Franchisee has demonstrated to Franchisor's satisfaction that Franchisee has the right to operate the Franchised Business at the Approved Location for the duration of the renewal term; or, if Franchisee is unable to operate the Franchised Business at the Approved Location, Franchisee has secured a substitute location within the Designated Territory acceptable to Franchisor;

2.2.3. Franchisee has completed to Franchisor's satisfaction, prior to the expiration of the then-current term, any updates to all required equipment, supplies, inventory, hardware and software, and vehicles to bring the Franchised Business into full compliance with Franchisor's then-current System standards and specifications, and Franchisee has completed all maintenance, refurbishing, renovating, updating and remodeling of the Franchised Business's Approved Location so that it satisfies Franchisor's then-current standards;

2.2.4. Franchisee is not in breach of any provision of this Agreement or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, or Franchisor's approved/designated suppliers and vendors, and Franchisee has substantially complied with all such agreements during their respective terms;

2.2.5. Franchisee has satisfied all monetary obligations Franchisee owes Franchisor, Franchisor's affiliates, and Franchisor's approved/designated suppliers and vendors, and has timely met these obligations throughout the term of this Agreement;

2.2.6. Franchisee executes Franchisor's then-current form of franchise agreement, the terms of which may vary materially from the terms of this Agreement (which may include, without limitation, increased royalty and other fees and insurance requirements), at least three (3) months prior to the expiration of this Agreement;

2.2.7. Franchisee satisfies Franchisor's then-current training requirements for renewing franchisees at Franchisee's expense, if any, as of the date of such renewal, and Franchisee has otherwise obtained and maintained all licenses, permits and approvals required by federal and state law applicable to providing the Approved Products and Approved Services at any location within the Designated Territory;

2.2.8. Franchisee and its principals execute a general release in the form Franchisor prescribes; and

2.2.9. Franchisee pays a renewal fee in the amount of five thousand dollars (\$5,000).

2.3. **Holdover Period.** If this Agreement expires without Franchisee properly exercising its renewal right and Franchisee continues to accept the benefits of this Agreement thereafter, then, at Franchisor's option, Franchisor may treat this Agreement either as: (i) expired as of the date of expiration, with Franchisee then illegally operating a franchise in violation of Franchisor's rights; or (ii) continued on a month-to-month basis (the "Holdover Period") until both parties agree to enter into Franchisor's then-current form of franchise agreement for a renewal term or until one party provides the other with written notice of termination, in which case the Holdover Period will terminate thirty (30) days after receipt of the notice of termination. In the latter case, all of Franchisee's obligations shall remain in full force and effect during the Holdover Period as if this Agreement had not expired, except that the license fee during the Holdover Period will be increased to ten percent (10%) of Gross Revenue for all types of products/services and without any reductions. All obligations and restrictions imposed on Franchisee upon expiration of this Agreement shall take effect upon termination of the Holdover Period.

### 3. FEES AND MANNER OF PAYMENT

3.1 **Initial Franchise Fee.** In consideration of the franchise granted to Franchisee by Franchisor, Franchisee must pay Franchisor a lump sum initial franchise fee set forth on the Data Sheet that is part of this agreement (the "Initial Franchise Fee"), which is due at the signing of this Agreement and deemed fully earned and non-refundable upon payment, in consideration of administrative and other expenses Franchisor incurs in granting the franchise and for Franchisor's lost or deferred opportunity to franchise to others.

3.1.1. *Elevate to Owner Program Discount.* Franchisor offers a discounted Initial Franchise Fee for the first Franchised Business to qualified employees of a franchisee who: (i) has been recommended by a System franchisee; (ii) has been employed by a System franchisee for at least two (2) years; and (iii) otherwise qualifies to be Franchisor's franchisee. The discount is based upon years of service with one of Franchisor's franchisees and is calculated as follows:

Discount on Initial Franchise Fee	Years of Consecutive Employment With Franchisee
10%	2
15%	3
20%	4
25%	5+

Discounts under the Elevate to Owner Program will be applied to the Initial Franchise Fee for Franchisee’s first Franchised Business only and the discount shall be calculated after any third-party broker fees are deducted, if any.

3.2. **Royalty Fee.** Franchisee must pay Franchisor a monthly royalty fee (the “Royalty Fee”) deducted on the tenth (10<sup>th</sup>) business day of the following month for the prior month in an amount equal to the greater of: (i) the Royalty Fee (as delineated in Section 3.2.1 below); or (ii) the minimum royalty fee (“Minimum Royalty Fee”), as described in Section 3.2.2 below.

3.2.1. *Royalty Fee Structure.* Franchisee’s Royalty Fee is calculated as follows:

Monthly Royalty	Gross Revenue for Prior Month
7.0%	\$0.00 - \$75,000.00
6.0%	\$75,000.01 - \$150,000.00
5.0%	\$150,000.01+

3.2.2. *Minimum Monthly Royalty Fee.* Franchisee’s Minimum Monthly Royalty Fee for one (1) Designated Territory is based upon the number of months the Franchised Business has been open and operating. Franchisee is considered “open and operating” on the date that Franchisee completes the Initial Training Program (defined in Section 8.1). The Minimum Monthly Royalty Fee is as follows:

Time of Operation	1 Designated Territory
First 3 Months	The Royalty Fee (5-7% of Gross Revenue)
4 to 12 Months	\$250
Second Year	\$550
Third Year +	\$850

However, Franchisee will not be subject to a Minimum Royalty Fee during the first three (3) months of operation on the condition that Franchisee strictly complies with all of its obligations during the first three (3) months of operation.

3.2.3. *Special Programs.* Franchisor reserves the right, but not the obligation, to establish special programs that reward franchisees for meeting certain criteria. In the event Franchisor establishes

any special programs, Franchisor will have the right, in Franchisor’s sole discretion, to change, modify or dissolve any special programs upon notice to Franchisee.

3.2.4. *Conversion Roll-In Discount for Existing Businesses.* If Franchisee has an existing business that is the same or similar to a Franchised Business with annual gross sales of at least \$500,000 and Franchisee agrees to convert the existing business into a Franchised Business, Franchisor will discount Franchisee’s Royalty Fee for the initial period of operation. The Royalty Fee will be calculated as follows:

Months of Operation	Royalty Fee
Months 1-4	25% of then-current Royalty Fee
Months 5-8	50% of then-current Royalty Fee
Months 9-12	75% of then-current Royalty Fee
Months 12+	The then-current Royalty Fee

After the initial 12-month period, Franchisee shall pay the Royalty Fee as set forth in Section 3.2 of this Agreement.

3.3. **Gross Revenue Definition and Reports.** For purposes of this Agreement, “Gross Revenue” is defined to include all income of any type or nature and from any source that Franchisee derives or receives directly or indirectly from, through, by, or on account of the operation of the Franchised Business (whether or not the products/services are approved by the Franchisor) at any time after the signing of the Franchise Agreement, in whatever form and from whatever source, including, but not limited to, cash, services in kind from barter and/or exchange, on credit or otherwise, and convenience, credit card user, or other fees charged to a customer, as well as business interruption insurance proceeds, all without deduction for expenses, including marketing expenses and taxes. Exclusions do not include reductions for financing program fees, credit card convenience fees or user fees, or any other fees charged to a customer). However, the definition of Gross Revenue does not include sales tax that is collected from customers and actually transmitted to the appropriate taxing authorities or any bona fide refunds you make to customers in the ordinary course of business. We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from Gross Revenue as circumstances, business practices, and technology change.

Franchisee must send Franchisor a signed report (“Gross Revenue Report(s)”) on or before the tenth (10<sup>th</sup>) day of each month for the immediately preceding calendar month, in the manner and form specified by Franchisor. Each Gross Revenue Report must set forth: (i) Franchisee’s Gross Revenue generated during the previous calendar month; (ii) Franchisee’s calculation of the Royalty Fee and Brand Fund Contribution (defined in Section 3.5); and (iii) any other information Franchisor may require. Franchisor may change the form, content and/or interval of the Gross Revenue Report from time to time and/or require Franchisee to submit Gross Revenue Reports upon notice to Franchisee.

3.4. **Method of Payment.** With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the “EFT Program”), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement or any other agreement between Franchisee and Franchisor or its affiliates from the bank account Franchisee provides to Franchisor for use in connection with the EFT Program (the “EFT Account”). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account within two (2) days upon receipt, including cash, checks and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide

Franchisor with: (i) Franchisee's bank's name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Withdrawal Authorization Form in the form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer ("EFT"). Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement or any other agreement related to the Franchised Business by such other means as Franchisor may specify from time to time, including, but not limited to, a requirement to use a specific payment processor from whom Franchisor or its affiliate may collect fees at the time of such payment. If any Gross Revenue Report has not been received within the required time period, then Franchisor may process an EFT for the subject month based on the most recent Gross Revenue Report provided by Franchisee to Franchisor, provided, that if a Gross Revenue Report for the subject month is subsequently received and reflects: (i) that the actual amount of the fee due was more than the amount of the EFT, then Franchisor may withdraw additional funds through an EFT from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the EFT, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations. If any check or electronic payment is not successful due to insufficient funds, stop payment or any similar event, any excess amounts that Franchisee owes will be payable upon demand, together with a nonsufficient funds fee of the greater of one hundred dollars (\$100) per occurrence or the highest amount allowed by law, plus the lesser of: (i) one and one-half percent (1½%) per month (eighteen percent (18%) per annum); or (ii) the maximum interest rate allowed by law from the due date of payment. Franchisee must also pay Franchisor one hundred dollars (\$100) for each week that a payment is paid after the due date, which is in addition to interest. If Franchisee makes any payment to Franchisor or Franchisor's affiliate(s) by credit card for any fee required, Franchisor may charge a payment service fee of up to four percent (4%) of the total charge.

**3.5. Brand Fund Contribution.** As set forth more fully in Section 12 of this Agreement, Franchisor has established a brand fund for advertising and brand promotion (the "Brand Fund"). Franchisee shall make monthly Brand Fund Contributions of one percent (1%) of Gross Revenue generated by the Franchised Business for sales made during the immediately preceding calendar month (the "Brand Fund Contribution"). Presently, Brand Fund Contributions are to be paid as directed by Franchisor via the EFT Program on the tenth (10<sup>th</sup>) business day of each month, or as otherwise required by the Operations Manual (defined in Section 6.1) or in writing by Franchisor. Franchisor will have the right to expend the funds accumulated in the Brand Fund in Franchisor's sole discretion. Notwithstanding the foregoing, Franchisor reserves the right to increase the Brand Fund Contribution at any time upon providing notice to Franchisee, provided that the Brand Fund Contribution will not exceed three percent (3%) of Gross Revenue during the term of this Agreement.

**3.6. Local Advertising Requirement.** Franchisee shall expend the greater of: (i) three percent (3%) of Gross Revenue; or (ii) three thousand dollars (\$3,000) per month on local advertising (the "Local Advertising Requirement"). Franchisor reserves the right to increase the Local Advertising Requirement to the greater of: (i) four percent (4%) of Gross Revenue; or (ii) four thousand dollars (\$4,000) per month upon ninety (90) days' prior written notice. While the Local Advertising Requirement will typically be paid to third parties that Franchisor designates, Franchisor and its affiliate(s) reserve the right to collect this fee or to designate an Approved Supplier that will collect this fee. All or a portion of the Local Advertising Requirement may be allocated to the Franchisor Directed Advertising Fee described in Section 12.5.3 for Local Advertising Services that we provide to you. We and our affiliates may earn revenue and profits on products or services we provide, and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third party vendors provide. With respect to all Local Advertising Requirement funds you pay to a third party, you are required to provide us with monthly

expense statements (including receipts supporting the reported expenditures) evidencing compliance with the Local Advertising Requirement spending obligations. The Initial Franchisor Directed Advertising Fee in the amount set forth in the Data Sheet must be paid at the signing of this Agreement and deemed fully earned and non-refundable upon payment. The initial Franchisor Directed Advertising Fee (defined in Section 12.5.3) is a credit to that fee for the first two months of the term. The Franchisor Directed Advertising Fee must be paid in the month prior to the month in which the fees will be spent, in an amount up to the greater of \$3,000 or three percent (3%) of the prior month's required spend, whichever is greater. Thereafter, in the second month, the Franchisor Directed Advertising Fee must be paid to Franchisor or its designee on or before the tenth (10<sup>th</sup>) day of the month. If local advertising directed by Franchisor is paid with a franchisee credit card (or other method of direct payment), all such amounts spent that are directed by Franchisor will be credited to the monthly Franchisor Directed Advertising Fee.

3.7. **Technology Fee.** In addition to the fees set forth above, Franchisee must pay Franchisor and/or Franchisor's designated vendors the then-current technology fee as set forth in the Operations Manual (defined in Section 6.1) ("Technology Fee") associated with using and maintaining Franchisor's reservation system, intranet, mobile applications, required computer hardware and software, hosting services and solutions, and any other technology used in the operation of the Franchised Business, and such payment shall be made in the manner prescribed by Franchisor or the designated vendor(s), as applicable. Franchisee shall pay the Technology Fee in the same manner as the Royalty Fee and as described in Section 3.4 of this Agreement, or as otherwise set forth in the Operations Manual or in writing by Franchisor. Franchisor reserves the right to change the amount of the fee described in this Section as changes are made to the System's hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency upon thirty (30) days' prior written notice to you.

3.8. **Call Center Fee.** Franchisor reserves the right to establish a Call Center. If established, Franchisee shall pay Franchisor a call center fee deducted on the tenth (10<sup>th</sup>) business day after the end of each calendar month for the prior calendar month in an amount up to four percent (4%) of Franchisee's Gross Revenue (the "Call Center Fee").

3.9. **Late and/or Underpayments and Interest.** All fee payments, amounts due for purchases by Franchisee from Franchisor and/or its affiliated company(ies), and other amounts which Franchisee owes to Franchisor and/or its affiliated company not received on or before the due date shall be deemed past due. If any payment or contribution is past due, Franchisee shall pay to Franchisor immediately upon demand, in addition to the past due amount, Franchisor's then-current late fee per incident, plus interest on the past due amount from the date it was due until paid at the rate of one and one-half percent (1½%) per month (eighteen percent (18%) per annum), or the maximum rate permitted by law, whichever is less. Nothing contained in this Section shall prevent Franchisor from exercising, in Franchisor's sole judgment, any other rights or remedies available to Franchisor under this Agreement. In addition to the interest set forth above, Franchisee shall also pay Franchisor one hundred dollars (\$100) for each week that a payment is paid after the due date.

3.10. **No Right to Offset.** Franchisee shall not be entitled to set off any payments required to be made under this Section 3 against any monetary claim it may have against Franchisor.

3.11. **Non-Exclusive Remedies.** Franchisor's right to recover interest and late payment fees under this Section shall not prevent Franchisor from obtaining, or otherwise waiving, any other remedy available to Franchisor for Franchisee's breach of this Section as set forth in this Agreement or under applicable law.



3.12. **Taxes on Payments.** In the event any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment Franchisee makes to Franchisor, Franchisee must, in addition to all payments due to Franchisor, pay such tax, levy or assessment.

3.13. **Franchisor's Right of Setoff.** As to Franchisee and/or any affiliate of Franchisee, Franchisor can:

3.13.1. apply any payments received to any past due, current, future or other indebtedness of any kind, in Franchisor's Business Judgment (defined in Section 3.14 below), no matter how payment is designated by Franchisee (including any amount due under any Promissory Note), except that the Brand Fund Contributions may only be credited to the Brand Fund;

3.13.2. set off from any amounts that may be owed by Franchisor, any amount owed to Franchisor or any marketing fund; and

3.13.3. retain any amounts received for Franchisee's account (and/or that of any affiliate of Franchisee), whether rebates from suppliers, payment for National Account work, or otherwise, as a payment against any amounts owed to Franchisor or any marketing fund.

Franchisor can exercise any of the foregoing rights in connection with amounts owed to or from Franchisor and/or any affiliate. For purposes of this Agreement, "affiliate" means any person or entity which controls, is controlled by, or is under common control with another person or entity, including any person or entity that provides services to Franchisee. In addition, as to the Franchisee, "affiliate" also means any owner of any interest in Franchisee or the Franchised Business, any employee or agent of the Franchisee, and/or any independent contractor performing functions for, or on behalf of, Franchisee, and any entity controlled by any of the foregoing.

3.13.4. **Business Judgment.** For purposes of this Agreement, the term "Business Judgment" means the exercise of reasonable business judgment in making Franchisor's decision or exercising Franchisor's rights. Franchisor's decisions or actions will be deemed to be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the franchise System generally, even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the franchise System include, without limitation, enhancing the value of the Proprietary Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the franchise System. This is a defined term for the purposes of this Agreement and is not intended to incorporate principles related to the application of the business judgment rule in a corporate law context.

## 4. PROPRIETARY MARKS

### 4.1. Franchisee's Use of the Proprietary Marks and Other Proprietary Material

4.1.1. Franchisee shall use only the Proprietary Marks which Franchisor designates, and shall use them only in the manner Franchisor authorizes and permits.

4.1.2. Franchisee shall use the Proprietary Marks only for the operation of the Franchised Business and only in the Designated Territory and in sales and marketing for the Franchised Business.

4.1.3. Franchisee shall use all Proprietary Marks without prefix or suffix and in conjunction with the symbols “TM,” “SM,” “S,” or “®,” as applicable. Franchisee may not use the Proprietary Marks in connection with the offer or sale of any products or services which Franchisor has not authorized for use in connection with the System. Franchisee may not use the Proprietary Marks as part of Franchisee’s corporate or other legal name. Franchisee’s corporate name and all fictitious names under which Franchisee proposes to do business must be approved by Franchisor in writing before use. Franchisee must use Franchisee’s corporate or limited liability company name either alone or followed by the initials “D/B/A” and a business name approved in advance by Franchisor. Franchisee must promptly register at the office of the county in which Franchisee’s Franchised Business is located, or such other public office as provided for by the laws of the state in which Franchisee’s Franchised Business is located, as doing business under such assumed business name.

4.1.4. Franchisee must identify itself as the owner of the Franchised Business (in the manner Franchisor prescribes) in conjunction with any use of the Proprietary Marks, including, without limitation, on invoices, order forms, receipts, customer forms and questionnaires, business stationery, and advertisements, as well as at such conspicuous locations as Franchisor may designate in writing at the Franchised Business premises.

4.1.5. Franchisee’s right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of Franchisor’s rights.

4.1.6. Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on Franchisor’s behalf.

4.1.7. Franchisee shall execute all documents Franchisor deems necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability.

4.1.8. Franchisee must promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks that Franchisor may now or hereafter designate for use in connection with the System, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor’s ownership of, Franchisor’s right to use and to license others to use, or Franchisee’s right to use, the Proprietary Marks and Operations Manual (defined in Section 6.1) (collectively the “Proprietary Material”). Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Material, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Franchisor’s rights to the Proprietary Material. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee’s use of the Proprietary Material. If Franchisor, in Franchisor’s sole discretion, determines that Franchisee has used the Proprietary Material in accordance with this Agreement, Franchisor shall bear the cost of such defense, including the cost of any judgment or settlement. If Franchisor, in Franchisor’s sole discretion, determines that Franchisee has not used the Proprietary Material in accordance with this Agreement, Franchisee shall bear the cost of such defense, including the cost of any judgment or settlement. In the event of any litigation relating to Franchisee’s use of the Proprietary Material, Franchisee shall execute any and all documents and do such acts as may, in Franchisor’s opinion, be necessary to carry out such defense or prosecution, including, without limitation, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee’s use of the Proprietary Material in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for Franchisee’s out-of-pocket costs in performing such acts.

4.1.9. Franchisee expressly understands and acknowledges that:

4.1.9.1. Franchisor or its affiliates or licensors own all right, title and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them, and Franchisor has the right to use, and license others to use, the Proprietary Marks;

4.1.9.2. The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System;

4.1.9.3. During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of, or Franchisor's ownership of, or right to use and to license others to use, the Proprietary Marks or any other Proprietary Material;

4.1.9.4. Franchisee's use of the Proprietary Material does not give Franchisee any ownership interest or other interest in or to the Proprietary Material;

4.1.9.5. Any and all goodwill arising from Franchisee's use of the Proprietary Material shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the System, the Proprietary Marks, or any other Proprietary Material;

4.1.9.6. Except as specified in this Agreement, the license of the Proprietary Marks granted to Franchisee hereunder is non-exclusive and Franchisor retains the right, among others, to: (i) use the Proprietary Marks itself in connection with selling products and services; (ii) grant other licenses for the Proprietary Marks; and (iii) develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

4.1.9.7. Franchisor reserves the right, in Franchisor's sole discretion, to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder. Franchisee shall discontinue using all Proprietary Marks which Franchisor has notified Franchisee, in writing, have been modified or discontinued within thirty (30) days of receiving written notice and, at Franchisee's sole cost and expense, shall promptly begin using such additional, modified or substituted Proprietary Marks.

4.2. **Copyrighted Materials.** You acknowledge that Franchisor is the owner of certain copyrighted or copyrightable works (the "Works") and that the copyrights in the Works are valuable property. The Works include, but are not limited to, the Operations Manuals, advertisements, promotional materials, signs, Internet sites, mobile applications, vehicle graphics, and facility designs. We authorize you to use the Works on the condition that you comply with all of the terms and conditions of this Section 4. This Agreement does not confer any interest in the Works on you, other than the right to use them in the operation of the Franchised Business in compliance with the terms of this Agreement. If you prepare any adaptation, translation or other work derived from the Works, whether or not authorized by us, you agree that the material will be our property and you hereby assign all your right, title and interest therein to us. You agree to sign any documents we deem necessary to confirm our ownership.

## 5. CONFIDENTIAL INFORMATION

5.1. **Nondisclosure.** During the term of this Agreement, Franchisee will receive information which Franchisor considers its trade secret and confidential information. Franchisee may not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person or

entity, any Confidential Information (defined in Section 5.2). Upon termination or expiration of this Agreement, regardless of the reason, Franchisee shall return all copies of such Confidential Information to Franchisor immediately, and Franchisee may not use the Confidential Information for any purpose other than operating the Franchised Business in accordance with Franchisor's standards and specifications.

**5.2. Confidential Information.** Confidential Information hereby includes, without limitation, any and all confidential, proprietary and trade secret information relating to the operation of a Franchised Business, such as: (i) all financial, operational, technical and marketing information; (ii) Operations Manual; (iii) Franchisor's System policies or procedures, and franchising materials, brochures, marketing plans, forecasts, and related information; (iv) cost data; (v) pricing information; (vi) business plans; (vii) financial records and results of Franchisor's operations and other persons or entities operating a Franchised Business; (viii) photographs, devices, samples, models and illustrations; (ix) software developed by or for Franchisor; (x) customer and/or client lists and any information relating to Franchisor's customers or the customers of other System franchisees; (xi) prospect customer/client lists; (xii) patent, trademark, service mark and copyright applications; (xiii) information relating to inventions, discoveries, software, and any other research and development information; (xiv) methods of conducting the business developed by Franchisor or other franchisees, and any forms, memoranda, outlines, protocol, presentations, proposals, software, or other documents or information related to such methods; (xv) any information of a customer not generally known or available to the public; (xvi) any Trade Secrets (defined in Section 5.3), or of a customer of Franchisor, or of any other franchisee; and (xvii) any information about or originating from any Franchisee which, if it was information of Franchisor, is expressly deemed Confidential Information pursuant to the foregoing (collectively, "Confidential Information"). Any and all information, knowledge, know-how, techniques, and other data which Franchisor designates as confidential will be deemed Confidential Information for purposes of this Agreement.

**5.3. Trade Secrets.** Notwithstanding Section 5.2, "trade secret" means information (including, but not limited to, components of the System, product marketing and promotional techniques, confidential business information, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, and lists of actual or potential customers or suppliers) that: (i) derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy (collectively, "Trade Secrets"). To the extent that applicable law mandates a definition of "trade secret" inconsistent with the foregoing definition, then the foregoing definition shall be construed in such a manner as to be consistent with the mandated definition under applicable law.

**5.4. Employees / Personnel.** All of Franchisee's employees or other personnel must execute covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business. Such covenants shall be in a form satisfactory to Franchisor and substantially similar to the Confidentiality and Restrictive Covenant Agreement in the form attached as Exhibit C to this Agreement. Employee non-compete and restrictive covenant agreements must include, without limitation, specific identification of Franchisor as a third-party beneficiary of such covenants with independent rights to enforce them.

**5.5. New Concepts.** If Franchisee, or Franchisee's employees or principals, develop(s) any new concept, process or improvement in the operation or promotion of the Franchised Business, including, but not limited to, any modifications or additions to the Proprietary Material, Franchisee shall promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such concept, process or improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all patents, patent applications, trademarks, copyrights, and other intellectual property

rights related thereto. Franchisee and Franchisee's principals and agents hereby assign to Franchisor any rights they may have or acquire therein, including the right to modify such concept, process or improvement, and otherwise waive and/or release all rights of restraint and moral rights therein and thereto. Franchisee and Franchisee's principals and agents agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries, and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such rights. Franchisee and Franchisee's principals and agents hereby irrevocably designate and appoint Franchisor as their agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that the foregoing provisions of this Section 5.5 are found to be invalid or otherwise unenforceable, Franchisee and Franchisee's principals and agents hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe Franchisee's rights therein.

5.6. **Customer Privacy.** Franchisee agrees to adhere to the terms of Franchisor's customer privacy policies Franchisor may now or in the future develop. Franchisee may not divulge personal information regarding any customers, except as absolutely necessary to operate the Franchised Business.

## 6. FRANCHISOR'S OBLIGATIONS

6.1. **Operations Manual.** Prior to commencing operation of the Franchised Business, Franchisor will provide Franchisee with secure access to its operations manual, which contains mandatory and suggested specifications, standards and operating procedures for the System, which may be modified and/or supplemented by Franchisor at any time as Franchisor deems advisable in its sole discretion, including Franchisor's proprietary and confidential operations manual for operating a Franchised Business ("Operations Manual"). The Operations Manual may cover such topics as pre-opening procedures; systems and procedures; personnel policies; specifications for vehicles, supplies, equipment and inventory; marketing; accounting and bookkeeping; and related matters as may be incorporated from time to time. The Operations Manual will remain confidential and the property of Franchisor, constituting a trade secret of Franchisor, and may not be shared, loaned out, duplicated, distributed or copied in whole or in part in any manner. The provisions of the Operations Manual constitute provisions of this Agreement as if fully set forth herein. Franchisor will have the right to add to and otherwise modify the contents of the Operations Manual from time to time in writing in any manner, including through the Operations Manual, email, Franchisor's website, or any other means. Franchisee must always follow the directives in the Operations Manual, as they may be modified by Franchisor from time to time. Such compliance by Franchisee is necessary to protect the integrity and reputation of the System. The Operations Manual may also contain provisions that share recommended best practices, which provisions are not mandatory.

6.2. **Initial Supplies.** Franchisor will provide Franchisee with a list of all items and equipment needed to open the Franchised Business, along with the proprietary list of Approved Suppliers for those items (as applicable), with which Franchisee must comply.

6.3. **Ongoing Assistance.** Franchisor may provide Franchisee continuing consultation and advice, as Franchisor deems necessary and appropriate in its sole discretion, regarding the management and operation of the Franchised Business. Franchisor will provide such assistance, in Franchisor's discretion, by telephone, facsimile, intranet communication, on-site visits, or other means. If Franchisee requires and requests additional on-site assistance from Franchisor, subject to the availability of Franchisor's personnel, Franchisor may provide Franchisee with such assistance at Franchisor's then-current training fee, plus expenses, including Franchisor's travel and lodging expenses, as Franchisor deems necessary in its sole discretion. Franchisor may also use the Operations Manual to provide self-serve training materials.

6.4. **Additional Training.** As set forth more fully in Section 8, Franchisor may, in Franchisor's sole discretion, hold refresher and ongoing training courses, or training courses to provide additional information and/or updates regarding Franchisor's System and/or the operation of the Franchised Business. Except as otherwise provided in this Agreement, Franchisor may require Franchisee and Franchisee's personnel to attend such additional training up to twenty (20) days per year at a location to be selected by Franchisor. All expenses, including Franchisee's and Franchisee's employees' transportation, meal, and lodging expenses to attend such training shall be Franchisee's sole responsibility. If training is conducted at Franchisee's Approved Location or in Franchisee's Designated Territory, Franchisee will be responsible for all of Franchisor's employees' expenses to conduct such training, including transportation, meal and lodging expenses. Franchisor will provide Franchisee with thirty (30) days' notice of any upcoming additional or refresher training that Franchisee is required to attend.

6.5. **Remedial Training.** In the event Franchisor determines that Franchisee is not operating the Franchised Business as required under the Franchise Agreement or in compliance with the System standards, Franchisor may require Franchisee to attend up to five (5) days of remedial training a year (in addition to any required training). Franchisor has the right to schedule remedial training at its corporate headquarters or other designated training facility, or Franchisor may provide such training on-site at the Franchised Business. In either case, Franchisor may charge Franchisee its then-current tuition training fee (plus its travel and living expenses) to provide such remedial training.

6.6. **Call Center.** Franchisor reserves the right to establish and maintain a centralized call center for the purpose of accepting telephone, Internet and other inquiries from potential customers and forwarding such customer information to the appropriate franchisee (the "Call Center"). If established, Franchisee must comply with Franchisor's procedures for using the Call Center as Franchisor specifies in the Operations Manual or otherwise in writing, including any fees Franchisee must pay in connection with administering and maintaining this service. If established, Franchisor has the absolute right to receive all customer calls to the Franchised Business, and subsequently service, route and/or assign any work orders or inquiries resulting from such calls as it deems advisable in its sole discretion, regardless of whether the customer is located within Franchisee's Designated Territory. If established, all System related phone numbers and Internet lead sources are required to be ported to or directed to Franchisor.

6.7. **Pricing.** Franchisor may advise Franchisee from time to time concerning suggested retail prices. Franchisor and Franchisee agree that any list or schedule of prices furnished to Franchisee by Franchisor is a recommendation only and is not to be construed as mandatory upon Franchisee. Nothing contained herein shall be deemed a representation or warranty by Franchisor that the use of Franchisor's suggested prices will result in a profit. If we determine that we may lawfully require you to charge certain prices for products or services, certain minimum prices for products or services, or certain maximum prices for products or services, you must adhere to our pricing policies as set forth in the Manuals or otherwise in writing from time to time. Otherwise, you are solely responsible for determining the prices that you charge customers. You must provide us with your current price list upon our request.

6.8. **Annual Conference.** Franchisor may, in Franchisor's discretion, hold one or multiple annual conferences at a location to be selected by Franchisor (the "Annual Conference"). Franchisor will determine the topics and agenda for such conference to serve the purpose, among other things, of updating franchisees on new developments affecting franchisees, exchanging information between franchisees and Franchisor's personnel regarding operations and programs, and recognizing franchisees for their achievements. Franchisor may require Franchisee to attend the Annual Conference and pay Franchisor's then-current registration fee if Franchisor chooses to charge a registration fee in its sole discretion. Attendance at the Annual Conference is mandatory. Franchisor reserves the right to charge Franchisee a fee to cover Annual Conference expenses in the event the Franchisee chooses not to attend. All expenses,

including Franchisee's and Franchisee's employees' transportation to and from the Annual Conference, as well as lodging, meals and salaries during the Annual Conference are Franchisee's sole responsibility. Franchisor may use Brand Fund Contributions for purposes related to the Annual Conference, including costs related to production, programs and materials.

## 7. FRANCHISEE'S OBLIGATIONS

7.1. **Site Location and Lease Approval.** Franchisee must operate the Franchised Business from an approved retail showroom/office that meets Franchisor's then-current standards and specifications for an Approved Location. Franchisee will need to lease approximately 500 to 1,500 square feet of commercial real estate for Franchisee's retail showroom/office and to securely store all equipment and inventory. Franchisor may provide Franchisee with standards and specifications for the design and layout of the premises of the Approved Location, and Franchisor must review and approve any proposed location, as well as any lease associated with the proposed location, prior to Franchisee entering into any lease for the proposed location. If Franchisor has not approved a location for Franchisee to operate the Franchised Business as of the date Franchisee signs this Agreement, the parties shall enter into Franchisor's prescribed form of Site Selection Addendum, the terms of which shall govern the parties' site selection obligations. Franchisor has the right to review, evaluate and approve Franchisee's proposed lease for the Approved Location ("Lease") prior to execution. Franchisor may condition Franchisor's approval of any proposed Lease on, among other things, Franchisee and Franchisee's landlord's execution of a Collateral Assignment of Lease in the form prescribed by Franchisor and attached to this Agreement as Exhibit G.

7.1.1. *Relocation.* If, for any reason, the Lease term is shorter than the term of this Agreement and the Lease cannot be renewed or extended, or Franchisee cannot continue for any other reason to occupy the Approved Location, Franchisee must relocate Franchisee's Franchised Business to a mutually acceptable site within Franchisee's Designated Territory to complete the unexpired portion of the term of this Agreement. Franchisee must notify Franchisor of Franchisee's intention to relocate, procure a site acceptable to Franchisor within ninety (90) days prior to closing operations at Franchisee's current Approved Location, and open for business at the new Approved Location within thirty (30) days of closing business at Franchisee's existing Approved Location. Franchisor may require Franchisee to reimburse Franchisor for its actual costs and expenses associated with evaluating Franchisee's relocation request and/or any locations proposed by Franchisee for relocation, plus a two hundred fifty dollar (\$250) administrative fee. We will provide Franchisee with copies of our invoices for its expenses from any third-party providers upon request.

7.1.2. *Franchised Business Appearance and Construction.* Franchisee agrees that the Franchised Business must conform to Franchisor's standards and specifications for the appearance, layout and design of a Franchised Business. Franchisee is solely responsible for the preparation of architectural and working drawings necessary to complete construction and/or build-out at the Approved Location and must ensure that plans meet with applicable ordinances, building codes, permit requirements, and any other applicable local, state or federal law.

7.1.3. *Use of Premises.* The location of Franchisee's Approved Location approved by Franchisor in accordance with this Agreement shall be used solely for the purpose of operating the Franchised Business, unless otherwise approved in writing by Franchisor. Franchisee must obtain Franchisor's prior written consent to conduct any other business or commercial activity from the Approved Location.

7.2. **Training.** Franchisee (or if Franchisee is an entity, then Franchisee's principals) must attend and successfully complete Franchisor's Initial Training Program (defined in Section 8.1), as set forth

more fully in Section 8 of this Agreement. Franchisor has the right to require one (1) individual to attend in addition to Franchisee.

**7.3. Opening Requirements.** Franchisee shall open and commence operating the Franchised Business within one hundred eighty (180) days of executing this Agreement. Franchisee must obtain Franchisor's approval of the Approved Location within thirty (30) days of executing this Agreement. In addition to any other pre-opening obligations set forth in this Agreement, Franchisee is required to complete the following prior to commencing operations: (i) obtain all required licenses, certifications, permits and other governmental approvals necessary to operate the Franchised Business in the Designated Territory, and provide Franchisor with written proof thereof; (ii) purchase all required vehicles, equipment, supplies and inventory in accordance with Franchisor's standards and specifications and, if appropriate, from Franchisor's Approved Suppliers (defined in Section 7.4.2), that Franchisee is required to purchase prior to opening; (iii) attend and successfully complete Franchisor's Initial Training Program, as defined and described in Section 8.1 of this Agreement, as well as any other pre-opening training Franchisor may prescribe; and (iv) provide Franchisor with any and all documents and information necessary for Franchisor to effectuate the EFT Program to automatically withdraw all payments due and owing Franchisor and its affiliates under the Franchise Agreement. Without limiting the foregoing, if Franchisee or any of Franchisee's owners is not a U.S. national, Franchisee represents that Franchisee and/or such owners have an immigration status that allows Franchisee and/or such owners to live and work in the United States, and Franchisee hereby promises that Franchisee and/or such owners will maintain such status during the term of this Agreement.

#### **7.4. Purchasing Requirements**

**7.4.1. Compliance with Standards.** Franchisee acknowledges and agrees that Franchisee's obligations set forth in this Agreement and the Operations Manual are reasonable and necessary for the operation of the Franchised Business and to maintain uniformity throughout the System. Franchisee shall adhere to the standards and specifications set forth in this Agreement and the Operations Manual and any revisions or amendments to same. Franchisee shall use the furnishings, supplies, fixtures, equipment, computer hardware and software, and product samples and promotional materials that comply with Franchisor's then-current standards and specifications, which Franchisor will establish and modify at Franchisor's discretion. Franchisee acknowledges that Franchisee may incur an increased cost to comply with such changes at Franchisee's expense.

**7.4.2. Designated and Approved Suppliers.** Franchisee must currently use Franchisor's designated suppliers to purchase any items and/or services necessary to operate the Franchised Business. Recognizing that preservation of the System depends upon product and service uniformity and the maintenance of Franchisor's trade dress, Franchisee agrees to purchase product samples and other supplies, services, furnishings, fixtures, computer hardware and software, and other equipment from Franchisor or from approved or designated suppliers as Franchisor shall specify, from time to time, in the Operations Manual and otherwise in writing (each an "Approved Supplier"). Franchisee hereby acknowledges that Franchisor, Franchisor's affiliate(s) and/or a third party may be one of several, or the only, Approved Supplier of any item. Franchisee further acknowledges and agrees that Franchisor and/or Franchisor's affiliates have the right to realize a profit or otherwise derive revenue from any products or services that Franchisor, Franchisor's affiliates, or Franchisor's Approved Suppliers supply and/or provide to Franchisee. Franchisor has the irrevocable right to modify, supplement or otherwise change its lists of Approved Suppliers and any items that must be purchased from such Approved Suppliers at any time, as Franchisor deems advisable in its sole discretion. Franchisor may mandate that Franchisee use a specific payment processor in its Franchised Business, in which Franchisor or an affiliate may (or may not) be an owner, and Franchisor or its affiliate may collect fees owed to it or an affiliate at the time of payment by a



customer using such processor. Franchisor may provide Franchisee with notice of such modifications to these lists via the Operations Manual or any other manner Franchisor deems appropriate.

7.4.3. *Supplier Approval.* In the event Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, if known. At Franchisor's request, Franchisee must provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole, as well as the maintenance of Franchisor's Confidential Information. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate. Nothing herein shall require Franchisor to approve an unreasonable number of suppliers for a given item, which approval might, in Franchisor's reasonable judgment, result in higher costs or prevent the effective or economical supervision of approved suppliers.

7.4.3.1. Franchisee or the proposed supplier must pay Franchisor its then-current alternative supplier or new product review fee, in addition to Franchisor's actual costs that Franchisor estimates it will incur in connection with inspecting the alternate supplier, its facilities, and/or the previously non-approved item(s) proposed by Franchisee. If the costs Franchisor incurs are more than the amount Franchisee or the proposed supplier advanced, then Franchisor may withdraw additional funds through the EFT Program from Franchisee's designated bank account for the difference, or if the actual amount Franchisor incurs is less than the amount of the advancement, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

7.4.3.2. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied.

7.4.3.3. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier or provider with its specifications for the item that Franchisee wishes the third party to supply, provided that third party executes Franchisor's prescribed form of non-disclosure agreement.

7.4.3.4. Each supplier that Franchisor approves of must comply with Franchisor's requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract.

7.4.3.5. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier.

7.4.4. *System Suppliers.* Franchisor may establish business relationships, from time to time, with suppliers who may produce and/or provide certain products or services that Franchisee is

required to purchase from only that supplier (each a “**System Supplier**”). These System Suppliers may provide, among other things, supplies, fixtures, technology, software and equipment, all in accordance with Franchisor’s proprietary standards and specifications, or private label goods that Franchisor has authorized and prescribed for sale by System franchisees. Franchisee recognizes that such products and services are essential to the operation of the Franchised Business and to the System generally. Franchisee further recognizes that Franchisee’s failure to pay System Suppliers may interfere with such suppliers’ willingness to supply the System and may result in other System franchisees’ inability to obtain product, or ability to obtain product only on less favorable credit terms. Accordingly, Franchisee agrees to pay System Suppliers as and when due. Franchisee must use products purchased from Approved Suppliers solely in connection with the operation of the Franchised Business and not for any competitive business purpose.

**7.5. Approved Products and Services.** Franchisee shall offer for sale all products and services which Franchisor prescribes and only those products and services which Franchisor prescribes. Franchisee may not offer any other products or services for sale without having received Franchisor’s prior written authorization. Franchisee shall at all times maintain sufficient levels of inventory, as specified in the Operations Manual, to adequately satisfy consumer demand. Franchisee must offer, use and sell all private label products which Franchisor may now or in the future designate for sale by System franchisees. In the event Franchisee wishes to offer any Approved Products or Approved Services that Franchisor indicates requires additional training or certification from Franchisor or its designee, then Franchisee must complete such training and/or obtain such certification, at Franchisee’s sole expense, prior to providing these specialized Approved Products and Approved Services.

## **7.6. Operations**

**7.6.1. Hours of Operation.** Franchisee must operate the Franchised Business for at least those days and number of hours Franchisor specifies in the Operations Manual.

**7.6.2. Maintenance of Premises and Project Sites.** Franchisee must maintain the Franchised Business and all project sites in a clean, safe and attractive manner, and in accordance with all applicable requirements of law, including all federal, state and local health laws, as well as this Agreement and the Operations Manual. Franchisee and Franchisee’s employees must give prompt, courteous and efficient service to the public and otherwise operate the Franchised Business so as to preserve, maintain and enhance the reputation and goodwill of the System.

**7.6.3. Personnel/Staffing.** Franchisee must employ a sufficient number of qualified, competent personnel, to offer prompt, courteous and efficient service to the public, and otherwise operate the Franchised Business in compliance with the System so as to preserve, maintain and enhance the reputation and goodwill of the System. All employees engaged in the operation of the Franchised Business during working hours shall dress conforming to Franchisor’s standards and shall present a neat and clean appearance in conformance with Franchisor’s reasonable standards and shall render competent, efficient service to the customers of the Franchised Business.

**7.6.4. Compliance with Operations Manual and Training of Employees.** Franchisee agrees to conduct the Franchised Business in accordance with the Operations Manual. Franchisee shall immediately train and instruct Franchisee’s employees in accordance with the Operations Manual, and shall continue such training and instruction as long as each employee is employed. The Operations Manual shall set forth the practices, procedures and methods to be utilized in the Franchised Business, and Franchisor may require Franchisee to conform Franchisee’s practices to national programs, which Franchisor has designed as part of Franchisor’s System.

7.6.5. *Management Participation.* Franchisee (or at least one of Franchisee’s principals if Franchisee is a corporation or partnership) must devote their personal full-time attention and best efforts to the management and operation of the Franchised Business. Upon Franchisee’s written request, Franchisor may permit Franchisee to employ a manager to manage the day-to-day operations of the Franchised Business (the “Designated Manager”), provided the Designated Manager: (i) is approved by Franchisor in writing prior to hiring; and (ii) successfully completes Franchisor’s Initial Training Program (defined in Section 8.1) before assuming any managerial responsibility. The Franchised Business must at all times be staffed with at least one (1) individual who has successfully completed Franchisor’s Initial Training Program. In the event that Franchisee operates more than one Franchised Business, Franchisor may require Franchisee to have a properly trained Designated Manager who has been approved by Franchisor at each location. Franchisee will keep Franchisor informed at all times of the identity of any employee acting as Designated Manager of the Franchised Business. In the event that a Designated Manager resigns or is otherwise terminated from the Franchised Business, the replacement must be trained pursuant to Franchisor’s then-current standards. The new Designated Manager must successfully complete training within thirty (30) days of hiring. Franchisor reserves the right, without the obligation, to train the new Designated Manager directly. Franchisee and any Designated Manager(s) are not permitted to seek or maintain other employment or engage in any other business activities during the term of this Agreement.

7.6.5.1. If Franchisee’s Designated Manager departs the Franchised Business and Franchisee does not have another Designated Manager that satisfies the requirements in Section 7.6.5 above, then Franchisor may, at its option, provide Franchisee with a temporary replacement Designated Manager and Franchisee shall be obligated to pay the replacement Designated Manager the then-current fee for each full or partial day.

7.6.6. *Working Capital.* Franchisee must at all times maintain such working capital as may be reasonably necessary to enable Franchisee to properly and fully carry out and perform all of Franchisee’s duties, obligations and responsibilities hereunder and to operate the business in a businesslike, proper and efficient manner.

7.6.7. *Inventory.* Prior to commencement of operations, Franchisee shall adequately supply the Franchised Business with supplies, vehicles, equipment and inventory as prescribed by the Franchisor, and any other items of the type, quantity and quality as specified by Franchisor. Franchisee must, at all times, maintain sufficient levels of inventory, including Franchisor’s proprietary products and other equipment and supplies used at project sites, as required by Franchisor to adequately meet consumer demand.

7.6.8. *Products with Proprietary Marks.* Franchisee shall in the operation of its Franchised Business, use and display labels, forms, vehicles, supplies, equipment and inventory imprinted with the Proprietary Marks and colors as prescribed by the Franchisor.

7.6.9. *Market Research.* Franchisor may, from time to time, conduct market research and testing to determine the viability of new products and services. Franchisee must cooperate by participating in such programs and by purchasing and promoting the sale of such test products and services, if required by the Franchisor.

7.6.10. *Customer Contracts.* In the operation of the Franchised Business, Franchisee is required to use only the customer contracts, waivers, and/or other forms that are designated by Franchisor from time to time. Franchisor is not obligated to designate any such items and Franchisee’s use obligations do not apply where Franchisor does not designate such items. Franchisor may provide Franchisee with templates or sample forms of such items, but it is Franchisee’s responsibility to have all items which are to be used with prospective and/or actual customers reviewed, at Franchisee’s expense, by an attorney licensed

to practice law in the state(s) where the Franchised Business is operated, for compliance with all applicable state and local legal requirements. Franchisor makes no warranty or representation that any contracts, waivers and/or other forms and/or materials, whether supplied by Franchisor or otherwise, are in compliance with the laws of any particular state(s) or locality.

**7.7. Franchised Business Inspection.** Franchisee agrees that, in order to maintain the high quality and uniform standards associated with the Franchise System and to protect its goodwill and reputation, Franchisee will permit Franchisor, during business hours, to inspect Franchisee's Franchised Business or attend a project site, confer with Franchisee and Franchisee's employees and customers, observe and evaluate Franchisee's sales techniques and operation methods, and perform any other inspection which Franchisor deems necessary to protect the standards of quality and uniformity of the franchise System and Franchisee's performance under this Agreement, the Operations Manual, and other standards and specifications required by Franchisor. Franchisee is obligated to make changes to Franchisee's operations based upon any inspections by Franchisor. Franchisor is not required to provide Franchisee with any notice prior to conducting such an inspection.

## **7.8. Computer Software and Hardware**

**7.8.1. Business Management and Technology System.** Franchisor's business management and technology system ("Business Management and Technology System") is a proprietary integrated business management system that includes customized software that facilitates the flow of business-related information between Franchisee, Franchisor and Franchisee's customers. The Business Management and Technology System will be managed and maintained by either Franchisor, a third-party company selected by Franchisor, or a combination of both. The Business Management and Technology System includes software that manages customer / Franchisee / Franchisor interactions from demand generation and lead intake through invoicing and collections, Franchisor's websites, telematics, and the Call Center (if established). If the Call Center is established, Franchisee will be required to forward any and all calls made to the Franchised Business (and all telephone numbers associated therewith) so that Franchisor can receive/route/assign these customer calls through the Business Management and Technology System as more fully set forth in this Agreement. Franchisee will have access to the Business Management and Technology System through a unique login.

**7.8.2. Computer System.** Franchisor shall have the right to specify or require that certain brands, types, makes and/or models of communications, computer systems and hardware be used by Franchisee, including, without limitation: (a) a compatible "back office" computer system that complies with Franchisor's standards and specifications and is capable of operating designated and Required Software (as defined below in Section 7.8.3 below); (b) Franchisor's Business Management and Technology System; (c) a custom and proprietary point-of-sale system (the "POS System"), if Franchisor makes such a POS System part of its proprietary operating system in the future; (d) accounting software; (e) software applications and programs; (f) printers and other peripheral hardware or devices; (g) archival back-up systems; (h) Internet access mode and speed; and (i) physical, electronic, and other security systems (collectively, the "Computer System"). Franchisee must dedicate its Computer System for use as the Business Management and Technology System only and use the Business Management and Technology System in accordance with Franchisor's policies and operational procedures. Franchisee's employees must complete any and all training programs Franchisor reasonably requires for the proper operation and use of the Business Management and Technology System. Franchisee may not use any other cash registers or computer systems in its Franchised Business.

**7.8.3. Required Software.** Franchisor shall have the right, but not the obligation, to develop or designate: (i) computer software programs that Franchisee must use in connection with any component of the Computer System, including Franchisor's Business Management and Technology System

software (the “Required Software”), which Franchisee shall install at Franchisee’s expense; (ii) updates, supplements, modifications or enhancements to the Required Software, which Franchisee shall install at Franchisee’s expense; (iii) the tangible media upon which Franchisee records data; and (iv) the database file structure of the Computer System.

7.8.4. *Compliance with Requirements.* At Franchisor’s request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisee expressly agrees to strictly comply with Franchisor’s standards and specifications for all items associated with Franchisee’s Computer System and any Required Software. Franchisee agrees, at its own expense, to keep its Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to Franchisee’s Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees that its compliance with this Section shall be at Franchisee’s sole cost and expense.

7.8.5. *Franchisor’s Access.* Franchisor may require that Franchisee’s Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to Franchisor. Franchisor shall also have the right to, at any time without notice, electronically connect with Franchisee’s Computer System to monitor or retrieve data stored on the Computer System or for any other purpose Franchisor deems necessary. There are no contractual limitations on Franchisor’s right to access the information and data on Franchisee’s POS system and Computer System. Franchisee shall deliver to Franchisor all access codes, static Internet protocol (“IP”) addresses and other information to facilitate Franchisor’s access to the data described in this Section within thirty (30) days of opening the Franchised Business.

7.8.6. *Proprietary Software.* Franchisor has a proprietary interest in all databases, lists, templates, programs, and any other software components that have been created and/or customized by Franchisor using the Computer System and/or Required Software (the “Proprietary Software”). In the future, Franchisor may further customize the Proprietary Software and create programs that conduct, among other things, scheduling, accounting, inventory and related activities. Franchisee must obtain the computer hardware necessary to implement the Proprietary Software into the Franchised Business, and comply with all specifications and standards prescribed by Franchisor regarding the Proprietary Software as provided in the Operations Manual. This Proprietary Software will be Franchisor’s proprietary product and the information collected therefrom will be deemed Franchisor’s Confidential Information.

7.8.7. *Computer Network.* Franchisee is required to participate in any System-wide computer network, intranet system, extranet system or community portal that Franchisor implements, and that may be required by Franchisor to use such computer network, intranet system, or extranet system to, among other things: (i) submit Franchisee’s reports due under this Agreement to Franchisor online; (ii) view and print portions of the Operations Manual, including any updates or modifications thereto; (iii) download approved marketing materials; (iv) communicate with Franchisor and other System franchisees; and (v) complete any initial or ongoing training that Franchisor designates, in the event Franchisor makes such training accessible through this medium. Franchisee agrees to use the facilities of any such computer network, intranet system or extranet system in strict compliance with the standards, protocols and restrictions that Franchisor included in the Operations Manual, including those related to the encryption of confidential information and prohibitions against the transmission of libelous, derogatory or defamatory statements. Franchisee understands and agrees that it is solely responsible for any licensing and/or maintenance fee(s) associated with any intranet or extranet described in this Section.

7.9. **Personal Conduct.** Franchisee agrees to refrain from committing any act or pursuing any course of conduct that tends to bring Franchisor’s Proprietary Marks into disrepute.

**7.10 Best Efforts.** Franchisee (or Franchisee’s principals) must devote their personal full-time attention, skill and best efforts to the management and operation of the Franchised Business and to promote and increase the demand for the Franchisor’s products and services within the Designated Territory. In consideration of the grant of the Franchised Business, Franchisee (or Franchisee’s principals) agrees that it will not own, maintain, engage in, be employed by, or have any interest in any other business other than the Franchised Business without the prior written consent of Franchisor. Franchisee agrees that Franchisee may not, without the prior written consent of Franchisor, engage in any commercial activity that: (i) is not performed for the sole and direct benefit of the Franchised Business; (ii) may benefit or promote any other business; or (iii) may be injurious to the Franchised Business or the goodwill associated with the Proprietary Marks and the System. Franchisee acknowledges that Franchisee’s (or Franchisee’s principals’) violation of the terms in this Section will be a material breach of this Agreement, and Franchisor may terminate this Agreement with notice and without an opportunity to cure. The foregoing remedy shall be in addition to any other legal or equitable remedies that the Franchisor may possess.

**7.11 Telephone and Email Access.** Franchisor reserves the right to procure and supply all telephone numbers and email accounts associated with the Franchised Business.

**7.12 Payment of Debts.** Franchisee is solely responsible for: (i) selecting, retaining and paying Franchisee’s employees; (ii) the payment of all invoices for the purchase of products and services used in connection with operating the Franchised Business; and (iii) determining whether, and on what terms, to obtain any financing or credit which Franchisee deems advisable or necessary for the conduct of the Franchised Business. Franchisee agrees to pay all current obligations and liabilities to suppliers, lessors and creditors on a timely basis. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for debts owed by Franchisee if Franchisor elects to pay any of Franchisee’s obligations in order to preserve the relationship between System Suppliers and System franchisees. Franchisee agrees to make prompt payment of all federal, state and local taxes, including individual and corporate taxes, sales and use taxes, franchise taxes, gross receipts taxes, employee withholding taxes, FICA taxes, personal property, and real estate taxes arising from Franchisee’s operation of the Franchised Business. Franchisee agrees to indemnify Franchisor in the event that Franchisor is held responsible for these taxes.

**7.13 Compliance with Applicable Laws.** Franchisee must comply with all applicable federal, state and local laws, ordinances and regulations regarding the operation of the Franchised Business (including, without limitation, all government regulations relating to required licensing; occupational hazards and health; trademark and copyright infringement; fair marketing laws; consumer protection; trade regulation; workers’ compensation; unemployment insurance; withholding and payment of Federal and State income taxes and social security taxes; sales, use and property taxes; and the applicable provisions of the Americans with Disabilities Act (“ADA”) regarding the construction, design and operation of the Franchised Business). Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee’s employees and/or independent contractors. Franchisee is solely responsible for all employment decisions and is solely responsible for compliance with all state, federal and local hiring laws and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training (except for brand standards certification training we offer to you and your Designated Manager), wage and hour requirements, compensation, promotion, recordkeeping, supervision and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee’s employees be deemed to be employees of Franchisor or Franchisor’s affiliates. Any information we provide about employment matters, whether voluntarily or in response to your request, and whether directly or by means of any technology tools, is a recommendation only and is not intended to and is not an actual exercise of control over the wages, hours or working conditions of your employees or the means and manner by which they carry out their duties. You are strongly encouraged to seek independent competent labor law counsel in the state/locality where you do business for all employment matters.

You alone will direct and control all employees of the Franchised Business, subject only to the Brand Standards that we prescribe to protect the goodwill associated with the Marks, which may include the requirement of initial and periodic drug testing and background checks. You are required to clearly inform all workers, before hiring and periodically thereafter, that Franchisee, and not Franchisor, is their employer. You agree to indemnify us for any liability, cost, expense, loss or damage, including attorney's fees and costs, arising from (i) any claim or allegation that Franchisor or any affiliate is the employer, co-employer, or joint employer of Franchisee, its Owners, or any workers in the Franchised Business.

**7.14 Trade Secrets and Confidential Information.** Franchisee and all of its employees must maintain the confidentiality of all Confidential Information as set forth in this Agreement.

**7.15 Image.** Franchisee acknowledges that Franchisor has developed the System to offer and sell products and services which will distinguish the Franchised Business from other service businesses that offer similar products and services valued at different prices and with less attention paid to product quality and customer service. Franchisee agrees to offer products and services and to conduct the Franchised Business in such a manner which will serve to emulate and enhance the image Franchisor intended for the System. Franchisee further acknowledges and agrees that each aspect of the System is important not only to Franchisee, but also to Franchisor and to other System franchisees in order to maintain the highest operating standards, achieve System-wide uniformity, and increase the demand for the products sold and services rendered by System franchisees. Franchisee agrees to comply with the standards, specifications and requirements Franchisor set forth in order to uniformly convey the distinctive image of a Franchised Business. Franchisee shall, in the operation of the Franchised Business, use only displays, bags, labels, forms, stationery and other products Franchisor designates that are imprinted with the Proprietary Marks and colors, as prescribed from time to time by Franchisor.

**7.16 Pending Actions.** Franchisee shall notify Franchisor in writing, within five (5) days of the commencement of any action, suit or proceeding, and the issuance of any order, suit or proceeding of any court, agency or other government instrumentality, including the receipt of any notice or citation, which may adversely affect the operation or financial condition of Franchisee or the Franchised Business.

**7.17 Standard Maintenance and System Conformity.** Franchisee agrees to repair, refinish, replace, and/or otherwise refurbish the Franchised Business's Computer System, POS System, Required Software, vehicle(s), trailer(s) (if applicable), equipment, tools, and the Approved Location's furnishings, fixtures, decor, and any other tangible part or property of the Franchised Business at Franchisee's sole expense at such times as Franchisor may reasonably direct. Franchisor has the right to direct Franchisee to remodel, re-equip, and otherwise refurbish the Approved Location in the manner necessary to bring it into conformance with other franchises of the type Franchisor's franchisees are opening at the time of such direction. If at any time, in Franchisor's judgment, the general state of repair or the appearance of the premises of the Approved Location or its vehicles or equipment, does not meet Franchisor's standards, Franchisor shall so notify Franchisee, specifying the action to be taken by Franchisee to correct such deficiency. If Franchisee fails or refuses to initiate within fifteen (15) days after receipt of such notice, Franchisor shall have the right, in addition to all other remedies, to enter upon the premises of the Approved Location and affect such maintenance on behalf of Franchisee, and Franchisee shall pay the entire costs thereof on demand.

**7.18 Customer Service.** Franchisee must comply with any standards, specifications or methodologies that Franchisor establishes in the Operations Manual or otherwise in writing regarding customer service requirements, a customer or product warranty, or a satisfaction guarantee on any Approved Products or Approved Services offered or sold by the Franchised Business, refund policies and other standards and specifications. If specified in the Operations Manual, you are required to provide the

warranty or satisfaction guarantee to each customer and comply with the requirements of the warranty/guarantee program, as set forth in the Operations Manual.

## 8. TRAINING

8.1 **Initial Training Program.** Franchisor will provide Franchisee (or one of Franchisee's principal owners if Franchisee is a business entity) and up to two (2) additional representatives that Franchisee designates with Franchisor's then-current initial training program (the "Initial Training Program") tuition-free, subject to the availability and schedule of Franchisor's training personnel. Franchisee must attend and successfully complete the Initial Training Program to Franchisor's satisfaction at Franchisor's corporate headquarters (the "Home Office"), or other location that Franchisor designates, prior to commencing operations of the Franchised Business. Some or all of the classroom training may now or in the future be provided virtually. If Franchisee is a business entity, each franchise owner must attend and successfully complete the Initial Training Program. The Initial Training Program lasts approximately five (5) days, and Franchisee will be solely responsible for costs and expenses Franchisee and its representative(s) incur in connection with attending the Initial Training Program, including travel, lodging, meals or any wages incurred for Franchisee's employees. In the event Franchisor permits Franchisee to employ a Designated Manager (defined in Section 7.6), such Designated Manager must attend and complete the Initial Training Program to Franchisor's satisfaction prior to commencing any managerial duties of the Franchised Business.

8.1.1 *Timing for Completion.* Franchisee and its designated trainees must participate in and complete the Initial Training Program to Franchisor's satisfaction seven to thirty (7-30) days prior to opening the Franchised Business and within one hundred fifty (150) days from the Effective Date of this Agreement. Upon completion of the Initial Training Program, the Franchised Business shall be deemed "open and operating." In the event Franchisee does not complete the Initial Training Program to Franchisor's satisfaction within this one hundred fifty (150-day) period, then Franchisor may terminate this Agreement or Franchisor may provide Franchisee with additional time in exchange for a general release.

8.1.2 *Additional Employees.* In the event Franchisee requests that more than two (2) additional people participate in the Initial Training Program (other than Franchisee or Franchisee's partner or principal shareholder), even if they attend the same training session, Franchisor may provide the Initial Training Program to such additional persons, subject to the availability of Franchisor's personnel, and charge Franchisee its then-current training tuition fee. All training related expenses for Franchisee's additional personnel, including transportation to and from the training site, lodging, meals, and salaries during training are Franchisee's sole responsibility.

8.1.3 *Replacement Personnel.* In the event Franchisee or Franchisee's employee(s) fail(s) to complete the Initial Training Program to Franchisor's satisfaction, the respective person may repeat the course, or, in the case of an employee, Franchisee may send a replacement (the "Replacement Personnel") to the next available training session. Franchisor may charge its then-current training tuition fee for such Replacement Personnel to attend the Initial Training Program. Franchisor may also charge its then-current training tuition fee for each subsequent operating principal, designated manager or employee who attends the course at a scheduled training class at Franchisor's headquarters or other location designated by Franchisor. Failure by Franchisee, subsequent operating principals, designated managers, an employee or any Replacement Personnel to complete the Initial Training Program to Franchisor's satisfaction within the time period prescribed in this Agreement shall constitute default of this Agreement and Franchisor may terminate the Agreement.

8.1.4 *Employee Training.* Franchisee must ensure that any and all employees of the Franchised Business that do not attend the Initial Training Program are properly trained to perform their



respective duties in connection with the Franchised Business prior to such employee(s) undertaking the duties.

8.1.5 *Training Materials.* Franchisor will provide Franchisee with training materials for Franchisee to use in training Franchisee's personnel. Only Franchisor's provided training materials may be used by Franchisee in training Franchisee's personnel. Updated training materials may be available to Franchisee in the Operations Manual or by other means, in Franchisor's sole discretion. All training materials provided to Franchisee by Franchisor shall at all times remain Franchisor's property, and Franchisee agrees not to challenge Franchisor's or Franchisor's affiliates' title or rights in or to the training materials. Franchisee may not make any disclosure, duplication or other unauthorized use of any portion of the training materials.

8.2 **Additional and Remedial Training.** Franchisor may conduct, and require Franchisee, Franchisee's Designated Manager (if applicable) and other employees to attend, additional and/or refresher training courses that Franchisor develops for the benefit of the System, as Franchisor deems advisable in its sole discretion. Franchisor may charge Franchisee its then-current training tuition fee for Franchisee and any other persons that attend such additional or refresher training, and Franchisee will be solely responsible for any and all expenses associated with such training (including travel, lodging, meals and employee wages incurred). Additional and/or refresher training may take place at Franchisor's Home Office or any other location that Franchisor designates. Franchisor will provide Franchisee with thirty (30) days' notice of any upcoming additional or refresher training that Franchisee is required to attend.

8.3 **Reasonable Training and Assistance Requests.** Upon Franchisee's written request, Franchisor may provide Franchisee with additional training and/or assistance, as Franchisor deems necessary in its sole discretion, subject to the availability and schedules of Franchisor's personnel. Franchisor may charge Franchisee its then-current tuition fee for any training or assistance that Franchisor provides at Franchisee's request, and Franchisee is solely responsible for any expenses and costs incurred: (i) by Franchisee and its representatives in connection with attending such additional training; and (ii) by Franchisor in connection with providing such training or assistance, whether at the Home Office or on-site at Franchisee's Approved Location or within the Designated Territory. Additional assistance may be provided by Franchisor over the phone, via email or Franchisor's Operations Manual.

## 9. INSURANCE

9.1 **General.** Franchisee must maintain, at Franchisee's expense, in full force and effect throughout the term of this Agreement, the types of insurance and the minimum policy limits specified in the Operations Manual. In determining and modifying such requirements, Franchisor agrees to use reasonable business judgment and only require such insurance and minimum policy limits that are reasonable. The insurance policy or policies must be in effect at the earlier of: (i) ninety (90) days after the Effective Date of this Agreement; or (ii) prior to attending the Initial Training Program. The insurance policy or policies must protect Franchisee, Franchisor, and Franchisor's past, present and future officers, directors, owners, managers, members, stockholders, affiliates, employees, consultants, attorneys and agents against any loss, liability, personal injury, death, property damage, or expense whatsoever arising out of or occurring upon or in connection with the condition, operation, use or occupancy of the Franchised Business. Franchisee shall list Franchisor as an additional insured under each policy, except for policies required by statute in Franchisee's jurisdiction, including, but not limited to, workers' compensation and employer's liability insurance policies. Franchisor reserves the right to amend, modify and/or supplement additional types of coverage and/or increase the required minimum amount of coverage upon providing Franchisee reasonable notice through the Operations Manual or otherwise in writing by Franchisor. Franchisee's obligation to obtain coverage is not limited in any way by insurance that Franchisor maintains. Upon Franchisor's request or as specified in the Operations Manual, Franchisee shall provide Franchisor

with certificates of insurance evidencing the required coverage and any other documentation in connection therewith.

**9.2 Insurance Rating, Approval, and Certification.** All insurance carriers must be approved by Franchisor in advance and in writing. All insurance policies must be issued by insurance companies with a rating of A-VII or better as reported in the most recent edition of A.M. Best's Insurance Report. Franchisor's acceptance of an insurance carrier does not constitute Franchisor's representation or guarantee that the insurance carrier will be capable of meeting claims during the term of the insurance policy. Franchisee agrees to carry such insurance as may be required by the Lease of the Approved Location or by any of Franchisee's lenders or equipment lessors, and such workers' compensation insurance as may be required by applicable law. Franchisee must deliver a certificate of insurance to Franchisor at least twenty (20) days prior to opening the Franchised Business and ten (10) days prior to any renewal of the required policies, as evidence that all insurance requirements have been met. All insurance policies held by Franchisee will be primary to any policy or policies held by Franchisor or its affiliates.

**9.3 Designees.** All liability policies will list Franchisor as an additional insured except the Employment Practices Liability policy where Franchisor will be named as co-defendant. The Commercial General Liability policy shall contain a waiver of subrogation in favor of Franchisor and any parties Franchisor designates, and will be primary and non-contributory to any insurance Franchisor might carry. Franchisor reserves the right to modify required insurance coverage during the course of Franchisee's Agreement based on changes in risk factors, for which Franchisee will comply with upon written notice from Franchisor.

**9.4 Claims Cancellation.** Franchisee must provide Franchisor with copies of any insurance claims or insurance cancellations within twenty-four (24) hours of Franchisee's receipt of said claims or cancellations. Franchisee has a twenty-four (24)-hour opportunity to cure any lapses in insurance coverage. No insurance policy must be subject to cancellation, termination, non-renewal or material modification, except upon at least thirty (30) calendar days' prior written notice from the insurance carrier to Franchisor. Franchisee must submit a certificate of insurance which demonstrates compliance with this Section 9.

**9.5 Failure to Maintain Insurance.** If Franchisee fails to comply with the minimum insurance requirements set forth herein, Franchisor has the right to obtain such insurance and keep same in force and effect, and Franchisee shall pay Franchisor, on demand, the premium cost thereof and a one hundred dollar (\$100) administrative fee for the costs incurred in connection with Franchisor obtaining the insurance.

**9.6 Modification of Requirements.** Franchisor has the right to increase or otherwise modify the minimum insurance requirements upon thirty (30) days' prior written notice to Franchisee, and Franchisee shall comply with any such modification within the time specified in said notice.

## **10. FINANCIAL RECORDS AND REPORTS**

**10.1 Reporting.** Franchisee must maintain, for at least ten (10) fiscal years from their preparation, full, complete accurate records of all sales, marketing activities, contracts, estimates, authorizations, receipts, payroll and accounts payable, and any other documents and records used in connection with the Franchised Business, in accordance with the standard accounting system described by the Franchisor in the Operations Manual or otherwise specified in writing. Franchisee must also provide Franchisor with complete financial records for the operation of the Franchised Business as described in this Section in accordance with generally accepted accounting principles.

10.1.1 Franchisee will, at its expense, submit to Franchisor within sixty (60) days of the end of each calendar year of the Franchised Business during the term of this Agreement, a complete financial statement for the said calendar year, including, without limitation, both an income statement and balance sheet, which may be unaudited, together with such other information in such form as the Franchisor may require.

10.1.2 Each financial statement shall be signed by Franchisee or by an individual authorized by Franchisee, attesting that the statement is true and correct and prepared in accordance with Franchisor's requirements.

10.1.3 Franchisee must also provide Franchisor with access to the information generated by any software Franchisor requires Franchisee to use in connection with its bookkeeping and other accounting obligations under this Agreement, including QuickBooks and Franchisor's software provider(s). Franchisee must, upon Franchisor's request, grant temporary administrative access to any software Franchisor requires Franchisee to use in connection with its bookkeeping and other accounting obligations (including, but not limited to, QuickBooks or our then-current accounting software) to Franchisor and/or its designee for the limited purpose of integration with franchise systems (i.e., ServiceMinder or similar systems) or collecting financial reporting data as required under the Franchise Agreement.

10.1.4 Franchisee shall provide Franchisor any other data, information and supporting records that Franchisor designates from time to time, including any and all reports set forth in the Operations Manual.

**10.2 Tax Returns.** In addition to the information and materials set forth in Section 10.1, Franchisee agrees to maintain, and furnish to Franchisor within thirty (30) days of filing: (i) complete copies of all federal, state and local tax returns, including those detailing income, sales, value added, use and service taxes, as well as employee withholding, workers' compensation, and similar reports filed by Franchisee reflecting financial activities of the Franchised Business; and (ii) Franchisee's (or Franchisee's principals') personal federal, state and local tax returns; and Franchisee hereby waives, to the extent not prohibited by applicable law, any right to object to disclosure of any tax returns.

**10.3 Right to Disclose Information.** Franchisor has the right to use and disclose data derived from the reports Franchisee furnishes to Franchisor. Franchisee hereby consents to us obtaining, using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose whatsoever or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by us or our affiliates (or disclosed to us or our affiliates) in accordance with this Agreement. Notwithstanding the foregoing, tax return data will only be disclosed to legal and financial advisors or as may be required by law.

## **11. BOOKS AND RECORDS**

**11.1 Records and Audits.** Franchisee must establish and maintain, at its own expense, accurate business records, reports, accounts, books and data relating to the operation of the Franchised Business that conforms to the requirements and formats (including a specific chart of accounts) Franchisor prescribes from time to time. We may designate an approved bookkeeping vendor (or one of a list of vendors) that Franchisee must use and Franchisee hereby consent to such vendor providing access to any business records that Franchisor would otherwise be entitled to pursuant to the Franchise Agreement.

Franchisee may be required to use the Computer System to maintain sales data and other information and to generate the reports Franchisor requires. Franchisor may require use of a specific

accounting software and version thereof as set forth in the Operations Manual, and Franchisee will be solely responsible for any associated cost.

Franchisor and Franchisor's designees have the right to inspect and/or audit Franchisee's business records at any time during normal business hours to determine whether Franchisee is current with suppliers and otherwise operating in compliance with the terms of this Agreement and the Operations Manual. Moreover, Franchisee must also provide Franchisor with access to the information generated by any software Franchisor requires Franchisee to use in connection with its bookkeeping and other accounting obligations under this Agreement, including QuickBooks (or our then-current accounting software, if different) and Franchisor's software provider.

If any audit reveals that Franchisee has understated Franchisee's financial information, including, but not limited to, Royalty Fee or Brand Fund Contribution payments, by more than two percent (2%), or if Franchisee has failed to submit timely reports and/or remittances for any two (2) reporting periods within any twelve (12)-month period, Franchisee must pay our costs and expenses, including the cost of such audit and/or inspection, the cost of outside auditors and attorneys (to the extent Franchisor incurs such costs), together with amounts due for Royalty Fees and other fees as a result of such underreporting and/or failure to submit reports, along with all late fees and interest which may otherwise be due under this Agreement.

**11.2 Corporate or Limited Liability Company Franchisee Records.** If Franchisee becomes a corporation, limited liability company or other business entity either prior to executing this Agreement, or at any time during the term of this Agreement, the following requirements, when applicable, shall apply:

11.2.1 Copies of Franchisee's Articles of Incorporation or Charter, minutes of the annual meeting, by-laws and other governing documents, and any amendments thereto, copies of initial shareholder certificates and Shareholder Agreements, if any, and the Resolutions of the Board of Directors authorizing entry into this Agreement as required by the Franchisor and as set forth in the Operations Manual shall be promptly furnished to Franchisor.

11.2.2 Franchisee shall maintain a current list of all owners or members of record and all beneficial owners of any class of stock of Franchisee and shall furnish such list to Franchisor annually.

11.2.3 All members with or shareholders of, Franchisee shall jointly and severally guarantee Franchisee's performance hereunder and shall bind themselves to the terms of a Personal Guaranty in a form approved by Franchisor (see Exhibit A to this Agreement). All members and/or shareholders shall also be individually subject to the non-disclosure and confidentiality provisions set forth in this Agreement, as well as any and all in-term and post-term restrictive covenants. However, the requirements of this subsection shall not apply to any corporation registered under the Securities Exchange Act of 1934 (hereinafter known as a "Publicly-held Corporation").

11.2.4 The majority equity owner in the entity that becomes the Franchisee must complete the Initial Training Program and all other training required by the Franchisor and work directly in the day-to-day operations of the Franchised Business and devote his or her personal full-time attention, skill and best efforts to the management and operation of the Franchised Business, unless Franchisor agrees otherwise in writing.

11.2.5 All issued and outstanding stock certificates of such corporation shall bear the following legend:

*EXAMPLE: "Transfers of these shares is subject to certain restrictions contained in a Franchise Agreement between \_\_ and AI Kitchen & Bath Franchising, LLC, dated \_\_."*

## 12. ADVERTISING

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to further the goodwill and public image of the System, the parties agree as follows:

12.1 **Generally.** With regard to advertising generally for the Franchised Business, Franchisee will only use or display the advertising materials Franchisor approves in writing. If Franchisee wishes to use any advertising or promotional materials other than those currently approved for use by System franchisees, then Franchisee must submit Franchisee's proposed materials to Franchisor for approval at least thirty (30) days prior to its intended use. Franchisor will use commercially reasonable efforts to notify Franchisee of Franchisor's approval or disapproval of the proposed materials within fifteen (15) days of the date such materials are received. If Franchisee does not receive Franchisor's written approval within fifteen (15) days, proposed materials shall be deemed disapproved. All advertising must prominently display the Proprietary Marks and will comply with any standards for use of the Proprietary Marks that Franchisor establishes, as set forth in the Operations Manual or otherwise in writing. Franchisor may require Franchisee to discontinue the use of any advertising or marketing material, within time frames prescribed by Franchisor, at Franchisee's sole cost and expense.

12.2 **Internet Website.** Franchisee must obtain and maintain adequate hardware and software in order to access the Internet at the bit speed Franchisor requires from time to time. Franchisee is prohibited, however, from establishing any website or other presence on the Internet, except as provided herein. Franchisor may unilaterally modify the provisions of this Section from time to time in its sole discretion.

12.2.1 Franchisor may, but is not obligated to, establish an Internet website that provides information about the System and the products and services offered by Franchised Businesses. In the event Franchisor exercises its right to create such a website, Franchisor shall have sole discretion and control over the website (including timing, design, content and continuation).

12.2.2 Franchisor may, but is not obligated to, create interior pages on its website(s) that contain information about Franchisee's Franchised Business and other franchised businesses. If Franchisor does create such pages, Franchisor may require Franchisee to prepare all or a portion of the page for Franchisee's Franchised Business, at Franchisee's expense, using a template that Franchisor provides. All such information will be subject to Franchisor's approval prior to posting.

12.2.3 Except as approved in advance in writing by Franchisor, Franchisee must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, Snapchat, or any other social media and/or networking site. If such approval is granted by Franchisor, Franchisee must: (i) establish and operate such site or page in accordance with System standards and any other policies Franchisor designates in the Operations Manual or otherwise in writing from time to time; and (ii) utilize any templates that Franchisor provides to Franchisee to create and/or modify such site(s). Franchisor will retain ownership of any and all social media or referral websites / accounts.

12.2.4 Franchisor may use a portion of the Brand Fund Contribution to pay or reimburse itself for the costs incurred in connection with the development, maintenance and update of its website.

12.2.5 Franchisee acknowledges that Franchisor and/or Franchisor's affiliates are the lawful, rightful and sole owner of the Internet domain name www.thedesignery.com, as well as any other Internet domain names registered by Franchisor and/or Franchisor's affiliates, and unconditionally disclaims any ownership interest in such Internet domain names and any Internet domain names similar thereto. Franchisee agrees not to register any Internet domain name in any class or category that contains words used in or similar to any brand name owned by Franchisor or Franchisor's affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

12.3 **Brand Fund.** Franchisor has established a Brand Fund for the common benefit of System franchisees. Franchisor requires Franchisee to participate in and contribute on a monthly basis, one percent (1%) of the Franchised Business's Gross Revenue to the Brand Fund. Notwithstanding the foregoing, Franchisor reserves the right to increase the Brand Fund Contribution at any time upon providing notice to Franchisee, provided that the Brand Fund Contribution will not exceed three percent (3%) of Gross Revenue during the term of this Agreement. Franchisee must pay the Brand Fund Contribution directly to the Brand Fund via EFT on a monthly basis on or before the tenth (10<sup>th</sup>) business day of each month based on the Gross Revenue generated during the preceding calendar month. Franchisor reserves the right to modify the frequency, manner or method of payment upon providing reasonable notice to Franchisee.

12.3.1 Franchisor will use the Brand Fund, in Franchisor's sole discretion, to develop, produce and distribute national, regional and/or local advertising and to create advertising materials and public relations programs which promote, in Franchisor's sole judgment, the services offered by System franchisees. Franchisor has the sole right to determine contributions and expenditures from the Brand Fund, or any other advertising program, and sole authority to determine, without limitation, the selection of the advertising materials and programs, provided, however, that Franchisor will make a good faith effort to expend the Brand Fund in the general best interests of the System on a national or regional basis. Franchisor may use the Brand Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising, including: (i) the cost of preparing and producing Internet, television, radio, magazine and newspaper advertising campaigns; (ii) the cost of direct mail and outdoor billboard advertising; (iii) the cost of soliciting National Accounts; (iv) the cost of public relations activities and advertising agencies; (v) the cost of developing and maintaining an Internet website; (vi) personnel and other departmental costs for advertising that Franchisor internally administers or prepares; and (vii) the costs of building partnerships with national or regional brands. Nevertheless, Franchisee acknowledges that not all System franchisees will benefit directly or on a pro rata basis from such expenditures. The Brand Fund will not be used for the direct solicitation of franchise sales, but Franchisor reserves the right to include a notation in any advertisement indicating "Franchises Available." Franchisor also reserves the right to use the Brand Fund for public relations or recognition of the brand.

12.3.2 Franchisor may periodically assist franchisees to maintain high quality standards through customer surveys, customer interviews, and other similar initiatives ("Surveys"). The cost of such programs will be borne by the Brand Fund. The cost of these programs may be charged directly to Franchisee if Franchisee's results from a Survey fall below System-established minimum standards for such Surveys.

12.3.3 Franchisor has the right to reimburse itself from the Brand Fund for such costs and overhead, if any, as Franchisor may incur in activities reasonably related to the direction and implementation of the Brand Fund.

12.3.4 In Franchisor's sole discretion, units owned and operated by Franchisor or its affiliates may, but are not obligated to, contribute to the Brand Fund. Franchisee acknowledges that the use of the Brand Fund or other advertising funds or accounts and the expenditures made thereby, may benefit

Franchisor and its units, even though the units operated by Franchisor or its affiliates may or may not contribute to the Brand Fund or other advertising funds or accounts.

12.3.5 Franchisor will prepare on an annual basis, and will have available for Franchisee within one hundred twenty (120) days of the end of the fiscal year, a statement of contributions and expenditures for the Brand Fund. The statement will be presented to Franchisee upon Franchisee's written request. The Brand Fund is not required to be independently audited.

12.3.6 Franchisor has the right to require that an advertising cooperative and/or franchisee advisory council be formed, changed, dissolved or merged.

12.3.7 Franchisor assumes no obligation or liability to Franchisee with respect to the maintenance, direction or administration of the Brand Fund or any other advertising funds or accounts maintained in connection with this Agreement, except as expressly set forth in this Section. Franchisor also has the right to cause the Brand Fund to be incorporated or operated through a separate entity at such time as Franchisor deems appropriate, and such successor entity will have all of the rights and duties specified herein.

12.3.8 Franchisee acknowledges that the Brand Fund is not a trust or an asset of Franchisor and that Franchisor is not a fiduciary to Franchisee with respect to, or a trustee of, the Brand Fund or the monies therein.

12.3.9 Franchisor may suspend or terminate the Brand Fund at any time, and any surplus funds may only be used for marketing and advertising purposes until fully expended.

**12.4 Regional Advertising and Promotional Cooperative.** Franchisor may, in Franchisor's discretion, designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Franchised Business. If a Cooperative is established applicable to the Franchised Business, Franchisee must participate in the Cooperative. Cooperative contributions will be credited towards the Local Advertising Requirement discussed in Section 12.5 below. The following provisions will apply to each Cooperative:

12.4.1 Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

12.4.2 Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to Franchisor's approval, standardized advertising materials for use by the members in local advertising;

12.4.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor's prior approval. All such plans and materials must be submitted to Franchisor in accordance with the procedure set forth in Section 12.1 hereof;

12.4.4 Each Cooperative will have the right to require its members to make contributions to the Cooperative in such amounts as determined by the Cooperative; however, the Cooperative may, by a two-thirds majority vote of its members, require a Cooperative contribution in excess of the Local Advertising Requirement;

12.4.5 Each member franchisee must submit to the Cooperative its respective contribution together with such other statements or reports as Franchisor may require or as may be required by the Cooperative with Franchisor's approval;

12.4.6 Franchisor may grant to Franchisee, in its sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request from Franchisee stating reasons supporting such exemption. Franchisor's decision concerning such request for exemption will be final; and

12.4.7 Franchisor will have the power to require any Cooperative to be formed, changed, dissolved, or merged at any time.

## **12.5 Local Advertising**

12.5.1 *Grand Opening Marketing.* In connection with the opening of the Franchised Business, Franchisee must spend a minimum amount of five thousand dollars (\$5,000) in local advertising, and as otherwise required and directed by Franchisor ("Grand Opening Marketing"). Any marketing must be conducted in accordance with Franchisor's standards and specifications, as described in the Operations Manual or this Agreement. Franchisor reserves the right to collect all or a portion of the Grand Opening Marketing. Franchisor reserves the right to increase the required spend to seven thousand dollars (\$7,000) as Franchisor deems necessary.

12.5.2 *Local Advertising Requirement.* In addition to the Brand Fund Contributions described above in Section 12.3, Franchisee will be required to spend the greater of: (i) three percent (3%) of Gross Revenue; or (ii) three thousand dollars (\$3,000) per month on local advertising and promotion in accordance with Franchisor's standards and specifications (the "Local Advertising Requirement, as defined in Section 3.6). Franchisor reserves the right to increase the Local Advertising Requirement to the greater of: (i) four percent (4%) of Gross Revenue; or (ii) four thousand dollars (\$4,000) per month, upon ninety (90) days' prior written notice. Franchisee must spend the Local Advertising Requirement as Franchisor prescribes in the Operations Manual or otherwise in writing, which may include, without limitation, requirements for placing a certain number and/or type(s) of media advertisements, or engaging certain public figures to assist the Franchisee in promoting its Franchised Business. The Local Advertising Requirement must be expended within Franchisee's Designated Territory. Franchisee acknowledges and agrees that Franchisee's Local Advertising Requirement must be expended regardless of the amount(s) spent by other System franchisees on local advertising. Franchisee may spend any additional sums Franchisee determines on local advertising. Franchisee must use only such advertising and promotional materials as have been previously approved by Franchisor. Franchisee must submit to Franchisor proof of Franchisee's expenditures on local advertising. All phone numbers used in local advertising by the Franchised Business of any form must be forwarded to Franchisor's Call Center.

12.5.3 *Local Advertising Services.* Franchisee must sign the Franchisor Directed Advertising Services Agreement and purchase all Local Advertising Services (defined in the Franchisor Directed Advertising Services Agreement attached hereto as Exhibit H) from Franchisor unless Franchisor provides written permission otherwise. For Franchisor's Local Advertising Services, Franchisee agrees to pay Franchisor or an affiliate Franchisor designates, a non-refundable fee (the "Franchisor Directed Advertising Fee") in an amount designated in the Franchisor Directed Advertising Services Agreement, as updated in the Operations Manual periodically. The Franchisor Directed Advertising Fee is credited to Franchisee's required monthly Local Advertising Requirement. In no event will the Franchisor Directed Advertising Fee be more than the Local Advertising Requirement.

**12.6 Advisory Council.** Franchisor reserves the right to establish an Advisory Council ("Advisory Council"). Elected franchisee(s) must participate actively in the Advisory Council as Franchisor designates, and participate in all Advisory Council meetings approved by Franchisor. Franchisor reserves the right to prepare and amend the governing documents for the Advisory Council from time to time, in its



sole discretion, at any time. Franchisor, in its sole discretion, will determine the topic areas to be considered by the Advisory Council. The purposes of the Advisory Council shall include, but are not limited to: (i) exchanging ideas and problem-solving methods; (ii) advising Franchisor on expenditures for System-wide advertising; and (iii) coordinating franchisee efforts. Amounts and expenditures may vary from time to time due to variations in Advisory Council participation and costs, as determined by the Advisory Council, and as approved by Franchisor. The Advisory Council shall act in an advisory capacity only. Franchisor will have the right to form, change or dissolve any Advisory Council at any time in its sole discretion.

## **13 INDEPENDENT BUSINESS; INDEMNIFICATION**

**13.1 Independent Business Status.** Franchisee is an independent business responsible for full control over the internal management and daily operation of the Franchised Business, and neither party to this Agreement is the agent, principal, partner, employee, employer or joint venture partner of the other party. Franchisee may not act or represent itself, directly or by implication, as Franchisor's agent, partner, employee or joint venture partner, and Franchisee may not incur any obligation on Franchisor's behalf or in Franchisor's name. All stationery, business cards and contractual agreements entered into by Franchisee shall contain Franchisee's corporate or fictitious name and a conspicuously displayed notice, in the place Franchisor designates, that Franchisee operates the Franchised Business as an independently owned and operated business, and that Franchisee independently owns and operates the Franchised Business as a System franchisee. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action, nor shall Franchisor be liable by reason of any of Franchisee's acts or omissions in the operation of the Franchised Business or for any claim or judgment arising therefrom against Franchisee or Franchisor. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractors. It is understood and agreed by the parties hereto that this Agreement does not establish any fiduciary relationship between them.

**13.2 Indemnification.** Franchisee and Franchisee's principals agree to indemnify, defend and hold Franchisor, Franchisor's affiliates and their respective shareholders, directors, officers, employees, agents, successors and assignees ("Indemnitees") harmless against and to reimburse them for the actual costs of all claims, obligations, liabilities, fines, losses, damages, costs and expenses (including attorneys' fees, except to the extent such fees are determined by an arbitrator or court of competent jurisdiction to be unreasonable, in which case the fees shall be adjusted to be reasonable by such arbitrator or court) ("Claims"), including any and all taxes, directly or indirectly arising out of, in whole or in part: (i) the operation of the Franchised Business, including the use, condition, or construction, equipping, maintenance or operation of the Franchised Business and Franchisee's advertising; (ii) the unauthorized use of the Proprietary Marks and other Proprietary Material; (iii) the transfer of any interest in this Agreement or the Franchised Business in any manner not in accordance with this Agreement; (iv) the infringement, alleged infringement, or any other violation or alleged violation by Franchisee or any of Franchisee's principals of any patent, trademark or copyright, or other proprietary right owned or controlled by third parties; or (v) libel, slander or any other form of defamation of Franchisor, the System, or any franchisee or developer operating under the System, by Franchisee or by any of Franchisee's principals, except for Claims that are determined by an arbitrator or court of competent jurisdiction to have been caused solely and directly by the indemnified party's gross negligence, willful misconduct, strict liability, or fraud. For purposes of this indemnification, "Claims" shall mean and include all obligations, actual, consequential, punitive, and other damages and costs reasonably incurred in the defense of any action, including attorneys', attorney assistants' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether or not such claims exceed the amount of insurance

coverage available through Franchisee to Franchisor. Franchisor shall have the right to defend any such claim against it in such manner as Franchisor deems appropriate or desirable, in Franchisor's sole discretion. Such an undertaking by Franchisor shall, in no manner or form, diminish Franchisee's and each of Franchisee's principals,' obligations to indemnify the Indemnities and to hold them harmless. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

## 14 SALE OR TRANSFER

14.1 **Transfer.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in the Franchised Business without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein. For purposes of this Agreement, "Transfer" as a verb means to sell, assign, give away, transfer, pledge, mortgage or encumber, voluntarily, involuntarily, or by operation of law (such as through divorce or bankruptcy proceedings), any interest in this Agreement, the Franchised Business, substantially all the assets of the Franchised Business, or in the ownership of the Franchised Business (if you are an entity). "Transfer" as a noun means any sale, assignment, gift, transfer, pledge, mortgage or encumbrance. Franchisor will not unreasonably withhold, condition, or delay a request to transfer by Franchisee. Franchisee acknowledges and agrees that the conditions set forth for transfer in this Section 14 are reasonable.

### 14.2 Death or Disability

14.2.1 *Representative's Right to Continue as Franchisee.* In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's partners or personal guarantors), Franchisee's legal representative or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as franchisee under this Agreement if: (i) within one hundred eighty (180) days from the date of death, disability or incapacity (the "180-Day Period"), such person: (a) meets Franchisor's then-current standards to become a franchisee, as described in Section 14.3.2.6; and (b) has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporation or limited liability company guarantying franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor. However, in the case of a transfer by demise or inheritance, if the heirs or beneficiaries of any deceased person are unable to meet the conditions contained in this Agreement, the personal representative of the deceased Franchisee will have a reasonable time, in Franchisor's sole discretion, which shall not exceed one hundred eighty (180) days from the date of transfer by demise or inheritance, to dispose of the deceased's interest in the Franchised Business and such disposition will be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of in the manner and time frame provided in the immediately preceding sentence, then Franchisor may terminate this Agreement.

14.2.2 *Franchised Business Operation During and After 180-Day Period.* Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee during or after the 180-Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 180-Day Period. In the event of Franchisee's death, disability, absence or

otherwise, Franchisor may (but is not required to) operate Franchisee's Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines from time to time, in Franchisor's sole and absolute discretion. Franchisor may pay itself its then-current fee to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorneys' fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

**14.3 Ownership Changes.** A sale, transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership; (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer of any interest in the limited liability company. Any new partner, shareholder, or member or manager will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) through (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 14.3.1.

**14.3.1 Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth herein), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide to Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30)-day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent, subject to the conditions for approval set forth herein. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer shall be deemed a new proposal, subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner, shareholder or member, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Franchisor at Franchisor's expense, and the appraiser's determination shall be binding.

**14.3.2 Conditions for Approval.** Franchisee shall notify Franchisor in writing of any proposed transfer of this Agreement, any direct or indirect interest in Franchisee, or in all or substantially all of the assets of the Franchised Business at least thirty (30) days before such transfer is proposed to take place. Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement upon satisfaction of the following occurrences:

14.3.2.1 All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors must be satisfied;

14.3.2.2 Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors within the period permitted for cure and have substantially complied with such agreements during their respective terms;

14.3.2.3 Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the general release shall not be inconsistent with any applicable state statute regulating franchising;

14.3.2.4 Transferor and transferee must execute a mutual general release relieving all claims against each other, excluding only such claims relating to any provision or covenant of this Agreement which imposes obligations beyond the expiration of this Agreement;

14.3.2.5 Franchisee or transferee must provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;

14.3.2.6 Transferee must demonstrate to Franchisor's satisfaction that he or she: (i) meets Franchisor's educational, managerial and business standards; (ii) possesses a good moral character, business reputation and credit rating; (iii) has the aptitude and ability to conduct the business to be transferred; and (iv) has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;

14.3.2.7 At Franchisor's option, transferee (and, if transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) either: (i) enter into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement; or (ii) execute Franchisor's then-current franchise agreement, and will receive a full then-current initial term for a franchisee, which term will commence on the date the transferee executes the then-current Franchise Agreement;

14.3.2.8 Franchisee must pay Franchisor a transfer fee equal to ten thousand dollars (\$10,000) per Designated Territory that is being transferred to transferee. A non-refundable deposit of three thousand dollars (\$3,000) of the Transfer Fee is due with Franchisee's written notice of proposed transfer and the balance of seven thousand dollars (\$7,000) is due upon Franchisor's approval at closing. In the event Franchisee transfers multiple Designated Territories at once, Franchisor reserves the right, but not the obligation, in Franchisor's sole discretion, to reduce the transfer fee for any of the Designated Territories being transferred, by any amount;

14.3.2.9 Transferee shall satisfactorily complete Franchisor's training program at the transferee's expense within the time frame Franchisor sets forth;

14.3.2.10 Franchisee, and Franchisee's principals if Franchisee is a partnership, corporation or limited liability company, and the members of their respective families must comply with the post-termination provisions of this Agreement;

14.3.2.11 Transferee must obtain, within the time limits set by Franchisor, and maintain thereafter, all permits and licenses required for the operation of the Franchised Business;

14.3.2.12 To the extent required by the terms of any leases or other agreements, the lessors or other parties must consent to the proposed transfer;

14.3.2.13 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;

14.3.2.14 Franchisee must ensure that all projects in progress at the time of the transfer will be continued without interruption, and the transferee must promptly notify all current customers of the change in ownership;

14.3.2.15 The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;

14.3.2.16 Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of Franchisee Disclosure Document and Franchisor shall not be liable for any representations not included in the Franchisee Disclosure Document;

14.3.2.17 Franchisor's approval of the transfer will not constitute a waiver of any claims Franchisor may have against the transferring party; and

14.3.2.18 Franchisor will have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchisee's Franchised Business as Franchisee has supplied Franchisor hereunder.

**14.4 Transfer to a Corporation or Limited Liability Company.** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fees set forth above, and such assignment will not be subject to Franchisor's right of first refusal in Section 14.3.1:

14.4.1 The corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business;

14.4.2 Franchisee is, and at all times remains, the owner of at least fifty-one percent (51%) of the outstanding shares of the corporation or a controlling interest in the limited liability company;

14.4.3 The corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder;

14.4.4 All stockholders of the corporation, or members and managers of the limited liability company, as applicable, must execute Franchisor's prescribed form of personal guaranty;

14.4.5 At Franchisor’s request, Franchisee will furnish true and correct copies of all documents and contracts governing the rights, obligations and powers of Franchisee’s owners and agents (such as articles of incorporation or organization and partnership, operating or shareholder agreements and similar documents).

14.4.6 Franchisee and Franchisee’s principals (if Franchisee is a partnership, corporation or limited liability company), and transferee (if it has had any previous relationship with Franchisor or Franchisor’s affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor’s affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities; provided, however, the general release shall not be inconsistent with any applicable state statute regulating franchising.

14.4.7 *Non-Traditional Ownership Structures.* Franchisor may, but is not obligated to, approve a Transfer to or allow ownership by an ESOP, trust or private equity firm (“Non-traditional Ownership”) and any request to Transfer to an ESOP, trust or private equity firm may be denied in our sole discretion. However, if we do approve a Transfer by an ESOP, trust or private equity firm, we may impose additional requirements that include, but are not limited to, the following: (a) the ownership and related requirements set forth in Section 14.4.7.1; (b) additional financial covenants; (c) additional insurance requirements; (d) an enhanced right to purchase the Franchised Business, and such other conditions that Franchisor deems appropriate in Franchisor’s Business Judgment.

14.4.7.1 *Operational Control-Non-Traditional Entities.* ESOP or other trust ownership of the Franchised Business is permitted only with our prior written permission, which may be granted or withheld in our sole discretion. At all times, the guarantors directly will: (i) control all aspects of Franchisee and the operation of the Franchised Business; and (ii) serve as trustee of the trust and retain sole control over the voting of the trust’s equity interest in the Franchisee. The Trustee must at all times be an individual and must meet the then-current requirements of franchise ownership. Any change in trustee is deemed a Transfer and is subject to approval as set forth in this Agreement. Any change in beneficiaries is deemed a Transfer. Any such Transfer is subject to approval conditions and other rights we have as set forth in this Agreement. Franchisee acknowledges and agrees that: (i) if the guarantors do not maintain operational control respecting each of: (a) the Franchised Business; (b) the Franchisee; and (c) the trust, such an event will constitute a Transfer as described in Article 14 of this Agreement and Franchisee must comply with all applicable provisions of such Article; and (ii) if the guarantors desire to turn over operational control respecting the Franchisee, the trust, or the Franchised Business to one or more trust beneficiaries, such beneficiaries must satisfy all conditions to consent as described in Article 20 of this Agreement. The trust must be and remain a revocable trust. If by operation of law or otherwise the trust converts to an irrevocable trust, the trust must divest ownership of the Franchised Business to an approved person or entity pursuant to the terms of Article 14 of this Agreement. The trust must contain a provision equivalent to and granting the trustee the following powers with regard to trust assets: “The trustee may exercise all rights of an absolute owner with respect to stocks, other securities, and closely held business interests. The trustee is hereby authorized to sell, convey, pledge, mortgage, lease or transfer title to any interest in the trust property for a period within or extending beyond the duration of the trust.”

14.5 **Franchisor’s Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor’s assets and Franchisor’s interest in, and rights and obligations under, this Agreement, in Franchisor’s sole discretion.

## 15 BREACH AND TERMINATION

15.1 **Automatic Termination.** This Agreement shall automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:

15.1.1 *Voluntary Bankruptcy.* If Franchisee makes an assignment for the benefit of creditors, files a voluntary petition in bankruptcy, is adjudicated bankrupt or insolvent, files or acquiesces in the filing of a petition seeking reorganization or arrangement under any federal or state bankruptcy or insolvency law, or consents to or acquiesces in the appointment of a trustee or receiver for Franchisee or the Franchised Business.

15.1.2 *Involuntary Bankruptcy.* If proceedings are commenced to have Franchisee adjudicated bankrupt or to seek Franchisee's reorganization under any state or federal bankruptcy or insolvency law, and such proceedings are not dismissed within sixty (60) days, or a trustee or receiver is appointed for Franchisee or the Franchised Business without Franchisee's consent, and the appointment is not vacated within sixty (60) days.

15.1.3 *Loss of Premises.* If Franchisee loses the right to occupy the Franchised Business premises or operate the Franchised Business from the Approved Location.

**15.2 With Notice and Without Opportunity to Cure.** Franchisor has the right to terminate this Agreement upon notice without providing Franchisee an opportunity to cure for any of the following breaches or defaults:

15.2.1 *Criminal Acts.* If Franchisee or Franchisee's principals are convicted of or plead guilty or no contest to a felony or other offense related to the operation of the Franchised Business or that Franchisor believes, in its sole discretion, is likely to have an adverse effect on the Proprietary Marks or the goodwill associated therewith.

15.2.2 *Fraud.* If Franchisee or Franchisee's principals commit any fraud or misrepresentation in the operation of the Franchised Business, including but not limited to, any misrepresentation made in Franchisee's franchise application.

15.2.3 *Other Actions.* If Franchisee or Franchisee's principals, including any shareholder, member, guarantor or agent engages in activity or conduct which materially impairs that goodwill associated with the System or the Proprietary Marks and fails to cease and correct such activities or conduct within twenty-four (24) hours of Franchisee's receipt of written notice of a breach under this Section.

15.2.4 *Misrepresentation.* If Franchisee or Franchisee's principals make any misrepresentation or omission in connection with Franchisee's franchise application, including but not limited to, any financial misrepresentation.

15.2.5 *Failure to Complete Training.* If Franchisee (and/or Franchisee's Designated Manager, if applicable) fails to complete the Initial Training Program as provided in Section 8.

15.2.6 *Repeated Breaches.* If Franchisor sends Franchisee two (2) or more written notices to cure pursuant to Sections 15.3 or 15.4 hereof in any twelve (12)-month period, regardless of whether the defaults set forth in the notices were subsequently cured.

15.2.7 *Breach of Other Agreements.* If Franchisee or Franchisee's principals materially breach any other agreement with Franchisor or any of Franchisor's affiliates, or threaten any material breach of any such agreement, or any lease for the Approved Location, and fails to cure such breach within any permitted period for cure.

15.2.8 *Misuse of the Proprietary Marks or Confidential Information.* If Franchisee or Franchisee's principals violate any provision hereof pertaining to Proprietary Marks or Confidential Information or misuse the Proprietary Marks or Confidential Information.

15.2.9 *Disclosure of Confidential Information or Trade Secrets.* If Franchisee or Franchisee's principals disclose or divulge the contents of the Operations Manual or any other Confidential Information or Trade Secret provided to Franchisee by Franchisor or any of its affiliates to any third party.

15.2.10 *Violation of Law.* If Franchisee violates any law, ordinance or regulation or operates the Franchised Business in a manner that presents a health or safety hazard to customers, or the general public.

15.2.11 *Violation of In-term Restrictive Covenant.* If Franchisee violates the in-term restrictive covenant contained in Section 17.1, or any of the other restrictive covenants set forth in this Agreement.

15.2.12 *Liens.* If a levy of writ of attachment or execution or any other lien is placed against Franchisee or any of Franchisee's principals or any of their assets which is not released or bonded against within thirty (30) days.

15.2.13 *Insolvency.* If Franchisee or any of Franchisee's principals become insolvent.

15.2.14 *Abandonment.* If Franchisee voluntarily or otherwise abandons the Franchised Business. The term "abandon" includes any conduct which indicates a desire or intent to discontinue the Franchised Business in accordance with the terms of this Agreement for seven (7) days or more without Franchisor's prior written consent.

15.2.15 *Unauthorized Transfer.* If Franchisee purports to sell, transfer or otherwise dispose of any interest in the Franchised Business in violation of Section 14 hereof.

15.2.16 *Unauthorized Products or Services.* If Franchisee offers any unauthorized and unapproved products or services at or from the Franchised Business.

15.2.17 *Unapproved Purchases.* If Franchisee orders or purchases supplies, signs, furnishings, fixtures, equipment or inventory from an unapproved supplier or which Franchisor has not approved.

15.2.18 *Proprietary Software.* If Franchisee misuses or makes unauthorized use of any Proprietary Software Franchisor may develop for use in connection with the System.

15.2.19 *Insurance.* If Franchisee fails to maintain insurance or to repay Franchisor for insurance paid for by it, or otherwise fails to adhere to the requirements of Section 9.

15.2.20 *Government Regulations.* If Franchisee fails, within fifteen (15) calendar days after notification of non-compliance by federal, state or local government authorities to comply with any law or regulation applicable to the Franchised Business.

15.2.21 *Government Actions.* If any government action is taken against Franchisee that results in any obligation upon Franchisor which, in Franchisor's sole judgment, is



uneconomical, not in the best interests of Franchisor, or would result in Franchisor having an unintended relationship or obligation.

15.2.22 *Anti-Terrorist Activities.* If Franchisee fails to comply with the provisions of Section 22.8.

15.2.23 *Personal Use of Franchised Business Property.* If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including employee taxes, FICA, insurance or benefits.

15.2.24 *Insufficient Funds.* If there are insufficient funds in Franchisee's bank account to cover a check or EFT payment to Franchisor two (2) or more times within any twelve (12)-month period.

15.2.25 *Failure to Open.* If Franchisee fails to commence operations of the Franchised Business within the time prescribed in Section 7.3 of this Agreement.

15.2.26 *Operating Outside of Designated Territory.* If Franchisee operates the Franchised Business outside of the Designated Territory without Franchisor's prior written consent, as provided in Section 1.2 of this Agreement.

15.2.27 *Violation of Best Efforts.* If Franchisee or Franchisee's principals violate any of the provisions in Section 7.10 of this Agreement.

**15.3 Upon 15 Days' Notice to Cure.** Franchisor has the right to terminate this Agreement if any of the following defaults remain uncured after Franchisor provides Franchisee with notice of such default(s) and fifteen (15) days to cure:

15.3.1 *Nonpayment.* If Franchisee fails to pay Franchisor as and when due any sums owed to Franchisor, any of Franchisor's affiliates, or any of Franchisor's System Suppliers, Approved Suppliers or vendors.

15.3.2 *Endorsement of Checks.* If Franchisee fails to immediately endorse and deliver to Franchisor any payments due to Franchisor from any third party that is erroneously made to Franchisee.

15.3.3 *Failure to Maintain Sufficient Marketing Materials and Supplies.* If Franchisee fails to maintain sufficient inventory of marketing materials and other supplies necessary to adequately develop the Designated Territory and meet consumer demand.

15.3.4 *Interruption of Service.* If Franchisee fails to maintain the prescribed months, days, or hours of operation at the Franchised Business.

15.3.5 *Failure to Personally Supervise Franchised Business Operations or Employ Adequate Personnel.* If Franchisee or the Designated Manager fails, in Franchisor's sole discretion, to personally supervise day-to-day operation of the Franchised Business or fails to employ a sufficient number of qualified, competent personnel as Franchisor requires from time to time.

15.3.6 *Quality Control.* If Franchisee fails to maintain the strict quality controls reasonably required by this Agreement and/or the Operations Manual.

15.3.7 *Licenses and Permits.* If Franchisee fails to procure or maintain any licenses, certifications, or permits necessary for the operation of the Franchised Business.

15.4 **Upon 30 Days' Notice to Cure.** Franchisor has the right to terminate this Agreement if Franchisee fails to perform or comply with any other term or condition of this Agreement or any ancillary agreements between Franchisee and Franchisor or Franchisor's affiliates, and Franchisee fails to cure such default(s) within thirty (30) days after being provided with notice thereof.

15.5 **Step In Rights.** In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights Franchisor may have against Franchisee, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligation, to enter upon the Franchised Business premises and exercise complete authority with respect to the operation of the Franchised Business until such time as Franchisor determines, in Franchisor's sole discretion that the default has been cured and Franchisee is otherwise in compliance with this Agreement. In the event Franchisor exercises the rights described in this Section, Franchisee must reimburse Franchisor for all costs and overhead, if any, incurred in connection with its operation of the Franchised Business, including, without limitation, costs of personnel for supervising and staffing the Franchised Business and their travel and lodging accommodations. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee agrees to indemnify and hold Franchisor (and Franchisor's representative(s) and employees) harmless from and against any fines, claims, suits or proceedings which may arise out of Franchisor's operation of the Franchised Business. Franchisor reserves the right to charge Franchisee up to ten percent (10%) of Franchisee's Gross Revenue generated during the period of time that Franchisor provides temporary management of the Franchised Business.

15.6 **Nonwaiver.** Franchisor's delay in exercising or failing to exercise any right or remedy under this Agreement or Franchisor's acceptance of any late or partial payment due hereunder shall not constitute a waiver of any of Franchisor's rights or remedies against Franchisee.

## 16 RIGHTS AND DUTIES UPON TERMINATION OR EXPIRATION

16.1 **Franchisee's Obligations.** Upon termination of this Agreement, or the expiration or termination of any Holdover Period, regardless of the cause, and upon expiration and nonrenewal or transfer of this Agreement, Franchisee must, at Franchisee's cost and expense:

16.1.1 Immediately cease all operations under this Agreement;

16.1.2 Immediately pay Franchisor all unpaid fees and pay Franchisor, Franchisor's affiliates, Franchisor's major suppliers and vendors, all other monies owed;

16.1.3 Discontinue Immediately discontinue the use of the Proprietary Marks;

16.1.4 Immediately cease using the Business Management and Technology System and the Operations Manual, and return all Proprietary Materials and Confidential Information, including, without limitation, all customer lists and data, within ten (10) calendar days, and immediately and permanently cease use of such information and materials;

16.1.5 Immediately cease using all telephone and facsimile numbers and listings, as well as any permitted domain names and/or social media pages used in connection with the operation of the Franchised Business (collectively, the "Assigned Property"), and direct the telephone company and/or domain name registrar to transfer all such Assigned Property to Franchisor or Franchisor's designee pursuant to the Conditional Assignment of Telephone Numbers and Domain Name in the form attached as

Exhibit B to this Agreement, and transfer all usernames and passwords for all social media pages to Franchisor;

16.1.6 Immediately vacate the Franchised Business premises, and if Franchisor exercised Franchisor's rights pursuant to Franchisor's prescribed form of Collateral Assignment of Lease, arrange for transfer of the lease to Franchisor within fifteen (15) calendar days of termination or expiration of this Agreement;

16.1.7 Immediately surrender all stationery, printed matter, signs, advertising materials, supplies and other items containing the Proprietary Marks, as Franchisor directs, and all items which are a part of the trade dress of the System no later than ten (10) calendar days after the termination or expiration of this Agreement;

16.1.8 Immediately cease holding itself out as Franchisor's Franchisee;

16.1.9 Immediately cease to communicate with all customers of the Franchised Business;

16.1.10 Take such action as shall be necessary to amend or cancel any assumed name, business name or equivalent registration, which contains any trade name or other Proprietary Mark Franchisor licensed to Franchisee, and furnish Franchisor evidence satisfactory to Franchisor of compliance with this obligation within fifteen (15) calendar days after the termination, expiration or transfer of this Agreement;

16.1.11 Permit Franchisor to make a final inspection of Franchisee's financial records, books, and other accounting records within one (1) month of the effective date of termination, expiration or transfer;

16.1.12 Comply with the post-termination covenants set forth in Section 17 hereof, all of which shall survive the transfer, termination or expiration of this Agreement;

16.1.13 Cease to use in advertising or in any other manner, any methods, procedures or techniques associated with Franchisor or the System;

16.1.14 Immediately remove Franchisor's Proprietary Marks from vehicles used in connection with the Franchised Business, and otherwise de-identify the vehicles from being associated with Franchisor or the System;

16.1.15 Execute from time to time any necessary papers, documents, and assurances to effectuate the intent of this Section 16;

16.1.16 As applicable, provide Franchisor with access and any account information regarding any social media accounts used in connection with the Franchised Business; and

16.1.17 Reimburse Franchisor in connection with any costs Franchisor incurs in connection with enforcing Franchisee's obligations under this Section 16.

**16.2 Option to Purchase Personal Property.** Upon the termination or expiration of this Agreement or the expiration or termination of any Holdover Period, Franchisor or Franchisor's designee shall have the option, but not the obligation, to purchase any personal property used in connection with operation of the Franchised Business by providing Franchisee written notice of Franchisor's election within

sixty (60) calendar days after such termination or expiration and paying Franchisee the book value for such personal property within sixty (60) calendar days of such notice. For purposes of this paragraph, “book value” means the amount Franchisee actually paid for the personal property less depreciation (calculated by using the straight-line depreciation method on a ten (10)-year depreciation schedule irrespective of the depreciation method or schedule Franchisee uses for accounting purposes). Notwithstanding the foregoing, to the extent that Franchisor exercises Franchisor’s right to purchase any personal property that is subject to a lease or finance agreement, the purchase price of such personal property shall equal the amount of Franchisee’s remaining obligations under the lease or finance agreement, as applicable, which Franchisor would assume (such assumption of obligations constituting the full purchase price of such personal property). Franchisor shall be entitled to offset the purchase price by the amount of money owed by Franchisee to Franchisor for any payments necessary to acquire clear title to property or for any other debt. If Franchisor exercises Franchisor’s option to purchase, pending the closing of such purchase, Franchisor has the right to appoint a manager to maintain operation of the Franchised Business, or Franchisor may require that Franchisee close the Franchised Business during such period without removing any assets. Franchisee is required to maintain in force all insurance policies required under this Agreement until the date of such closing. Franchisor has the unrestricted right to assign this option to purchase the Franchised Business. Franchisor will be entitled to all customary warranties and representations in connection with Franchisor’s purchase of Franchisee’s property, including, without limitation, representations and warranties as to ownership and condition of and title to the property; liens and encumbrances on the property; validity of contracts and agreements; and liabilities affecting the property, contingent or otherwise.

**16.3 Exclusions.** Franchisor may exclude from the personal property purchased under Section 16.2, cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Franchised Business’s operation or that Franchisor has not approved as meeting standards for the Franchised Business.

**16.4 Damages, Costs and Expenses.** In the event of termination for any default by Franchisee, Franchisee shall promptly pay to Franchisor all damages, costs and expenses, including reasonable attorneys’ fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of Franchisee’s personal property, furnishings, equipment, signs, fixtures and inventory related to the operation of the Franchised Business.

## 17 COVENANTS

Franchisee acknowledges that as a participant in Franchisor’s System, Franchisee will receive proprietary and Confidential Information and materials, Trade Secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and Franchisor’s other franchisees, Franchisee agrees as follows:

**17.1 During the Term of this Agreement.** During the term of this Agreement, and during any Holdover Period, neither Franchisee, Franchisee’s owners, officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee’s owners, officers, directors, or principals will, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

**17.1.1** Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, or have any interest in any other business that, directly or indirectly, by itself or through licensees or franchisees, offers the Approved Products and/or Approved Services or any other products and/or services authorized or offered for sale by System franchisees (a “Competitive Business”) within the Designated Territory or the Designated Territory of any other System franchisee, provided that

this Section 17.1.1 does not apply to: (i) such person's ownership of a Franchised Business under a Franchise Agreement with Franchisor; or (ii) such person's ownership of a less than five percent (5%) legal or beneficial interest in any publicly-traded company providing such services;

17.1.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates, or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

17.1.3 Solicit any current, former or prospective customer solicited by Franchisee's Franchised Business or any other customer of whom Franchisee has become aware as a result of access to Franchisor's System, or other franchisees for any competitive purpose.

**17.2 After the Term of this Agreement.** For a period of two (2) years after the expiration, transfer or termination of this Agreement, or after the expiration or termination of any Holdover Period, regardless of the cause, neither Franchisee, Franchisee's owners, officers, directors, principals, nor any member of the immediate family of Franchisee or Franchisee's owners, principals, officers or directors will, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

17.2.1 Own, maintain, engage in, be employed as an officer, director, principal of, lend money to, extend credit to, or have any interest in any Competitive Business: (a) within the Designated Territory; (b) within a twenty-five (25)-mile radius of the Designated Territory of any other Franchised Business; or (c) within a twenty-five (25)-mile radius of any System business operated by Franchisor or its affiliate, provided that this Section 17.2.1 does not apply to: (i) such person's ownership of a Franchised Business under a Franchise Agreement with Franchisor; or (ii) such person's ownership of a less than five percent (5%) legal or beneficial interest in any publicly-traded company providing services the same as or similar to a Competitive Business;

17.2.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates, or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

17.2.3 Solicit any current, former or prospective customer solicited by Franchisee's Franchised Business or any other customer of whom Franchisee has become aware as a result of access to Franchisor's System, or other franchisees for any competitive purpose.

**17.3 Intent and Enforcement.** It is the parties' intent that the provisions of this Section 17 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 17 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 17 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 17, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf, and on behalf of the persons who are liable under this Section 17, that each has previously worked or been gainfully employed in other careers and that the provisions of this

Section 17 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitations of this Section 17 shall be tolled during any default under this Section.

**17.4 Employees.** Franchisee shall ensure that Franchisee's principals, managers, employees and anyone else who will have access to Franchisor's Confidential Information, execute a Confidentiality and Restrictive Covenant Agreement, in the form attached as Exhibit C to this Agreement, or as Franchisor, in Franchisor's sole discretion, otherwise prescribes. Franchisee must furnish Franchisor a copy of each executed agreement.

**17.5 No Defense.** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 17.

## **18 DISPUTE RESOLUTION**

**18.1 Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to its conflict of laws principals.

**18.2 Internal Dispute Resolution.** Franchisee and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost-effectively and professionally and to return to business as soon as possible. Franchisee and Franchisor have agreed that the provisions of this Section 18 support these mutual objectives and, therefore, agree as follows: Any disagreement, litigation, claim, dispute, suit, action, controversy or proceeding of any type whatsoever, including any claim for equitable relief and/or where Franchisee is acting as a "private attorney general," suing pursuant to a statutory claim or otherwise, between or involving Franchisee and Franchisor on whatever theory and/or facts based, and whether or not arising out of this Agreement (including any dispute or disagreement relating to arbitration, including the arbitrability of this Agreement or any of its provisions), or offer, sale or negotiation of a The Designery Franchise, or the relationship of the parties arising from the Franchise or from entering this Agreement, or any claim that this Agreement or any part of this Agreement is invalid, illegal or otherwise voidable, void or unenforceable ("Dispute") will be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below in Section 18.3.1. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management after providing notice as set forth in Section 18.6 below. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement. Franchisee and Franchisor agree that the franchise relationship is unique and that as a result, it is important that anyone who serves as a mediator or arbitrator in a Dispute must have a minimum of seven (7) years' substantive experience in franchise law.

**18.3 Mediation/Arbitration.** If Franchisee and Franchisor are unable to resolve a Dispute using the internal dispute resolution procedure, then Disputes which are not first resolved through the internal dispute resolution procedure set forth in Section 18.2 above must be submitted first to non-binding mediation in Mecklenburg County, North Carolina under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. A link to the AAA Commercial Arbitration Rules and Mediation Procedures can be found at <https://www.adr.org/Rules>. The mediation will be conducted by one mediator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA's Commercial Mediation Rules and who will conduct the mediation in accordance with such rules. Mediation must be conducted on an individual, not a class-wide, basis; only Franchisor (and/or its affiliates and its and their respective owners, officers, directors,

agents and employees) and Franchisee (and/or its owners, guarantors, affiliates, officers, directors, agents and employees, if applicable) may be the parties to any mediation proceeding described in this Section, and no such mediation proceeding may be consolidated with any other mediation proceeding between Franchisor and any other person, corporation, limited liability company or partnership. Franchisor and Franchisee agree that statements made by Franchisor, Franchisee or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. If the 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 Franchisor, then, subject to the exclusions set forth in Section 18.3.1, all Disputes must be submitted to binding arbitration before one arbitrator of the AAA in accordance with its commercial arbitration rules. The arbitration will be conducted by one arbitrator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA's Commercial Arbitration Rules and who will conduct the arbitration in accordance with such rules. Except as provided in Section 18.3.1, no party may file litigation involving any Dispute unless it has complied with the mediation and arbitration provisions in this Article regarding that Dispute. "Filing litigation" includes asserting a counterclaim, third-party claim, or other claim relating to a Dispute (irrespective of whether the party asserting the claim filed the legal action in which the claim is asserted). Franchisor's rights to mediation and arbitration, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and arbitration, and Franchisor and Franchisee shall share mediation and arbitration costs equally except as provided in Section 22.8. This agreement to mediate and arbitrate shall survive any termination or expiration of this Agreement.

18.3.1 The parties shall not be required to first attempt to mediate or arbitrate a controversy, dispute or claim through mediation as set forth in this Section 18.3 if such controversy, dispute or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

18.3.1.1 Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

18.3.1.2 Any claims pertaining to or arising out of any warranty issue;

18.3.1.3 Any of the restrictive covenants contained in this Agreement;

18.3.1.4 Any of Franchisee's payment obligations that are more than forty-five (45) days past due;

18.3.1.5 Any claims arising out of or related to fraud or misrepresentation by Franchisee, or Franchisee's insolvency;

18.3.1.6 Any claims relating to Franchisee's obligations on termination or expiration of this Agreement;

18.3.1.7 Any claims relating to any Transfer of an interest in Franchisee, the Franchised Business or Franchisee's assets; or

18.3.1.8 Any matters involving danger, health or safety.

18.3.2 Interpretation. The provisions of this Agreement must be construed as independent of any other covenant or provision of this Agreement. However, if a court or arbitrator of competent jurisdiction determines that any provisions are unlawful, that court or arbitrator is to modify or interpret the provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any

provision relating to the state laws by and under which this Agreement must be governed and construed, all issues relating to arbitrability or the enforcement of the agreement to arbitrate in this Agreement must be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the Federal common law of arbitration. The arbitrator, and not any federal, state or local court, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, unconscionability, arbitrability, enforceability or formation of this Agreement, including any claim of fraud in the inducement or that all or any part of the Agreement is void or voidable. However, the preceding sentence shall not apply to the clause entitled “Class Action Waiver.”

**18.3.3 Judgment.** Judgment on an arbitration award may be entered in any court of competent jurisdiction. This judgment is binding, final and non-appealable.

**18.3.4 Failure to Appear.** The arbitration and mediation provisions in this Article are self-executing and remain in full force and effect after the expiration or sooner termination of this Agreement. If either party fails to appear at any properly noticed arbitration proceeding, notwithstanding failing to appear, an award may be entered against that party by default or otherwise.

**18.3.5 Class Action Waiver.** Any proceeding (whether mediation, arbitration, trial to a court or jury, appeal or otherwise) must be brought in the parties’ individual capacity and not as a plaintiff or class member in any purported class, collective, representative, multiple plaintiff or similar proceeding (“Class Action”). Franchisee and Franchisor expressly waive any ability to maintain any Class Action in any forum. Further, an arbitration proceeding between Franchisor and Franchisee (or any of Franchisee’s or Franchisor’s affiliates and owners and guarantors) may not be consolidated with any other arbitration proceeding between them and any other franchisee, person or entity. Franchisee hereby agrees not to seek joinder of any of its claims with those of any other party. The arbitrator shall not have authority to combine or aggregate similar claims or conduct any Class Action, nor make an award to any person or entity not a party to the arbitration. Any claim that all or part of this Class Action Waiver is unenforceable, unconscionable, void or voidable may be determined only by a court of competent jurisdiction and not by an arbitrator. FRANCHISEE AND FRANCHISOR UNDERSTAND THAT FRANCHISOR WOULD HAVE HAD A RIGHT TO LITIGATE THROUGH A COURT, TO HAVE A JUDGE OR JURY DECIDE ITS CASE, AND TO BE PARTY TO A CLASS OR REPRESENTATIVE ACTION. HOWEVER, FRANCHISEE AND FRANCHISOR UNDERSTAND AND CHOOSE TO WAIVE THAT RIGHT AND HAVE ANY CLAIMS DECIDED INDIVIDUALLY THROUGH ARBITRATION. It is Franchisee’s and Franchisor’s joint business judgment that the limitations of this subsection make good business sense, because:

18.3.5.1 the mediation and arbitration procedures contemplated by this Agreement (and which Franchisee and Franchisor agree are the core methods for resolving disputes) function most effectively on an individual case basis;

18.3.5.2 there are significant business and other factors present in each individual franchisee’s situation which should be respected; and

18.3.5.3 the economic interests of lawyers on either side in class-wide or multiple plaintiff dispute, as well as the tendency to polarize positions, makes accommodation and compromise, as a practical business matter, less easily achieved, which would be a serious detriment to Franchisee’s and Franchisor’s business interests, as well as those of the entire Franchise System, in quickly, amicably and economically resolving any dispute.

**18.4 Selection of Venue.** Nothing contained in this Agreement shall prevent Franchisor from applying to and obtaining from any court having jurisdiction, a writ of attachment, a temporary injunction,



preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Mecklenburg County, North Carolina and the jurisdiction and venue of the United States District Court for the Western District of North Carolina. Franchisee acknowledges that this Agreement has been entered into in the State of North Carolina, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Huntersville, North Carolina, including, but not limited to, training, assistance, support, and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of North Carolina as set forth in this Section.

**18.5 Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, members, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the mediation and arbitration provision set forth in this Section 18, each having authority to specifically enforce the right to mediate or arbitrate claims asserted against such person(s) by Franchisee.

**18.6 Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

**18.7 No Right to Offset.** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.

**18.8 Injunctive Relief.** The Franchised Business is intended to be one of a large number of businesses identified by the Proprietary Marks selling to the public the Approved Products and Approved Services associated with the Proprietary Marks. Consequently, a single franchisee's failure to comply with the terms of its franchise agreement is likely to cause irreparable damage to Franchisor, and damages at law would therefore be an inadequate remedy. Upon Franchisee's breach or threatened breach of any of the terms concerning any matters referenced in Section 18.3.1, Franchisor may seek an injunction restraining the breach and/or a decree of specific performance (with recovery of reasonable attorneys' fees and costs incurred in obtaining equitable relief). Franchisor may do so without demonstrating or proving any actual damage. These equitable remedies are in addition to all other rights or remedies to which Franchisor may otherwise be entitled due to Franchisee's breach of this Agreement. Franchisor may seek this relief without posting any bond or security; however, if a court of competent jurisdiction requires a bond or security, a bond or security for \$1,000 is sufficient. Notwithstanding anything in this Agreement to the contrary, Franchisor may seek injunctive relief in any jurisdiction that has jurisdiction over Franchisee or any other party against whom the relief is sought. If injunctive relief is granted, Franchisee's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Franchisee expressly waives all claims for damages Franchisee incurred as a result of the wrongful issuance.

**18.9 Limitation of Action.** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or setoff.

**18.9.1** Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation or deceit by Franchisor, including, without limitation, rescission of this Agreement, in

any mediation, arbitration, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

18.9.2 Notwithstanding anything to the contrary contained herein, all actions shall be conducted on an individual, not a class-wide basis, and any proceeding between Franchisee, Franchisee's guarantors, and Franchisor or its affiliates or employees may not be consolidated with any other proceeding between Franchisor and any other person or entity.

**18.10 Waiver of Punitive Damages.** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section shall be construed to prevent Franchisor from claiming and obtaining punitive or consequential damages, including lost future Royalty Fees for the balance of the term of this Agreement.

**18.11 THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY PRODUCTS OR SERVICES.**

## **19 REPRESENTATIONS**

**19.1 Call Center.** If established, the Call Center will be provided on an "AS IS" and "AS AVAILABLE" basis. Franchisor does not covenant any level, quality, continuity or standard of operation for the Call Center, or covenant that the Call Center will be free from defaults, viruses or other harmful components, operate on a continuous or uninterrupted basis, or provide secure access to the Call Center or services provided thereby. FRANCHISOR MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE OR NON-INFRINGEMENT, OR WARRANTIES REGARDING THE QUALITY, ACCURACY, TIMELINESS, AVAILABILITY, SUITABILITY, OR RELIABILITY OF ANY SERVICE, OR SECURITY, USEFULNESS, LACK OF VIRUSES OR OTHER HARMFUL COMPONENTS, OR WARRANTIES REGARDING COMPLETENESS OF THE CONTENT OF THE CALL CENTER, OR WARRANTIES WITH RESPECT TO THE USE OR AVAILABILITY OF ANY INFORMATION, DATA, ITEM, APPARATUS, METHOD OR PROCESS INCLUDED IN THE CALL CENTER, OR THAT SUCH WILL MEET THE FRANCHISEE'S REQUIREMENTS, OR BE ERROR FREE OR NOT INFRINGE ON THE RIGHTS OF OTHERS, OR THAT DEFECTS WILL BE CORRECTED.

**19.2 No Authority.** NO SALESPERSON, REPRESENTATIVE OR OTHER PERSON HAS THE AUTHORITY TO BIND OR OBLIGATE FRANCHISOR EXCEPT FRANCHISOR'S AUTHORIZED OFFICER BY A WRITTEN DOCUMENT. FRANCHISEE ACKNOWLEDGES THAT NO REPRESENTATIONS, PROMISES, INDUCEMENTS, GUARANTEES OR WARRANTIES OF ANY KIND WERE MADE BY FRANCHISOR OR ON FRANCHISOR'S BEHALF WHICH HAVE LED

FRANCHISEE TO ENTER INTO THIS AGREEMENT. FRANCHISEE UNDERSTANDS THAT WHETHER FRANCHISEE SUCCEEDS AS A FRANCHISEE IS DEPENDENT UPON FRANCHISEE'S EFFORTS, BUSINESS JUDGMENTS, THE PERFORMANCE OF FRANCHISEE'S EMPLOYEES, MARKET CONDITIONS AND VARIABLE FACTORS BEYOND FRANCHISOR'S CONTROL OR INFLUENCE. FRANCHISEE FURTHER UNDERSTANDS THAT SOME FRANCHISEES ARE MORE OR LESS SUCCESSFUL THAN OTHER FRANCHISEES AND THAT FRANCHISOR HAS MADE NO REPRESENTATION THAT FRANCHISEE WILL DO AS WELL AS ANY OTHER FRANCHISEE.

19.3 **Receipt.** THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF THIS AGREEMENT, WITH ALL BLANKS COMPLETED AND WITH ANY AMENDMENTS AND SCHEDULES, AT LEAST SEVEN (7) CALENDAR DAYS PRIOR TO EXECUTION OF THIS AGREEMENT. IN ADDITION, THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE EXECUTION OF THIS AGREEMENT OR FRANCHISEE'S PAYMENT OF ANY MONIES TO FRANCHISOR, REFUNDABLE OR OTHERWISE.

19.4 **Opportunity for Review by Franchisee's Advisors.** FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS RECOMMENDED, AND THAT FRANCHISEE HAS HAD THE OPPORTUNITY TO OBTAIN, REVIEW OF THIS AGREEMENT AND FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT BY FRANCHISEE'S LAWYER, ACCOUNTANT OR OTHER BUSINESS ADVISOR PRIOR TO EXECUTION HEREOF.

19.5 **Execution of Agreement.** EACH OF THE UNDERSIGNED PARTIES WARRANTS THAT IT HAS THE FULL AUTHORITY TO SIGN AND EXECUTE THIS AGREEMENT. IF FRANCHISEE IS A PARTNERSHIP OR CORPORATION, THE PERSON EXECUTING THIS AGREEMENT ON BEHALF OF SUCH PARTNERSHIP OR CORPORATION WARRANTS TO FRANCHISOR, BOTH INDIVIDUALLY AND IN HIS/HER CAPACITY AS PARTNER OR OFFICER, THAT ALL OF THE PARTNERS OF THE PARTNERSHIP OR ALL OF THE SHAREHOLDERS OF THE CORPORATION, AS APPLICABLE, HAVE READ AND APPROVED THIS AGREEMENT, INCLUDING ANY RESTRICTIONS WHICH THIS AGREEMENT PLACES UPON RIGHTS TO TRANSFER THEIR INTEREST IN THE PARTNERSHIP OR CORPORATION.

## 20 GUARANTEE OF PRINCIPALS AND THEIR SPOUSES

20.1 Franchisee's spouse and all partners in a limited partnership, shareholders in a corporate franchisee, or members of a limited liability company, as well as all general partners and managing members, and their spouses hereby personally and unconditionally guarantee without notice, demand or presentment, the payment of all of Franchisee's monetary obligations under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, as if each were an original party to this or any other agreement in his or her individual capacity. All such personal guarantors further agree to be bound by the restrictions upon Franchisee's activities upon transfer, termination or expiration and nonrenewal of this Agreement as if each were an original party to this Agreement in his or her individual capacity. All such personal guarantors and their spouses must execute a continuing Personal Guaranty in the form attached as Exhibit A to this Agreement.

20.2 **Security Interest.** For valuable consideration, as security for the payment of/for: (a) all amounts owing or to be owed to us and our affiliates by you from time to time under this Agreement or any other agreement between you and us or our affiliates, or otherwise; (b) your performance of all obligations to us and our affiliates; and (c) the costs and expenses that we and/or our affiliates incur to collect or attempt to collect amounts due from you and to enforce this Section (together, the "Obligations"), you hereby grant

us a security interest in all of the assets of the Franchised Business or used by at or in connection with your Franchised Business, including but not limited to: (i) all equipment, furnishings, fixtures, motor vehicles, merchandise, inventory, goods and other tangible personal property; (ii) all accounts, accounts receivable, other receivables, contract rights, leasehold interests, software, chattel paper and general intangibles; (iii) all instruments, documents of title, policies and certificates of insurance, securities, bank deposits, bank accounts and cash; (iv) all books, records and documents; (v) all permits and licenses for the operation of the Franchised Business; and (vi) all accessions, additions and improvements to, and all replacements, substitutions and parts for, and all proceeds and products of, the foregoing, including proceeds of insurance (collectively, the “Collateral”). Franchisee agrees to execute and deliver to Franchisor any other documents reasonably requested by Franchisor to create, maintain, perfect, or assure the priority of the security interest granted above. Franchisee hereby appoints Franchisor as its agent and attorney-in-fact to execute and deliver documents and to take all other actions (to the extent permitted by law) in Franchisee’s name and on Franchisee’s behalf that Franchisor may deem necessary or advisable to create, maintain, perfect, assure the priority of, or foreclose its security interest in and lien on the Collateral. You must execute and deliver to us financing statements and/or such other documents as we reasonably deem necessary to perfect our interest in the Collateral within 10 days of your receipt of such documents from us.

You will not remove the Collateral or any portion thereof or grant or permit any security interest in (or otherwise encumber) the Collateral, without our prior written consent. You represent and warrant that the security interest granted is prior to all other security interests in the Collateral except for (i) bona fide purchase money security interests and (ii) if consented to by us in writing, the security interest granted to a third party in connection with your original financing for your Franchised Business, if any. In connection with any request for our approval of a security interest, we will exercise our Business Judgment, bearing in mind the interests of the borrower, lender, ourselves and the System. On the occurrence of any event entitling us to terminate this Agreement or any other agreement between the parties, or if we reasonably determine that we are not assured that your (and/or any affiliates’) obligations will be timely and fully paid and/or performed, we will have all the rights and remedies of a secured party under the Uniform Commercial Code of the State in which your Franchised Business is located, including, without limitation, the right to take possession of the Collateral. This appointment is coupled with an interest and is irrevocable as long as any of the Obligations remain outstanding.

## 21 NOTICES

All notices and requests to be given under this Agreement are to be in writing and delivered by either hand delivery or overnight mail by a recognized carrier offering a delivery receipt to the following addresses (which may be changed by written notice):

Franchisee Name/Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisor: A1 Kitchen & Bath Franchising, LLC  
107 Parr Drive  
Huntersville, North Carolina 28078  
Attn: Chief Legal Officer

Mailing any notice hereunder sent by U.S. certified mail, postage prepaid or when sent via Federal Express or a similar overnight courier shall be presumptive evidence of delivery of the notice or request.

## 22 MISCELLANEOUS

22.1 **Entire Agreement.** This Agreement contains the entire Agreement of the parties. There are no representations either oral or written, except those contained in this Agreement. This written Agreement includes all representations between the parties. This Agreement may not be modified except by a written document signed by both parties. Nothing in this Agreement or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document furnished to Franchisee.

22.2 **Construction of Language.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Franchisee, their obligations and liabilities shall be joint and several. Headings are for reference purposes and do not control interpretation. Reference to Franchisee's "immediate family" means Franchisee's spouse, parents, children and siblings, and Franchisee's spouse's parents, children and siblings. Reference to Franchisee's "principals" means Franchisee's partners, officers, directors, shareholders, members and managers, as applicable. References to "Franchisor" and "Franchisee" include the party's successors, assigns or transferees. The parties have had a reasonable opportunity to review this Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Agreement.

22.3 **Severability.** If any provision of this Agreement is deemed invalid or inoperative for any reason, that provision shall be deemed modified to the extent necessary to make it valid and operative or, if it cannot be so modified, it shall then be severed, and the remainder of that provision shall continue in full force and effect as if this Agreement had been signed with the invalid portion so modified or eliminated; provided, however, that if any part of this Agreement relating to payments to Franchisor or any of its affiliates or protection of the Proprietary Marks or the Confidential Information, including the Operations Manual and Franchisor's other Trade Secrets is declared invalid or unenforceable, then Franchisor, at Franchisor's option, may terminate this Agreement immediately upon written notice to Franchisee.

22.4 **State Law Applies.** If any provision of this Agreement, including but not limited to its provisions for transfer, renewal, termination, notice of termination, or cure rights, is inconsistent with any valid law or regulation of the state in which the Franchised Business is located, then the valid law or regulation of that state applicable to the Franchised Business shall supersede any provision of this Agreement that is less favorable to Franchisee.

22.5 **Additional Documentation.** Franchisee must, from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other actions as Franchisor reasonably may require in order to effectuate the transactions contemplated herein. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably necessary to effectuate the transactions contemplated herein.

22.6 **Force Majeure.** Neither Franchisee, Franchisor, nor Franchisor's affiliates will be liable for loss or damage or deemed to be in breach of this Agreement or any related agreement if its failure to perform, its obligations is not the fault, nor within the reasonable control of the person due to perform but results from, without limitation, acts of God or natural disaster (such as, but not limited to, violent storm, cyclone, hurricane, tornado, blizzard, earthquake, volcanic activity, landslide, tidal wave, tsunami,

flood, damage or destruction by lightning, drought); accident, riots, war, terrorist act, epidemic, pandemic, quarantine, civil commotion, breakdown of communication facilities, breakdown of web host, breakdown of Internet service provider, natural catastrophes, national or regional emergencies; governmental acts or omissions, changes in laws or regulations, national or local strikes, fire, explosion, generalized lack of availability of raw materials or energy; or any other cause, whether similar in kind to the foregoing or otherwise. Any delay resulting from any such cause will extend the time of performance for the period of such delay or for such other reasonable period of time as the parties agree in writing or will excuse performance, in whole or in part, as Franchisor deems reasonable. For the avoidance of doubt, this Force Majeure section shall not apply to a party's financial inability to perform its obligations hereunder, nor does this Section apply to negate or delay any payment obligation whether on account of a public health crisis such as COVID-19 or otherwise.

**22.7 Anti-Terrorist Activities.** Franchisee certifies that neither Franchisee nor Franchisee's owners, principals, employees or anyone associated with Franchisee is listed in the Annex to Executive Order 13224. Franchisee agrees not to hire or have any dealings with a person listed in the Annex. Franchisee certifies that Franchisee has no knowledge or information that, if generally known, would result in Franchisee, Franchisee's owners, principals, employees, or anyone associated with Franchisee being listed in the Annex to Executive Order 13224. Franchisee agrees to comply with and/or assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with the Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee certifies, represents, and warrants that none of Franchisee's property or interests are subject to being "blocked" under any of the Anti-Terrorism Laws and that Franchisee and Franchisee's owners or principals are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee is solely responsible for ascertaining what actions must be taken by Franchisee to comply with all such Anti-Terrorism Laws, and Franchisee specifically acknowledges and agrees that Franchisee's indemnification responsibilities as provided in Section 13.2 of this Agreement pertain to Franchisee's obligations under this Section 22.7. Any misrepresentation by Franchisee under this Section or any violation of the Anti-Terrorism Laws by Franchisee, Franchisee's owners, principals or employees shall constitute grounds for immediate termination of this Agreement and any other agreement Franchisee has entered into with Franchisor or one of Franchisor's affiliates in accordance with the terms of Section 15.2.1 of this Agreement. As used herein, "Anti-Terrorism Laws" means Executive Order 13224 issued by the President of the United States, the Terrorism Sanctions Regulations (Title 31, Part 595 of the U.S. Code of Federal Regulations), the Foreign Terrorist Organizations Sanctions Regulations (Title 31, Part 597 of the U.S. Code of Federal Regulations), the Cuban Assets Control Regulations (Title 31, Part 515 of the U.S. Code of Federal Regulations), the USA PATRIOT Act, and all other present and future federal, state and local laws, ordinances, regulations, policies lists and any other requirements of any Governmental Authority (including without limitation, the United States Department of Treasury Office of Foreign Assets Control) addressing or in any way relating to terrorist acts and acts of war.

**22.8 Attorneys' Fees.** If Franchisee is in breach or default of any monetary or non-monetary material obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

**22.9 Amendment of Prior Agreements.** In order to enhance consistency and quality of operation, performance, dispute resolution and other matters, we amend our standard Franchise Agreement

from time to time. As a result, this Agreement may be different from other Brand franchise agreements that Franchisee or Franchisee's affiliates may have signed in the past and may contain revised provisions regarding, among other things, modifications to the System, manner of payment of fees and late fees, duties of franchisee, protection of trademarks, status and protection of Manuals and Confidential Information, technology requirements, advertising, insurance, accounting and records, transfers, default and termination, obligations on termination, franchisee covenants, taxes, indemnification, obligations to defend, approvals and waivers, notices, construction of agreement and applicable law. To cooperate with us in the achievement of these goals and as a condition of the grant of an additional franchise, Franchisee agrees that all of Franchisee's or its affiliates' existing Brand franchise agreements with Franchisor or its affiliates are amended to match the provisions of this Agreement (if the existing franchise agreements do not already include these provisions), except with respect to the royalty fee rate, required marketing contributions and spending, other fees for which amounts are specified, territory description, Approved Location, contract term, renewal conditions, and transfer conditions set out in the prior agreements, which will remain unchanged. FRANCHISEE ACKNOWLEDGES THAT THIS SECTION AMENDS ALL OF FRANCHISEE'S EXISTING FRANCHISE AGREEMENTS WITH FRANCHISOR AND THAT THE AMENDMENT WILL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

**22.10 No Personal Liability.** Franchisee agrees that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor's sole responsibility, and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

**22.11** You and we agree that we may conduct due diligence on the franchise sale process and that we rely on your representations of that experience as a material inducement to enter into the franchise relationship, without which we would not enter into this Franchise Agreement with you. Accordingly, you and we agree that any such diligence may be entered into evidence in any dispute resolution proceeding, and the limitations set forth in any state addenda or other amendment to this Agreement will not waive any of our rights, claims or protections under any law or regulation.

***(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES APPEAR ON THE FOLLOWING PAGE.)***

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

**FRANCHISOR:**

**FRANCHISEE**

**A1 KITCHEN & BATH FRANCHISING,  
LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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

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

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

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



**EXHIBIT A  
TO  
THE DESIGNERY  
FRANCHISE AGREEMENT**

**PERSONAL GUARANTY**

NOTE: IF FRANCHISEE IS A CORPORATION, EACH OF FRANCHISEE’S SHAREHOLDERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A PARTNERSHIP, EACH OF FRANCHISEE’S GENERAL PARTNERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING. IF FRANCHISEE IS A LIMITED LIABILITY COMPANY, EACH OF FRANCHISEE’S MEMBERS AND MANAGERS AND THEIR SPOUSES MUST EXECUTE THE FOLLOWING UNDERTAKING.

Definition of “Franchisee:” \_\_\_\_\_ (person(s) or entity)

- Sole Proprietorship     Limited Liability Company     Corporation  
 General Partnership     Limited Partnership

**ARTICLE I  
PERSONAL GUARANTY**

The undersigned persons (individually and collectively “you” or “Personal Guarantors”) hereby represent to A1 Kitchen & Bath Franchising, LLC (“Franchisor”) that you are all of the owners, shareholders, general partners, or all of the members and managers, or the spouse of any such owner, shareholder, general partner, or member or manager of the Franchisee. In consideration of the grant by Franchisor to Franchisee, as provided in the foregoing franchise agreement (the “Franchise Agreement”), each of you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation, any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement and that you (jointly and individually) will not permit or cause any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer, which consent must not be unreasonably withheld, and without first paying or causing to be paid to Franchisor the transfer fee provided for in said Franchise Agreement, if applicable, and without otherwise complying with the transfer provisions of the foregoing Franchise Agreement. You further agree to be bound by the in-term and post-term non-competition and non-solicitation covenants set forth in Section 17 of the Franchise Agreement, as well as all other covenants set forth in the Franchise Agreement, including, but not limited to, those concerning confidentiality (Section 5 of the Franchise Agreement) and indemnification (Section 13.2 of the Franchise Agreement). You agree that this personal guaranty (the “Guaranty”) will be governed by the dispute resolution procedures set forth in Section 18 of the Franchise Agreement.

## **ARTICLE II CONFIDENTIALITY**

During the term of this Guaranty, you will receive information which Franchisor considers a trade secret and confidential information (“Confidential Information”). You shall not, during the term of this Guaranty or thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information, including, without limitation, Franchisor’s Operations Manual and its contents; price lists and standards and specifications for the Approved Products and Approved Services; standards and specifications related to Franchisor’s integrated bookkeeping system; and other methods, techniques and know-how concerning the operation of a Franchised Business of which you may be apprised by virtue of your role as a Personal Guarantor of Franchisee.

## **ARTICLE III NON-COMPETITION**

1. **During the Term of the Franchise Agreement.** During the term of the Franchise Agreement, neither you, nor your owners, principals, officers, directors, nor any members of your family or the family of your owners, officers, directors or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:

a. Own, maintain, engage in, be employed as an officer, director, principal of, lend money to, extend credit to or have any interest in any other business that, directly or indirectly, by itself or through licensees or franchisees, offers the Approved Products or Approved Services or any other products and/or services authorized or offered for sale by System franchisees (a “Competitive Business”) within the Designated Territory or the Designated Territory of any other System franchisee, provided that this Article III(1) does not apply to: (i) such person’s ownership of a Franchised Business under a Franchise Agreement with Franchisor; or (ii) such person’s ownership of a less than five percent (5%) legal or beneficial interest in any publicly traded company providing such services;

b. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor’s affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

c. Solicit any current, former or prospective customer solicited by Franchisee’s Franchised Business or any other customer of whom Franchisee has become aware as a result of access to Franchisor’s System or other franchisees for any competitive purpose.

2. **After the Term of the Franchise Agreement.** For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, neither you, nor your owners, principals, officers, directors, nor any members of your family or the family of your owners, officers, directors, or principals may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person or entity:

a. Own, maintain, engage in, be employed as an officer, director, principal of, lend money to, extend credit to, or have any interest in any Competitive Business: (i) within the Designated Territory; (ii) within a twenty-five (25)-mile radius of the Designated Territory of any other Franchised Business; or (iii) within a twenty-five (25)-mile radius of any System business operated by Franchisor or

its affiliate, provided that this Article III(2) does not apply to: (A) such person's ownership of a Franchised Business under a Franchise Agreement with Franchisor; or (B) such person's ownership of a less than five percent (5%) legal or beneficial interest in any publicly-traded company providing services the same as or similar to a Competitive Business;

b. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates, or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

c. Solicit any current, former or prospective customer solicited by Franchisee's Franchised Business or any other customer of whom Franchisee has become aware as a result of access to Franchisor's System or other franchisees for any competitive purpose.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable, and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevent you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

#### **ARTICLE IV DISPUTE RESOLUTION**

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's Proprietary Marks or its System.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of North Carolina, without any reference to North Carolina conflict of laws principles.

3. **Internal Dispute Resolution.** Franchisee and Franchisor believe that it is important to resolve any disputes amicably, quickly, cost-effectively and professionally and to return to business as soon as possible. Franchisee and Franchisor have agreed that the provisions of Sections 3 and 4 of this Personal Guaranty support these mutual objectives and, therefore, agree as follows. Any disagreement, litigation, claim, dispute, suit, action, controversy or proceeding of any type whatsoever, including any claim for equitable relief and/or where Franchisee is acting as a "private attorney general" suing pursuant to a statutory claim or otherwise between or involving a Guarantor, Franchisee and/or Franchisor on whatever theory and/or facts based, and whether or not arising out of this Guaranty (including any dispute or disagreement relating to arbitration, including the arbitrability of this Guaranty or any of its provisions), or offer, sale or negotiation of a The Designery Franchise, or the relationship of the parties arising from the Franchise or from entering this Guaranty or the Franchise Agreement, or any claim that this Guaranty or the Franchise Agreement or any part thereof is invalid, illegal or otherwise voidable, void or unenforceable ("**Dispute**") will be processed in the following manner, Franchisee and Franchisor each expressly waiving all rights to any court proceeding, except as expressly provided below in Section 4.1.

Personal Guarantor must first bring any claim or Dispute between Franchisee and Franchisor or Personal Guarantor and Franchisor to Franchisor's management, after providing notice as set forth in Section 4.8 below. Personal Guarantor must exhaust this internal Dispute resolution procedure before Personal Guarantor may bring Personal Guarantor's Dispute before a third party. This agreement to first attempt resolution of Disputes internally shall survive termination or expiration of this Guaranty. Personal Guarantor and Franchisor agree that the franchise relationship is unique and that as a result, it is important that anyone who serves as a mediator or arbitrator in a Dispute must have a minimum of seven (7) years' substantive experience in franchise law.

#### 4. **Mediation.**

If Personal Guarantor and Franchisor are unable to resolve a Dispute using the internal Dispute resolution procedure, then Disputes which are not first resolved through the internal Dispute resolution procedure set forth in Section 3 above, must be submitted first to non-binding mediation in Mecklenburg County, North Carolina under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. The mediation will be conducted by one mediator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA's Commercial Mediation Rules and who will conduct the mediation in accordance with such rules. Mediation must be conducted on an individual, not a class-wide, basis; only Franchisor (and/or its affiliates and its and their respective owners, officers, directors, agents and employees) and Franchisee (and/or its Owners, guarantors, affiliates, officers, directors, agents and employees, if applicable) may be the parties to any mediation proceeding described in this Section, and no such mediation proceeding may be consolidated with any other mediation proceeding between Franchisor and any other person, corporation, limited liability company or partnership. Franchisor and Personal Guarantor agree that statements made by Franchisor, Personal Guarantor or any other party in any such mediation proceeding will not be admissible in any arbitration or other legal proceeding. If the 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 Franchisor, then, subject to the exclusions set forth in Section 4.1, all Disputes must be submitted to binding arbitration before one arbitrator of the AAA in accordance with its commercial arbitration rules. The arbitration will be conducted by one arbitrator with at least seven (7) years of substantive experience in franchise law who will be appointed under the AAA's Commercial Arbitration Rules and who will conduct the arbitration in accordance with such rules. Except as provided in Section 4.1, no party may file litigation involving any Dispute unless it has complied with the mediation and arbitration provisions in this Article regarding that Dispute. "Filing litigation" includes asserting a counterclaim, third-party claim or other claim relating to a Dispute (irrespective of whether the party asserting the claim filed the legal action in which the claim is asserted). Franchisor's rights to mediation and arbitration, as set forth herein, may be specifically enforced by Franchisor. Each party shall bear its own cost of mediation and arbitration, and Franchisor and Personal Guarantor shall share mediation costs equally. This agreement to mediate and arbitrate shall survive any termination or expiration of this Guaranty.

4.1 The parties shall not be required to first attempt to mediate or arbitrate a controversy, Dispute or claim through mediation as set forth in this Section 4.1 if such controversy, Dispute or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating):

4.1.1 Any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information;

- 4.1.2 Any claims pertaining to or arising out of any warranty issue;
- 4.1.3 Any of the restrictive covenants contained in this Guaranty;
- 4.1.4 Any of Franchisee's payment obligations that are more than forty-five (45) days past due;
- 4.1.5 Any claims arising out of or related to fraud or misrepresentation by Personal Guarantor, Franchisee, or Franchisee's insolvency;
- 4.1.6 Any claims relating to Franchisee's obligations on termination or expiration of this Guaranty;
- 4.1.7 Any claims relating to any Transfer of an interest in Franchisee, the Franchised Business or Franchisee's assets; or
- 4.1.8 Any matters involving danger, health or safety.

4.2 **Interpretation.** The provisions of this Guaranty must be construed as independent of any other covenant or provision of this Guaranty. However, if a court or arbitrator of competent jurisdiction determines that any provisions are unlawful, that court or arbitrator is to modify or interpret the provisions to the minimum extent necessary to have them comply with the law. Notwithstanding any provision relating to the state laws by and under which this Guaranty must be governed and construed, all issues relating to arbitrability or the enforcement of the agreement to arbitrate in this Guaranty must be governed by the United States Arbitration Act (9 U.S.C. § 1 et seq.) and the Federal common law of arbitration. The arbitrator, and not any federal, state or local court, shall have exclusive authority to resolve any Dispute relating to the interpretation, applicability, unconscionability, arbitrability, enforceability or formation of this Guaranty, including any claim of fraud in the inducement or that all or any part of the Guaranty is void or voidable. However, the preceding sentence shall not apply to the clause entitled "Class Action Waiver."

4.3 **Judgment.** Judgment on an arbitration award may be entered in any court of competent jurisdiction. This judgment is binding, final and non-appealable.

4.4 **Failure to Appear.** The arbitration and mediation provisions in this Article are self-executing and remain in full force and effect after the expiration or sooner termination of this Guaranty. If either party fails to appear at any properly noticed arbitration proceeding, notwithstanding failing to appear, an award may be entered against that party by default or otherwise.

4.5 **Class Action Waiver.** Any proceeding (whether mediation, arbitration, trial by a court or jury, appeal or otherwise) must be brought in the parties' individual capacity and not as a plaintiff or class member in any purported class, collective, representative, multiple plaintiff or similar proceeding ("Class Action"). Personal Guarantor and Franchisor expressly waive any ability to maintain any Class Action in any forum. Further, an arbitration proceeding between Franchisor and Personal Guarantor (or any of Franchisee's or Franchisor's affiliates and owners and guarantors) may not be consolidated with any other arbitration proceeding between them and any other franchisee, person or entity. Personal Guarantor hereby agrees not to seek joinder of any of its claims with those of any other party. The arbitrator shall not

have authority to combine or aggregate similar claims or conduct any Class Action nor make an award to any person or entity not a party to the arbitration. Any claim that all or part of this Class Action Waiver is unenforceable, unconscionable, void or voidable may be determined only by a court of competent jurisdiction and not by an arbitrator. PERSONAL GUARANTOR AND FRANCHISOR UNDERSTAND THAT FRANCHISOR WOULD HAVE HAD A RIGHT TO LITIGATE THROUGH A COURT, TO HAVE A JUDGE OR JURY DECIDE ITS CASE, AND TO BE PARTY TO A CLASS OR REPRESENTATIVE ACTION. HOWEVER, PERSONAL GUARANTOR AND FRANCHISOR UNDERSTAND AND CHOOSE TO WAIVE THAT RIGHT AND HAVE ANY CLAIMS DECIDED INDIVIDUALLY THROUGH ARBITRATION. It is Personal Guarantor's and Franchisor's joint business judgment that the limitations of this subsection make good business sense, because:

4.5.1 the mediation and arbitration procedures contemplated by this Guaranty (and which Personal Guarantor and Franchisor agree are the core methods for resolving Disputes) function most effectively on an individual case basis;

4.5.2 there are significant business and other factors present in each individual Personal Guarantor's situation which should be respected; and

4.5.3 the economic interests of lawyers on either side in class-wide or multiple plaintiff disputes, as well as the tendency to polarize positions makes accommodation and compromise, as a practical business matter, less easily achieved, which would be a serious detriment to Personal Guarantor's and Franchisor's business interests, as well as those of the entire Franchise System, in quickly, amicably and economically resolving any Dispute.

4.6 **Selection of Venue.** Nothing contained in this Guaranty shall prevent Franchisor from applying to and obtaining from any court having jurisdiction, a writ of attachment, a temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Mecklenburg County, North Carolina and the jurisdiction and venue of the United States District Court for the Western District of North Carolina. Personal Guarantor acknowledges that this Guaranty has been entered into in the State of North Carolina, and that Franchisee, whose obligations Personal Guarantor is guaranteeing, is to receive valuable and continuing services emanating from Franchisor's headquarters in Huntersville, North Carolina, including, but not limited to, training, assistance, support and the development of the System. In recognition of such services and their origin, Personal Guarantor hereby irrevocably consents to the personal jurisdiction of the state and federal courts of North Carolina as set forth in this Section.

4.7 **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, members, agents and/or employees are express third party beneficiaries of the provisions of this Guaranty, including the mediation provision set forth in this Section 4, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by Personal Guarantor.

4.8 **Prior Notice of Claims.** As a condition precedent to commencing an action for damages or for violation or breach of this Guaranty, Personal Guarantor must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

4.9 **No Right to Offset.** Personal Guarantor shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Guaranty or any related agreements.

4.10 **Injunctive Relief.** The Franchised Business is intended to be one of a large number of businesses identified by the Proprietary Marks selling to the public the Approved Products and Approved Services associated with the Proprietary Marks. Consequently, a single Personal Guarantor's failure to comply with the terms of its franchise agreement is likely to cause irreparable damage to us, and damages at law would therefore be an inadequate remedy. On Personal Guarantor's breach or threatened breach of any of the terms concerning any matters referenced in Section 4.1, we may seek an injunction restraining the breach and/or a decree of specific performance (with recovery of reasonable attorneys' fees and costs incurred in obtaining equitable relief). We may do so without demonstrating or proving any actual damage. These equitable remedies are in addition to all other rights or remedies to which we may otherwise be entitled because of Personal Guarantor's breach of this Guaranty. We may seek this relief without posting any bond or security. However, if a court of competent jurisdiction requires a bond or security, a bond or security for \$1,000 is sufficient. Notwithstanding anything in this Guaranty to the contrary, Franchisor may seek injunctive relief in any jurisdiction that has jurisdiction over Personal Guarantor or any other party against whom the relief is sought. If injunctive relief is granted, Personal Guarantor's only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, Personal Guarantor expressly waives all claims for damages Personal Guarantor incurred as a result of the wrongful issuance.

5. **Jurisdiction and Venue.** Nothing contained in this Guaranty shall prevent Franchisor from applying to and obtaining from any court having jurisdiction, a writ of attachment, a temporary injunction, preliminary injunction, and/or other emergency relief available to safeguard and protect Franchisor's interests. The parties expressly agree to the jurisdiction and venue of any court of general jurisdiction in Mecklenburg County, North Carolina and the jurisdiction and venue of the United States District Court for the Western District of North Carolina. The parties acknowledge and agree that this Guaranty has been entered into in the State of North Carolina, and that Franchisee, whose obligations Personal Guarantor is guaranteeing, is to receive valuable and continuing services emanating from Franchisor's headquarters in Huntersville, North Carolina, including, but not limited to, training, assistance, support and the development of the System. In recognition of such services and their origin, you hereby irrevocably consent to the personal jurisdiction of the state and federal courts of North Carolina as set forth herein.

6. **Jury Trial Waiver.** **THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS PERSONAL GUARANTY OR THE FRANCHISE AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE FROM FRANCHISOR OF THE FRANCHISE, OPTION AND/OR ANY PRODUCTS OR SERVICES.**

7. **Waiver of Punitive Damages.** You waive, to the fullest extent permitted by law, any right to, or claim for, any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against Franchisor arising out of any cause whatsoever

(whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a Dispute, your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

8. **Limitation on Action.** You agree that no cause of action arising out of or under this Guaranty or the Franchise Agreement may be maintained by you unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one (1) year after you become aware of facts or circumstances reasonably indicating that you may have a claim against the Franchisor, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off. Notwithstanding anything to the contrary contained herein, all actions will be conducted on an individual, not a class-wide, basis and any proceeding between you, Franchisee, and Franchisor or its affiliates or employees may not be consolidated with any other proceeding between Franchisor and any other person or entity.

9. **Attorneys' Fees.** If the undersigned is in breach or default of any monetary or non-monetary material obligation under the Franchise Agreement or this Guaranty, or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must pay all reasonable attorneys' fees, court costs and litigation expenses Franchisor incurs. If the undersigned or Franchisee institutes any legal action to interpret or enforce the terms of this Guaranty or the Franchise Agreement, and the claim(s) in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

10. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty and the Franchise Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

11. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning that renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed for or against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

12. **Construction of Language.** Any term defined in the Franchise Agreement that is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party.



All words in this Guaranty 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.

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

14. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor’s obligations written in this Guaranty or in the Franchise Agreement or based on any oral communications which may be ruled to be binding in a Court of Law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee or you for any reason.

***(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES APPEAR ON THE FOLLOWING PAGE.)***

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS GUARANTY TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

**PERSONAL GUARANTORS:**

**SPOUSES:**

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

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

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

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

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Telephone: \_\_\_\_\_

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

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

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

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

Address: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Telephone: \_\_\_\_\_

**EXHIBIT B  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE AGREEMENT**

**CONDITIONAL ASSIGNMENT OF FRANCHISEE'S TELEPHONE NUMBERS,  
FACSIMILE NUMBERS AND DOMAIN NAMES**

1. [franchisee] \_\_\_\_\_, doing business as a A1 Kitchen & Bath Franchising, LLC franchisee (“Assignor”), in exchange for valuable consideration provided by A1 Kitchen & Bath Franchising, LLC (“Assignee”), receipt of which is hereby acknowledged, hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its Franchised Business at Assignor's above-referenced address (the “Assigned Property”). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Facsimile Number(s): \_\_\_\_\_

Domain/Social Media Name(s) (as permitted by Franchisor under the Franchise Agreement):  
\_\_\_\_\_

2. This Conditional Assignment of Franchisee’s Telephone Numbers and Domain Names (“Assignment”) will become effective automatically upon termination or expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company to effectuate this Assignment and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as Assignee, in effectuating this Assignment.

**ASSIGNOR:**

**ASSIGNEE:**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

**A1 KITCHEN & BATH FRANCHISING, LLC**

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

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

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

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

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

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

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

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

**EXHIBIT C**  
**TO**  
**A1 KITCHEN & BATH FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**  
*(for trained employees, shareholders, officers, directors, general partners, members and managers of Franchisee)*

In consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, I hereby acknowledge and agree that Franchisee, has acquired the right and franchise from A1 Kitchen & Bath Franchising, LLC (the "Company") to establish and operate a franchised business (the "Franchised Business") and the right to use, in the operation of the Franchised Business, the Company's trade names, trademarks and service marks (the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of Franchised Businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: \_\_\_\_\_ (the "Franchised Business Premises").

1. The Company possesses certain proprietary and confidential information and trade secrets relating to the operation of the System and the Franchised Business, including the Company's Manuals; price lists and standards and specifications for the Approved Products and Approved Services; standards and specifications related to the Company's integrated bookkeeping system, and other methods, techniques and know-how concerning the of operation of the Franchised Business which may be communicated to Franchisee or of which I may be apprised by virtue of my employment with Franchisee ("Confidential Information").

2. Any and all information, knowledge, know-how and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality and Restrictive Covenant Agreement ("Agreement").

3. In my position with the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Company's Operations Manual (the "Operations Manual"), and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties with the Franchisee, and will continue to not disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business which operates or licenses any other competing business(es), except for a Franchised Business operating under the System and Proprietary Marks.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an un-appealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of the State of North Carolina. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

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

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

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

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

**ACKNOWLEDGED BY FRANCHISEE:**

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

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

**EXHIBIT D  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE AGREEMENT**

**ELECTRONIC FUNDS WITHDRAWAL AUTHORIZATION**

Bank Name: \_\_\_\_\_

ABA#: \_\_\_\_\_

Acct. No.: \_\_\_\_\_

Acct. Name: \_\_\_\_\_

Effective as of the date of the signature below, \_\_\_\_\_ (“Franchisee”), hereby authorizes A1 Kitchen & Bath Franchising, LLC (“Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, and to make the following payments to Company under the Franchise Agreement for the Franchised Business located at:

\_\_\_\_\_: (i) all Royalty Fees; (ii) all Brand Fund Contributions, Technology Fees, Call Center Fees or other recurring fees; and (iii) any other fees due and owing under the Franchise Agreement. Franchisee acknowledges that Royalty Fees and all other fees may be collected by Franchisor in the manner provided for in the Franchise Agreement. Such withdrawals shall occur on a monthly basis, or on such other schedule as Company shall specify in writing. Company is also authorized to deposit the Gross Revenue of Franchisee’s Franchised Business, less all amounts due under the Franchise Agreement, into the above-referenced account, electronically or otherwise. Such deposits shall occur on a monthly basis, or on such other schedule as Company shall specify in writing.

This authorization shall remain in full force and effect until terminated in writing by Company. Franchisee shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

**AGREED:**

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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

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

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

**EXHIBIT E**  
**TO**  
**A1 KITCHEN & BATH FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

**SITE SELECTION ADDENDUM**

A1 Kitchen & Bath Franchising, LLC, a North Carolina limited liability company with a principal business address at 107 Parr Drive, Huntersville, North Carolina 28078 (“Franchisor”) and \_\_\_\_\_ (“Franchisee”), have this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, entered into the foregoing Franchise Agreement for the operation of a franchised business using Franchisor’s Proprietary Marks and System (the “Franchised Business”) and desire to supplement its terms, as set forth below. The parties therefore agree as follows:

1. Within sixty (60) days after the Effective Date of the Franchise Agreement, Franchisee must obtain a site, at Franchisee’s expense, for the Franchised Business, which Franchisor will approve as hereinafter provided. The site must be within the Designated Territory set forth in the Data Sheet of the Franchise Agreement.

2. Franchisee’s failure to obtain a site for the Franchised Business within the time required in Paragraph 1 will constitute a default under the Franchise Agreement and this Site Selection Addendum (“Addendum”). Time is of the essence.

3. Prior to Franchisee’s acquisition by lease or purchase of a site for the Franchised Business, Franchisee must submit to Franchisor, in the form Franchisor specifies, a completed site review form, such other information or materials as Franchisor may reasonably require, and a letter of intent or other evidence satisfactory to Franchisor that confirms Franchisee’s favorable prospects for obtaining the proposed site. Recognizing that time is of the essence, Franchisee must submit a proposed site, together with the information and materials required by this Paragraph 3, to Franchisor for Franchisor’s approval within thirty (30) days after execution of the Franchise Agreement. Franchisor will have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, in Franchisor’s sole discretion, the site as a location for the Franchised Business. No proposed site will be deemed approved unless Franchisor has expressly approved it in writing.

4. Franchisor will furnish to Franchisee such site selection guidelines, consultation and on-site evaluation as Franchisor deems advisable as part of Franchisor’s evaluation of Franchisee’s request for site approval. Franchisor will not, however, provide on-site evaluation for any proposed site prior to Franchisor’s receipt of the information and materials required by Paragraph 3 hereof. If Franchisor deems on-site evaluation necessary and appropriate, Franchisor will conduct one (1) on-site evaluation at Franchisor’s cost. For each additional on-site evaluation (if any), Franchisee will reimburse Franchisor for Franchisor’s expenses, including, without limitation, the costs of travel, lodging and meals.

5. If Franchisee will be occupying the Franchised Business premises under a lease, Franchisee shall, upon Franchisor’s request, prior to the execution of the lease, submit the lease to Franchisor for Franchisor’s approval. Franchisor’s approval of the lease may be conditioned upon Franchisee’s execution of a Collateral Assignment of Lease in the form Franchisor prescribes, as well as the inclusion or exclusion of certain required provisions. Franchisee must furnish Franchisor with a copy of any executed lease within ten (10) days after execution thereof.

6. After Franchisor has approved a site for the Franchised Business in writing and Franchisee has acquired the site, the site will constitute the Approved Location referred to in Section 1.3 of the Franchise Agreement.

7. Franchisee hereby acknowledges and agrees that Franchisor's approval of a site does not constitute an assurance, representation or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for Franchisor's purposes as of the time of the evaluation. Both parties to this Agreement acknowledge the application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors such as competition from other similar businesses included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond Franchisor's control. Franchisor will not be responsible for the failure of a site approved by Franchisor to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that Franchisee's acceptance of a franchise for the operation of the Franchised Business at the site is based on Franchisee's own independent investigation of the suitability of the site.

8. This Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

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

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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



**EXHIBIT F  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE AGREEMENT**

**STATEMENT OF OWNERSHIP**

**STATEMENT OF OWNERSHIP**

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

**Form of Ownership  
(Check One)**

- |                                      |  |  |
|--------------------------------------|--|--|
| <input type="checkbox"/> Individual  | <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> General Partnership | <input type="checkbox"/> Limited Partnership       |

If a **Partnership**, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed.

If a **Corporation**, provide the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each.

If a **Limited Liability Company**, provide the state and date of formation, the name and address of the manager(s), and list the names and addresses of every member and the percentage of membership interest held by each member.

State and Date of Formation/Incorporation: \_\_\_\_\_

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

Name	Title

**Members, Stockholders, Partners:**

Name	Address	Percentage Owned

**Identification of Managing Owner.** Your managing owner as of the Effective Date is \_\_\_\_\_  
\_\_\_\_\_. You may not change the managing owner  
without prior written approval.

**Identification of Designated Manager.** Your Designated Manager, if applicable, as of the Effective Date  
is \_\_\_\_\_  
\_\_\_\_\_. You may not change  
the Designated Manager without prior written approval.

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

**EXHIBIT G**  
**TO**  
**A1 KITCHEN & BATH FRANCHISING, LLC**  
**FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF LEASE**

Landlord: \_\_\_\_\_ A1 Kitchen & Bath Franchising, LLC  
Notice Address: \_\_\_\_\_ 107 Parr Drive  
\_\_\_\_\_ Huntersville, NC 28078  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Tenant: \_\_\_\_\_  
Leased Premises: \_\_\_\_\_

1. Use. Tenant is a franchisee of Franchisor. The Leased Premises shall be used only for the operation of a The Designery business (or any name authorized by Franchisor).
2. Notice of Default and Opportunity To Cure. Landlord shall provide Franchisor with copies of any written notice of default (“Default”) given to Tenant under the Lease, and Landlord grants to Franchisor the option (but not the obligation) to cure any Default under the Lease (should Tenant fail to do so) within ten (10) days after the expiration of the period in which Tenant may cure the Default.
3. Termination of Lease. Landlord shall copy Franchisor on any notice of termination of the Lease. If Landlord terminates the Lease for Tenant’s Default, Franchisor shall have the option to enter into a new Lease with Landlord on the same terms and conditions as the terminated Lease. To exercise this option, Franchisor must notify Landlord within fifteen (15) days after Franchisor receives notice of the termination of the Lease.
4. Termination of Franchise Agreement. If the Franchise Agreement between Franchisor and Tenant is terminated during the term of the Lease, then upon the written request of Franchisor, Tenant shall assign the Lease to Franchisor. Landlord hereby consents to the assignment of the Lease to Franchisor.
5. Assignment and Subletting. Notwithstanding any provision of the Lease to the contrary, Tenant shall have the right to assign or sublet the Lease to Franchisor, provided that no such assignment or sublease shall relieve Tenant or any guarantor of liability under the Lease. If Franchisor becomes the lessee of the Leased Premises, then Franchisor shall have the right to assign or sublease its lease to a franchisee of the The Designery brand.
6. Authorization. Tenant authorizes Landlord and Franchisor to communicate directly with each other about Tenant and Tenant’s business.

7. Right to Enter. Upon the expiration or termination of the Franchise Agreement or the Lease, or the termination of Tenant’s right of possession of the Leased Premises, Franchisor or its designee may, after giving reasonable prior notice to Landlord, enter the Leased Premises to remove signs and other material bearing Franchisor’s brand name, trademarks and commercial symbols, provided that Franchisor will be liable to Landlord for any damage Franchisor or its designee causes by such removal.

8. No Liability. By executing this Collateral Assignment of Lease, Franchisor does not assume any liability with respect to the Leased Premises or any obligation as Tenant under the Lease.

Executed by:

**LANDLORD:**

\_\_\_\_\_

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

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

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

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

**TENANT:**

\_\_\_\_\_

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

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

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

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

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

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

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

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

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

**EXHIBIT H  
TO  
FRANCHISE AGREEMENT**

**FRANCHISOR DIRECTED ADVERTISING SERVICES AGREEMENT**

This Franchisor Directed Advertising Services Agreement (“FDASA”) is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between A1 Kitchen & Bath Franchising, LLC, a North Carolina limited liability company, with its principal place of business at 107 Parr Drive, Huntersville, North Carolina 28078 (“we,” “us,” “our” or “Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“you” or “Franchisee”).

**RECITALS**

- A. Franchisee and Franchisor are parties to that certain Franchise Agreement dated the date hereof (the “Franchise Agreement”).
- B. Pursuant to the terms of the Franchise Agreement, Franchisee is required to pay for Local Advertising Services (defined below) from Franchisor.

**AGREEMENT**

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Any capitalized terms used, but not defined herein, have the same meaning set forth in the Franchise Agreement.
2. **Term.** The FDASA will remain in effect indefinitely and will automatically terminate upon the expiration or termination of the Franchise Agreement.
3. **Default.** If you are in default of your obligations under the FDASA or the Franchise Agreement, we may suspend some or all of the Local Advertising Services without terminating either agreement. This remedy is in addition to any other remedies we may have at law or in equity.
4. **Termination.** We can terminate the FDASA prior to the end of the Term by written notice if: (i) you are in default under the Franchise Agreement or any other agreement with Franchisor or an affiliate of Franchisor; (ii) you are in default under the FDASA and the default continues for a period of ten (10) days after we deliver written notice of default; or (iii) we discontinue the Local Advertising Services under Section 8 of this FDASA.
5. **Franchisor Directed Advertising Services.** You and we agree that as Franchisor we have the right, in light of our marketing expertise and research regarding effective advertising of the System: (a) to formulate and design the Local Advertising Services (defined below), including the service options and vendors made available to franchisees from time to time; (b) to develop and control all content for the Local Advertising Services (the “Advertising”); and (c) to determine the uses and distribution of all such Advertising. We have the right to administer each service, as well as other services we elect to

offer in the future, which may include appointment generation platforms, billboards, radio ads, etc. We can change or end a service at any time and add new services at any time.

“Local Advertising Services” means our advertising of the The Designery brand and the Services offered under the Proprietary Marks and the System, as conducted in your Designated Territory in coordination with our similar advertising service in the territories of other franchisees and nationally, and includes the several channels and forms of local marketing activities and services that we (or a designated vendor) offer from time to time and perform pursuant to this FDASA, which activities and services may include, but are not limited to: media management, advertising design, digital marketing for generation of customer leads, digital marketing for generation of customer reviews, tracking of leads, performance analytics, production and printing of marketing pieces, list management, mail management, market studies, strategy and analysis, research and development, shipping and delivery to the United States Postal Service or other carrier, other services we offer in our Business Judgment, and related administrative services.

6. **Franchisor Directed Advertising Fee.** For our Local Advertising Services, you agree to pay us or an affiliate we designate a non-refundable fee (the “Franchisor Directed Advertising Fee”) in an amount up to the Local Advertising Requirement (currently, the greater of three thousand dollars (\$3,000) per month or three percent (3%) of Gross Revenue per month). We reserve the right to designate the timing of payment and to set other policies relating to the Franchisor Directed Advertising Fee, but the fee will continue to be due monthly by the tenth (10<sup>th</sup>) of the month. For example, although we have no obligation to do so, we may permit you to: (i) vary the monthly payment, subject to satisfaction of the annual amount required; and/or (ii) allocate the required amount among marketing channels that we offer. If not otherwise designated by us, you must pay the Franchisor Directed Advertising Fee at the same time you pay your Royalty Fee under the Franchise Agreement. You must pay the Franchisor Directed Advertising Fee by electronic funds transfer or such other method as we may designate from time to time. We and our affiliates may earn revenue and profits on products or services we provide and may receive rebates, licensing fees, administrative fees, commissions, or other payments on products and services that third-party vendors provide. The Franchisor Directed Advertising Fee is credited to your required monthly Local Advertising Requirement. If local advertising directed by us is paid with a franchisee credit card (or other method of direct payment), all such amounts spent that are directed by us will be credited to the monthly Franchisor Directed Advertising Fee.

7. **Changes to Franchisor Directed Advertising Fee.** We may periodically increase or decrease the Franchisor Directed Advertising Fee in an amount we deem appropriate in our Business Judgment, but in no event will that increase cause the Franchisor Directed Advertising Fee to be more than the Local Advertising Requirement. Further, we reserve the right to change the Franchisor Directed Advertising Fee from a dollar amount to a percentage of sales or to any other formula we designate. We will give you thirty (30) days’ advance notice by email or other means if we intend to change the Franchisor Directed Advertising Fee pursuant to this Section.

8. **No Guaranteed Results.** We do not represent or warrant that the Local Advertising Services or any individual service will reach a minimum number of persons in your Designated Territory, will reach any specific persons in the Designated Territory, or will produce any particular results for your Franchised Business. We obtain distribution lists and other data from third-party data compilation and demographic information service provider(s) that we and/or our affiliates select. We make no representation or warranty regarding the accuracy of any such lists or other data we use to conduct the Local Advertising Services.

9. **Ownership.** You acknowledge and agree that, as between Franchisor and Franchisee, Franchisor owns all right, title and interest in and to any Advertising created in or for the Local Advertising

Services, including all intellectual property rights therein or appurtenant thereto. Franchisee will not acquire any right, title or interest in the Advertising or any portion thereof pursuant to this FDASA or otherwise, other than the right to access and use the Advertising as expressly granted in the Franchise Agreement, subject to the terms and conditions of the Franchise Agreement and this FDASA.

10. **Discontinuation or Replacement of Local Advertising Services.** We have the right, in our sole business judgment, to discontinue the Local Advertising Services, in whole or in part, and to require you to pay all or a portion of the amount of the Franchisor Directed Advertising Fee to one or more other services that we establish to supplement or take the place of the Local Advertising Services. In the event that we discontinue the Local Advertising Services or replace it with an entirely new service, we will seek feedback from franchisees, which feedback will be advisory only.

11. **Assignment.** The FDASA is fully assignable by Franchisor. Franchisee may not assign the FDASA without the prior written consent of Franchisor.

12. **Miscellaneous.** The choice of law, choice of forum/venue, and dispute resolution provisions set forth in the Franchise Agreement apply to the parties' dealings under the FDASA.

**IN WITNESS WHEREOF**, the parties hereto have executed this FDASA by their duly authorized representatives as indicated below.

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN AND BATH FRANCHISING, LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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

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

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



**EXHIBIT C  
TO  
A1 KITCHEN AND BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**MULTI-UNIT ADDENDUM**

**A1 KITCHEN AND BATH FRANCHISING, LLC**  
**MULTI-UNIT ADDENDUM**

This Multi-Unit Addendum (the “Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_ (the “Effective Date”), by and between: (i) A1 Kitchen & Bath Franchising, LLC, a North Carolina limited liability company with a business address at 107 Parr Drive, Huntersville, North Carolina 28078 (“Franchisor”); and (ii) \_\_\_\_\_, a(n) \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (“Franchisee”).

**BACKGROUND**

A. Contemporaneous with the execution of this Addendum, Franchisee and Franchisor entered into \_\_\_\_\_ franchise agreements (collectively, the “Applicable Franchise Agreements”) and, under each such Applicable Franchise Agreement, Franchisee obtained the right and undertook the obligation to operate a franchised business under Franchisor’s then-current proprietary mark(s) (each, a “Franchised Business”).

B. Each Franchised Business has its own designated territory wherein Franchisee is required to actively promote and operate the Franchised Businesses (each, a “Designated Territory” and collectively, the “Designated Territories”).

C. Franchisor and Franchisee now wish to amend and otherwise clarify certain provisions in the Applicable Franchise Agreements, pursuant to the terms and conditions of this Addendum.

**AGREEMENT**

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

**1. Background; Definitions.**

a. The parties acknowledge and agree that the Background portion of this Addendum, including all definitions, representations and provisions set forth therein, is hereby incorporated by reference as if set forth in this Section.

b. For purposes of this Addendum, if a capitalized term in this Addendum is not specifically defined herein, that term will be given the same definition that the term is afforded in the Applicable Franchise Agreements, as applicable.

**2. Multi-Unit Fee in Lieu of Initial Franchise Fee.** Notwithstanding anything contained in Section 3.1 of the Applicable Franchise Agreements, Franchisee will not be required to pay Franchisor an Initial Franchise Fee under any Applicable Franchise Agreement. Instead, Franchisee must pay Franchisor a lump-sum multi-unit fee amounting to \$ \_\_\_\_\_ (the “Multi-Unit Fee”). The entire Multi-Unit Fee must be paid upon execution of this Addendum and the Applicable Franchise Agreements, and this Multi-Unit Fee is deemed fully earned and non-refundable under any circumstances.

**3. Minimum Royalty Fees.** Notwithstanding anything contained in Section 3.2 of the Applicable Franchise Agreements, Franchisee’s Minimum Royalty Fee is based upon the number of Franchised Businesses and the number of months the Franchised Business has been open and operating. The Minimum Royalty Fee is as follows:

Time of Operation	1 Franchised Business	2 Franchised Businesses	3 Franchised Businesses	4 Franchised Businesses	5 Franchised Businesses
First 3 Months	5-7% of Gross Revenue	5-7% of Gross Revenue	5-7% of Gross Revenue	5-7% of Gross Revenue	5-7% of Gross Revenue
4 to 12 Months	\$250	\$500	\$750	\$1,000	\$1,250
Second Year	\$550	\$1,100	\$1,650	\$2,200	\$2,750
Third Year +	\$850	\$1,700	\$2,550	\$3,400	\$4,250

4. **Brand Fund, Local Advertising Requirement, and Call Center Fee.** Notwithstanding anything contained in Section 3.5 and Section 3.6 of the Applicable Franchise Agreements, Franchisor and Franchisee acknowledge and agree that for purposes of determining Gross Revenue for the Brand Fund, Local Advertising Requirement, and Call Center Fee, Franchisee may aggregate Gross Revenue of each Franchised Business operating under this Addendum. For purposes of clarification, the monthly Local Advertising Requirement will be the greater of: (a) three thousand dollars (\$3,000) for the first Applicable Franchise Agreement and one thousand five hundred dollars (\$1,500) for each additional contiguous Applicable Franchise Agreement; and (b) three percent (3%) of aggregate Gross Revenue for each Applicable Franchise Agreement under this Addendum. The Initial Franchisor Directed Advertising Fee will be calculated as follows: an amount up to three thousand dollars (\$3,000) for the first Applicable Franchise Agreement plus an amount up to one thousand five hundred dollars (\$1,500) for each additional Applicable Franchise Agreement, times two (2) months.

5. **Technology Fee.** Franchisor and Franchisee acknowledge and agree that Franchisee will utilize the same technology package for all of its Franchised Businesses, and Franchisor will only require Franchisee to pay the applicable technology fees as if Franchisee was only operating one Franchised Business.

6. **Approved Location.** Section 1.3 of the Applicable Franchise Agreements is hereby amended to clarify that if Franchisee's Designated Territories under the Applicable Franchise Agreements are contiguous, then Franchisee will only be obligated to secure one (1) Approved Location that meets Franchisor's standards and specifications.

7. **Inventory.** Section 7.6.7 of the Applicable Franchise Agreements is hereby amended to clarify that Franchisee must maintain sufficient levels of inventory, vehicles, supplies, and equipment in order to adequately meet consumer demand within the Designated Territories.

8. **Initial Training Program.** Section 8.1 of the Applicable Franchise Agreements is hereby amended to clarify that Franchisee is only obligated to attend the Initial Training Program once.

9. **Grand Opening Marketing.** Section 12.5.1 of the Applicable Franchise Agreements is hereby amended to clarify that if Franchisee operates the Franchised Business in Designated Territories that are contiguous to one another, then Franchisee is only obligated to spend the Grand Opening Marketing fee of five thousand dollars (\$5,000) (or seven thousand dollars (\$7,000) if Franchisor increases such amount) once.

10. **Transfer Fee.** Section 14.2.3..28 of the Applicable Franchise Agreements is hereby amended to clarify that Franchisee is obligated to pay Franchisee a Transfer Fee of ten thousand dollars

(\$10,000) in connection with each Applicable Franchise Agreement/Designated Territory that Franchisee wishes to transfer.

11. **Renewal Fee.** Section 2.2.9 of the Applicable Franchise Agreements is hereby amended to clarify that Franchisee is obligated to pay Franchisor a Renewal Fee of five thousand dollars (\$5,000) in connection with the first Applicable Franchise Agreement that Franchisee wishes to renew. The Renewal Fee for additional renewal of an Applicable Franchise Agreement under this Addendum that is renewed at the same time will be one thousand dollars (\$1,000).

12. **Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Addendum in Franchisor's sole discretion. Franchisee may not transfer its rights under this Addendum without Franchisor's prior written consent.

13. **Default of Addendum Constitutes Default Under All Applicable Franchise Agreements.** In the event Franchisee breaches any of the provisions of this Addendum, such breach will constitute a material default of all Applicable Franchise Agreements and must be cured within thirty (30) days from Franchisee's receipt of Franchisor's written notice of such breach as set forth in Section 15.4 of the Applicable Franchise Agreements. If Franchisee fails to cure such breach(es) within the prescribed time period, Franchisor may, at its option, terminate one or more of the Applicable Franchise Agreements immediately upon providing written notice.

14. **Governing Law.** This Addendum shall be governed by and construed in accordance with the laws of the State of North Carolina, without reference to this state's conflict of laws principles.

15. **Venue; Forum; Jurisdiction; Dispute Resolution.** Franchisor and Franchisee acknowledge and agree that the venue, forum, jurisdiction, and dispute resolution provisions of the Applicable Franchise Agreements shall also apply to this Addendum.

16. **Ratification of Applicable Franchise Agreements.** Except as amended by this Addendum, any and all other terms and conditions set forth in the Applicable Franchise Agreements are hereby ratified and confirmed as if fully restated herein.

17. **Entire Agreement.** This Addendum constitutes the entire agreement between the parties and supersedes any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that was furnished to Franchisee. Franchisee acknowledges that it is entering into this Addendum as a result of its own independent investigation of the Franchised Businesses and not as a result of any representations about Franchisor made by its shareholders, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Addendum, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

**IN WITNESS WHEREOF**, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Addendum the date and year first written above.

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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

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

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

**EXHIBIT D  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**STATE SPECIFIC ADDENDA**

**HAWAII ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE 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 HEREIN 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 THE PROSPECTIVE FRANCHISEE, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, 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 THE FRANCHISOR AND FRANCHISEE.

**HAWAII ADDENDUM**  
**TO FRANCHISE AGREEMENT**

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

1. The franchisor having filed the Franchise Disclosure Document under the Franchise Investment Law of The State of Hawaii 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 therein is true, complete and not misleading.

2. In accordance with the Hawaii Franchise Investment Law, we have provided to you, at least seven (7) days prior to your execution of any binding franchise or other agreement, or at least seven (7) days prior to your payment of any consideration, 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.

3. The Franchise Disclosure Document contains only a summary of certain material provisions of the Franchise Agreement. You should refer to the Franchise Agreement for a statement of all rights, conditions, restrictions and obligations of both us and you.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

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

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

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

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

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

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

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

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

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



**ILLINOIS ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

The following statements are added to Item 17:

1. Illinois law governs the Franchise Agreement.
2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.
3. Your rights upon termination and non-renewal of an agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.
4. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
5. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ILLINOIS ADDENDUM**  
**TO FRANCHISE AGREEMENT**

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Illinois law governs the Franchise Agreement.

b. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

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

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

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

2. 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 behalf of the franchisor. This provision supersedes any other term of any document executed in

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

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

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

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

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

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

**MINNESOTA ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

State Cover Page and Item 17, Additional Disclosures:

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. A court will determine if a bond is required.

Item 6, Additional Disclosure:

NSF checks are governed by Minn. Stat. 604.113, which puts a cap of \$30 on service charges.

Item 13, Additional Disclosures:

The Minnesota Department of Commerce requires that a franchisor indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that the franchisee's use of the franchisor's trademark infringes upon the trademark rights of the third party. The franchisor does not indemnify against the consequences of a franchisee's use of a franchisor's trademark except in accordance with the requirements of the franchise agreement, and as the condition to an indemnification, the franchisee must provide notice to the franchisor of any such claim immediately and tender the defense of the claim to the franchisor. If the franchisor accepts tender of defense, the franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we protect your right to use the THE DESIGNERY<sup>SM</sup> Proprietary Mark or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the THE DESIGNERY<sup>SM</sup> Proprietary Mark, if you were using it in the manner we authorized, and if we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

Item 17, Additional Disclosures:

Any condition, stipulation or provision, including any choice of law provision, purporting to bind any person who, at the time of acquiring a franchise is a resident of the State of Minnesota or in the case of a partnership or corporation, organized or incorporated under the laws of the State of Minnesota, or purporting to bind a person acquiring any franchise to be operated in the State of Minnesota to waive compliance or which has the effect of waiving compliance with any provision of the Minnesota Franchise Law is void.

We will comply with Minn. Stat. Sec. 80C.14, subs. 3, 4 and 5, which requires, except in certain specified cases, that a franchisee be given 90-days' notice of termination (with 60 days to cure), 180-days'

notice for nonrenewal of the Franchise Agreement, and that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release, assignment, novation or waiver as a condition of purchasing the franchise that would relieve any person from liability imposed by Minnesota Statute §§80C.01 – 80C.22.

The limitations of claims section must comply with Minn. Stat. Sec. 80C.17, subd. 5.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document 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.

**MINNESOTA ADDENDUM**  
**TO FRANCHISE AGREEMENT**

To the extent the Minnesota Franchise Act, Minn. Stat. §§80C.01 – 80C.22 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 4 which requires that except for certain specified cases, that franchisee be given 180-days' notice for non-renewal of this Franchise Agreement.

b. The Minnesota Department of Commerce requires that franchisor indemnify franchisees whose franchise is located in Minnesota against liability to third parties resulting from claims by third parties that the franchisee's use of franchisor's Proprietary Marks infringe upon the trademark rights of the third party. Franchisor does not indemnify against the consequences of a franchisee's use of franchisor's trademark, but franchisor shall indemnify franchisee for claims against franchisee solely as it relates to franchisee's use of the Marks in accordance with the requirements of the Franchise Agreement and franchisor's standards. As a further condition to indemnification, the franchisee must provide notice to franchisor of any such claim immediately and tender the defense of the claim to franchisor. If franchisor accepts tender of defense, franchisor has the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

c. Franchisee will not be required to assent to a release, assignment, novation or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

d. With respect to franchises governed by Minnesota Franchise Law, franchisor shall comply with Minn. Stat. Sec. 80C.14, subd. 3 which requires that except for certain specified cases, a franchisee be given 90-days' notice of termination (with 60 days to cure). Termination of the franchise by the franchisor shall be effective immediately upon receipt by franchisee of the notice of termination where its grounds for termination or cancellation are: (1) voluntary abandonment of the franchise relationship by the franchisee; (2) the conviction of the franchisee of an offense directly related to the business conducted according to the Franchise Agreement; or (3) failure of the franchisee to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type or other commercial symbol after the franchisee has received written notice to cure of at least twenty-four (24) hours in advance thereof.

e. According to Minn. Stat. Sec. 80C.21 in Minnesota Rules or 2860.4400J, the terms of the Franchise Agreement shall not in any way abrogate or reduce your rights as provided for in Minn. Stat. 1984, Chapter 80C, including the right to submit certain matters to the jurisdiction of the courts of Minnesota. In addition, nothing in this Franchise Agreement shall abrogate or reduce any of franchisee's rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedy provided for by the laws of the State of Minnesota.

f. Any claims franchisee may have against the franchisor that have arisen under the Minnesota Franchise Laws shall be governed by the Minnesota Franchise Law.

g. The Franchise Agreement contains a waiver of jury trial provision. This provision may not be enforceable under Minnesota law.

h. Franchisee consents to the franchisor seeking injunctive relief without the necessity of showing actual or threatened harm. A court shall determine if a bond or other security is required.

i. Any action pursuant to Minnesota Statutes, Section 80C.17, Subd. 5 must be commenced no more than 3 years after the cause of action accrues.

2. 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

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

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

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

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

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



**NEW YORK ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

Cover Page, Additional Disclosure:

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

Item 3, Additional Disclosure:

The last sentence in Item 3 is deleted and replaced with the following:

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has any administrative, criminal, or a material civil or arbitration action pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegations.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, has been convicted of a felony or pleaded nolo contendere to any other felony charge or, during the ten-year period immediately preceding the application for registration, been convicted of a misdemeanor or pleaded nolo contendere to any misdemeanor charge or been found liable in an arbitration proceeding or a civil action by final judgment, or been the subject of any other material complaint or legal or arbitration proceeding if such misdemeanor conviction or charge, civil action, complaint, or other such proceeding involved a violation of any franchise law, securities law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, misappropriation of property, or comparable allegation.

Neither we, nor any of our predecessors, nor any person identified in Item 2 above, nor any affiliate offering franchises under our trademark, is subject to any currently effective injunctive or restrictive order or decree relating to franchises, or under any federal, state or Canadian franchise, securities, antitrust, trade regulation or trade practice law as a result of 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.

Item 4, Additional Disclosure:

Item 4 is deleted and replaced with the following:

Neither we nor any of our predecessors, affiliates, or officers, during the 10-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership.

Item 17, Additional Disclosures:

1. The following is added to the Summary sections of Item 17(c) and 17(m):

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 Section 687.4 and 687.5 be satisfied.

2. The Summary section of Item 17(d) is deleted and replaced with the following language:

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

3. The following is added to the Summary section of Item 17(j):

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

4. The following is added to the Summary sections of Items 17(v) and 17(w):

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

**NEW YORK ADDENDUM**  
**TO FRANCHISE AGREEMENT**

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Any provision in the Franchise Agreement that is inconsistent with the New York General Business Law, Article 33, Section 680 - 695 may not be enforceable.

b. Any provision in the Franchise Agreement requiring franchisee to sign a general release of claims against franchisor does not release any claim franchisee may have under New York General Business Law, Article 33, Sections 680-695.

c. The New York Franchise Law shall govern any claim arising under that law.

2. 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.

3. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

4. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

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

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

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

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

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

**NORTH CAROLINA ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum pertains to franchises/business opportunities sold in the State of North Carolina and will be for the purpose of complying with certain provisions of North Carolina Law:

Item 8. To the extent applicable, Item 8 of the disclosure document is amended to add the following:

If the seller (franchisor) fails to deliver the product(s), equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller (franchisor) in writing and demand that the contract be cancelled.

**NORTH CAROLINA ADDENDUM  
TO FRANCHISE AGREEMENT**

This Addendum relates to franchises sold in North Carolina and is intended to comply with North Carolina statutes and regulations. In consideration of the execution of the Franchise Agreement, we and you agree to amend the Franchise Agreement as follows:

1. Service of Process. The name and address of our agent in North Carolina authorized to receive service of process is:

Secretary of State of North Carolina  
2 South Salisbury Street  
Raleigh, North Carolina 27601

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

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

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

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

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

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

**NORTH DAKOTA ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

The following statements are added to Item 17:

Any provision requiring franchisees to consent to the jurisdiction of courts outside North Dakota or to consent to the application of laws of a state other than North Dakota may be unenforceable under North Dakota law. Any mediation or arbitration will be held at a site agreeable to all parties. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

Any general release the franchisee is required to assent to as a condition of renewal is not intended to nor shall it act as a release, estoppel or waiver of any liability franchisor may have incurred under the North Dakota Franchise Investment Law.

Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

The Franchise Agreement includes a waiver of exemplary and punitive damages. This waiver may not be enforceable under North Dakota law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by franchisor in enforcing the Franchise Agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

The Franchise Agreement requires the franchisee to consent to a waiver of trial by jury. This waiver may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement state that franchisee must consent to the jurisdiction of courts outside that State of North Dakota. That requirement may not be enforceable under North Dakota law.

The Franchise Disclosure Document and Franchise Agreement may require franchisees to consent to termination. This requirement may not be enforceable under North Dakota law.

The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

**NORTH DAKOTA ADDENDUM  
TO FRANCHISE AGREEMENT**

To the extent the North Dakota Franchise Investment Law, N.D. Cent. Code, §§51-19-01 – 51-19-17 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. Any release executed in connection with a renewal shall not apply to any claims that may arise under the North Dakota Franchise Investment Law.

b. Covenants not to compete during the term of and upon termination or expiration of the Franchise Agreement are enforceable only under certain conditions according to North Dakota law. If the Franchise Agreement contains a covenant not to compete that is inconsistent with North Dakota law, the covenant may be unenforceable.

c. The choice of law other than the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. If the laws of a state other than North Dakota govern, to the extent that such law conflicts with North Dakota law, North Dakota law will control.

d. The waiver of punitive or exemplary damages may not be enforceable under the North Dakota Franchise Investment Law.

e. The waiver of trial by jury may not be enforceable under the North Dakota Franchise Investment Law.

f. The requirement that arbitration be held outside the State of North Dakota may not be enforceable under the North Dakota Franchise Investment Law. Any mediation or arbitration will be held at a site agreeable to all parties.

g. The requirement that a franchisee consent to termination has been determined by the Commissioner to be unfair, unjust and inequitable within the intent of the North Dakota Franchise Investment Law. This requirement may not be enforceable under North Dakota law.

h. The Franchise Agreement states that franchisee must consent to the jurisdiction of courts located outside the State of North Dakota. This requirement may not be enforceable under North Dakota law.

i. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. To the extent this requirement conflicts with North Dakota law, North Dakota law will apply.

j. The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by Franchisor in enforcing the Franchise Agreement. For North Dakota franchisees, the prevailing party is entitled to recover all costs and expenses, including attorneys' fees.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.



3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

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

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

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

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

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

**RHODE ISLAND ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

Item 17, Additional Disclosure:

The following statement is added to Item 17:

Section 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.”

**RHODE ISLAND ADDENDUM  
TO FRANCHISE AGREEMENT**

To the extent the Rhode Island Franchise Investment Act, R.I. Gen. Law ch. 395 §§19-28.1-1 – 19-28.1-34 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Section 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.”

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

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

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

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

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

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

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

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

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

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

**SOUTH CAROLINA ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

This Addendum pertains to franchises/business opportunities sold in the State of South Carolina and will be for the purpose of complying with certain provisions of South Carolina Law:

Item 8 of the franchise disclosure document is amended to add the following:

If the seller (franchisor) fails to deliver the product, equipment or supplies necessary to begin substantial operation of the business within 45 days of the delivery date stated in your contract, you may notify the seller (franchisor) in writing and demand that the contract be canceled.

**SOUTH CAROLINA ADDENDUM**  
**TO FRANCHISE AGREEMENT**

This Addendum pertains to franchises/business opportunities sold in the State of South Carolina and will be for the purpose of complying with certain provisions of South Carolina Law:

1. Cogency Global Inc. is hereby authorized to receive service of process. Cogency Global Inc. is located at 2 Office Park Court, Suite 103, Columbia, SC 29223.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**FRANCHISEE:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

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

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

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

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

**WISCONSIN ADDENDUM**  
**TO FRANCHISE DISCLOSURE DOCUMENT**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

Item 17, Additional Disclosures:

For all franchisees residing in the State of Wisconsin, we will provide you at least 90-days' prior written notice of termination, cancellation or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

**WISCONSIN ADDENDUM**  
**TO FRANCHISE AGREEMENT**

To the extent the Wisconsin Franchise Investment Law, Wis. Stat. §§553.01 – 553.78 or Wisconsin Fair Dealership Law, Wis. Stat. §§135.01 – 135.07 applies, the terms of this Addendum apply.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

To the extent any of the provisions regarding notice of termination or change in dealership are in conflict with Section 135.04 of the Wisconsin Fair Dealership Law, the Wisconsin law shall apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

*(Signature Page Follows)*



IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

a North Carolina limited liability company

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

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

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

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

**FRANCHISEE:**

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

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

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

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

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

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

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

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

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

**EXHIBIT E**  
**TO**  
**A1 KITCHEN & BATH FRANCHISING, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

**FINANCIAL STATEMENTS**

# **A1 Kitchen & Bath Franchising, LLC**

Audited Financial Statements

For the Year Ended December 31, 2022

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**Davies, Goldstein  
& Associates CPA's PLLC**  
**Certified Public Accountants**

**Independent Auditors' Report**

To the Management of A1 Kitchen & Bath Franchising, LLC  
Charlotte, North Carolina

**Opinion**

We have audited the accompanying financial statements of A1 Kitchen & Bath Franchising, LLC which comprise the balance sheet as of December 31, 2022 and the related statements of income, changes in members' equity and cash flows for the year 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 A1 Kitchen & Bath Franchising, LLC as of December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of A1 Kitchen & Bath Franchising, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about A1 Kitchen & Bath Franchising, 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 A1 Kitchen & Bath Franchising, 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 A1 Kitchen & Bath Franchising, 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

*JONES GOLDSTEIN ASSOCIATES, CPA'S PLLC*

Matthews, North Carolina  
April 24, 2023

**A1 Kitchen & Bath Franchising, LLC**  
**Balance Sheet**  
**December 31, 2022**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	836,294
Accounts Receivable		4,498
Other Current Assets		23,613
<b>Total Current Assets</b>		<u>864,405</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>864,405</u></b>
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**LIABILITIES & MEMBERS' EQUITY**

**CURRENT LIABILITIES**

Accounts Payable		63,157
Accrued Expenses		103,319
Contract Liabilities		5,700
Line of Credit		540,500
<b>Total Current Liabilities</b>		<u>712,676</u>

Contract Liabilities, net of current portion		2,300
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<b>TOTAL LIABILITIES</b>		<u>714,976</u>
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<b>MEMBERS' EQUITY</b>		149,429
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<b>TOTAL LIABILITIES &amp; MEMBERS' EQUITY</b>	<b>\$</b>	<b><u>864,405</u></b>
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The accompanying notes are an integral part of the financial statements.

**A1 Kitchen & Bath Franchising, LLC**  
**Income Statement and Statement of Members' Equity**  
**For the Year Ended December 31, 2022**

<b>Revenue</b>	
Initial Franchise Fees	\$ 32,000
Royalty and Other Fees	11,242
Total Revenue	43,242
 <b>Expenses</b>	
Management and Support Services	351,674
General and Administrative	171,326
Technology	51,255
Marketing	30,432
Franchise Operations	18,999
Total Expenses	623,686
Operating Loss	(580,444)
Interest Expense	20,127
<b>Net Loss</b>	<b>\$ (600,571)</b>
<b>Members' Equity, January 1st</b>	\$ -
Members' Contributions, net	750,000
Net Loss	(600,571)
<b>Members' Equity, December 31</b>	<b>\$ 149,429</b>

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

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**A1 Kitchen & Bath Franchising, LLC Franchising, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

<b>Cash flows from operating activities:</b>	
Net Loss	\$ (600,571)
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(4,498)
(Increase) in other current assets	(23,613)
Increase in accounts payable	63,157
Increase in accrued expenses	103,319
Increase in contract liabilities	8,000
Net cash used in operating activities	<u>(454,206)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from Line of Credit	540,500
Members' Contributions	750,000
Net cash provided by financing activities	<u>1,290,500</u>
<b>Net change in cash and cash equivalents</b>	<u>836,294</u>
<b>Cash and Cash Equivalents, January 1st</b>	<u>-</u>
<b>Cash and Cash Equivalents, December 31st</b>	<u><u>\$ 836,294</u></u>

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

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**A1 Kitchen & Bath Franchising, LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

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**Note 1 - Organization and Business**

A1 Kitchen & Bath Franchising, LLC (the Company) is a North Carolina limited liability corporation formed in Georgia in May 2021 for the purpose of conducting franchise operations. The Company sells franchise rights to own and operate The Designery franchises which create kitchens, bathrooms, closets and outdoor spaces from design and sourcing to installation. In addition, the Company provides ongoing support services to franchisees. There were 4 franchise territories operational at December 31, 2022.

**Note 2 - Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in a bank deposit account. As of December 31, 2022, the Company's cash balance exceeded the Federal Deposit Insurance Corporation limits. Management deems the related risk of loss to be remote.

Revenue Recognition

The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606). ASC 606, as amended, is based on the principle that revenue is recognized to depict the contractual transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services utilizing a five-step revenue recognition model, which includes (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when or as the entity satisfies the performance obligation.

The Company's revenues consist primarily of initial franchise fees charged to franchisees in exchange for the right to own and operate franchises within a certain territory. Once operational, the Company also receives monthly royalties and other fees from franchisees. ASC 606 did not impact the timing of revenue recognition for the royalties and other fees which are recognized monthly as a percentage of revenue collected by the franchisees.

In applying ASC 606 to initial franchise fees, the Company adopted Accounting Standards Update 2021-02, *Franchisors – Revenue from Contracts with Customers: Practical Expedient*. The amendments allow a practical expedient that simplifies the application of the guidance regarding identification of performance obligations. Franchisors that are not public business entities may account for pre-opening services provided to a franchisee as distinct from the franchise license (if the services are consistent with those included in a predefined list within the guidance) and can be recognized as a single performance obligation.

Lump sum payments are typically due upon execution of a franchise agreement or renewal. The Company recognizes the revenue related to pre-opening services as a single performance obligation in accordance with the guidance. In addition, the Company identified the completion of training as a performance obligation and recognizes revenue related to this upon completion. The remaining initial fee is related to the license to utilize the Company's brand for a specified period of time which is satisfied equally over the

**A1 Kitchen & Bath Franchising, LLC**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

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life of the agreement. This deferred revenue is recorded as a contract liability and amortized on a straight-line basis over the life of the agreement.

Accounts Receivable

Accounts receivable at December 31, 2022 represent royalties and fees due from sales in December. Management reviewed all outstanding fees and determined an allowance for doubtful accounts was not necessary.

Use of Estimates

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

**Note 3 – Line of Credit**

The Company has drawn \$540,500 on a line of credit of \$800,000 as of December 31, 2022. The line bears interest of 9% and expires on December 31, 2023 at which time all principal outstanding is due.

**Note 4 – Related Party Transactions**

The lender of the line of credit is a private trust which is a related party.

All management (and related payroll), research, supervision, financial, accounting, investment, procurement, human resources, legal services, information systems, communications and other required services are provided by DDL Investments, Inc., a related party. Expenses related to these services of \$327,183 are included in management and support services as of December 31, 2022.

Three of the four operating territories belong to the founding members of the Company. Guaranteed payments of \$48,000 are included in general and administrative expenses.

**Note 5 - Subsequent Events**

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure through April 24, 2023, the date the financial statements were available to be issued.

**EXHIBIT F  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**SAMPLE ASSIGNMENT AND ASSUMPTION AGREEMENT**

**SAMPLE ASSIGNMENT AND ASSUMPTION AGREEMENT**  
**UPON TRANSFER TO AN AUTHORIZED FRANCHISEE**

This Assignment and Assumption Agreement Upon Transfer To An Authorized Franchisee (the “Agreement”) is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_, by and between A1 Kitchen & Bath Franchising, LLC, a North Carolina corporation, with its principal place of business at 107 Parr Drive, Huntersville, North Carolina 28078 (“Franchisor”) and \_\_\_\_\_, a(n) \_\_\_\_\_ with its principal place of business at \_\_\_\_\_ (referred to herein as “Franchisee” “Owner” and “Guarantor”) (Franchisee, Owner, and Guarantor jointly referred to as “Assignor”), and \_\_\_\_\_ (the “Assignee”).

**BACKGROUND**

A. Franchisee entered into a Franchise Agreement with Franchisor dated \_\_\_\_\_ 20\_\_ (the “Franchise Agreement”) for a The Designery franchise to be operated within the territory set forth in the Franchise Agreements (the “Franchised Business”).

B. Assignor, by transferring its ownership interest in Franchisee, desires to assign all Assignor’s rights and obligations under the Franchise Agreement to Assignee. Assignee desires to obtain these rights and is willing to assume these obligations.

C. Franchisor is willing to permit the assignment and assumption.

Now therefore, in consideration of the mutual promises and consents provided in this Agreement, and other good and valuable consideration, the sufficiency and adequacy of which the parties hereby acknowledge, the parties agree as follows:

**TERMS OF AGREEMENT**

1. **Assignment and Assumption.** Subject to the terms of this Agreement, Assignor assigns to Assignee, by transfer of its ownership interest in Franchisee, all of Assignor’s right, title and interest in the Franchise Agreement and delegates to Assignee all of Assignor’s obligations under the Franchise Agreement arising on and after the Effective Date. Assignee agrees to assume and perform all of Assignor’s obligations under the Franchise Agreement arising from and after the Effective Date. Simultaneously or within a reasonable amount of time after the execution of this Agreement, and as a material condition of the approval of the transfer, Assignee will sign the then-current form of franchise agreement, which agreement will supersede the assigned Franchise Agreement, subject to the addendum negotiated between Franchisor and Assignee. Simultaneously with the Assignment contemplated herein, the assigned Franchise Agreement will be amended to specify \_\_\_\_\_ [Assignee] as the Franchisee.

2. **No Discharge of Assignor.** The assignment by Assignor of Assignor’s rights and obligations under the Franchise Agreement will not relieve Assignor or Franchisee of obligations under the Franchise Agreement that accrue before or after the Effective Date (that are related to events occurring before the effective date of the transfer). Notwithstanding the foregoing, Assignor must report all revenue collected prior to the Effective Date and pay all royalties due thereon, on or before the 10<sup>th</sup> of the month (or the next business day after the 10<sup>th</sup> if the 10<sup>th</sup> is not a business day) following the month in which the assignment transaction closes. Assignee will be responsible for reporting all amounts collected after the Effective Date and paying all

royalties on amounts collected after the Effective Date in accordance with the Franchise Agreement between Assignee and Franchisor. In addition, if assignor collects any amounts after the Effective Date that relate to operation of the business prior to (or after) the Effective date, Assignor must report all such collections to Franchisor on a monthly basis consistent with terms of the Franchise Agreement in effect as of the Effective Date and Assignor must pay royalties on those collections on a monthly basis consistent with terms of the Franchise Agreement in effect as of the Effective Date.

3. **Consent.** Franchisor consents to Assignor's assignment of Assignor's rights and obligations under the Franchise Agreement to Assignee. Franchisor hereby declines to exercise its right of first refusal with regard to the proposed transfer contemplated between the Assignee and Assignor.

4. **Acknowledgment.** Assignor, Assignee and Franchisor agree that the assignment of Assignor's franchised business and the Franchise Agreement (and the related agreements, if any) to Assignee were not affected by or through Franchisor, and that Franchisor's activities in connection therewith were limited to the exercise of its right of approval under the Franchise Agreement.

5. **Limited Release by Assignee.** Assignee, for themselves and their officers, directors, stockholders, members, managers, partners, agents, heirs, executors, administrators, legal successors and assigns, release and forever discharge A1 Kitchen & Bath Franchising, LLC, its respective parents, subsidiaries and affiliates, and the respective officers, directors, stockholders, members, managers, partners, employees, agents, attorneys, contractors, legal successors and assigns of each of the forgoing entities in their corporate and individual capacities ("Franchisor-Related Persons/Entities"), of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, agreements, controversies, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or in equity, that Assignee and/or Assignee's officers, directors, stockholders, members, managers, partners, agents, heirs, executors, administrators, legal successors and assigns ever had, now has, or that they hereafter can or may have for, on or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the day of this Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances **that are related to the assignment of the Franchise Agreement.**

Being fully informed, Assignee(s) waive any rights on, and acknowledges that this release extends to all Claims Assignees have or might have against Franchisor-Related Persons/Entities, whether known or unknown.

6. **General Release by Assignor/Franchisee and Guarantors.** The Assignor, for themselves, Franchisee, and, as applicable, their officers, directors, stockholders, members, managers, partners, agents, heirs, executors, administrators, legal successors and assigns, release and forever discharge A1 Kitchen & Bath Franchising, LLC, its respective parents, subsidiaries, and affiliates and the respective officers, directors, stockholders, members, managers, partners, employees, agents, attorneys, contractors, legal successors, and assigns of each of the forgoing entities (in their corporate and individual capacities), of and from all manner of actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, agreements, controversies, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law, admiralty or in equity, that Assignor and/or Assignor's officers, directors, stockholders, members, managers, partners, agents, heirs, executors, administrators, legal successors and assigns, ever had, now has, or that they hereafter can or may have for, on or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the day of this Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Being fully informed, Assignor(s) waive any rights on, and acknowledge(s) that this release extends to all Claims Assignors have or might have against Franchisor-Related Persons/Entities, whether known or unknown.

The Guarantor and Assignor/Franchisee(s) expressly assume the risk of any mistake of fact or fact of which they may be unaware or that the true facts may be other than any facts now known or believed to exist by Guarantor or Franchisee(s), and it is the Guarantor's Franchisee's intention to forever settle, adjust and compromise any and all present and/or future disputes with respect to all matters from the beginning of time to the date of this document finally and forever and without regard to who may or may not have been correct in their understanding of the facts, law or otherwise. All releases given by the Guarantor and Franchisee are intended to constitute a full, complete, unconditional and immediate substitution for any and all rights, claims, demands and causes of action whatsoever which exist, or might have existed, on the date of this document. The Guarantor and Franchisee represent and warrant that they have made such independent investigation of the facts, law and otherwise pertaining to all matters discussed, referred to or released in or by this document as the Guarantor and Franchisee, in each of their independent judgment, believe necessary or appropriate. The Guarantor and Franchisee have not relied on any statement, promise, representation or otherwise, whether of fact, law or otherwise, or lack of disclosure of any fact, law or otherwise, by the Franchisor-Related Persons/Entities or anyone else not expressly set forth herein, in executing this document and/or the related releases.

7. **Entire Agreement.** This Agreement represents the entire understanding and agreement between the parties with respect to the subject matter of this Agreement and supersedes all other negotiations, understandings and representations, if any, made by the parties with respect to the subject of this Agreement.

8. **Assignment; Parties In Interest.** This Agreement is binding on and inures to the benefit of the parties and their respective successors and assigns, but this Agreement and the rights or obligations in this Agreement may not be assigned by any party without the other parties' consent, except that Franchisor has the right to assign this Agreement, to any person, firm, corporation or other entity, if the assignment is made with Franchisor's assignment of its rights under the Franchise Agreement. This Agreement is made for the benefit of the parties, and nothing in this Agreement is intended to or confers any benefit on any other person, association or entity.

Notices to Assignee: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notices to Franchisor: A1 Kitchen & Bath Franchising, LLC  
107 Parr Drive  
Huntersville, NC 28078  
Attn: Legal Department

This Agreement shall be construed under the laws of the State of North Carolina, which laws shall control in the event of any conflict of law.

9. Each party acknowledges that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and

confer with counsel. This Agreement is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not embodied in this Agreement.

10. In the event that Franchisor retains the services of legal counsel to enforce the terms of this Agreement, it shall be entitled to recover all costs and expenses, including reasonable attorneys' fees incurred in enforcing the terms of this Agreement.

11. Assignor agrees that Assignor has and had a relationship with Franchisor at its offices in the State of North Carolina and that, with the exception of Franchisor's right to seek injunctive relief in any appropriate jurisdiction, any action by or against Franchisor arising out of or relating to this Agreement shall be commenced and concluded in the State of North Carolina pursuant to the mediation, venue and jurisdiction provisions of the Franchise Agreement.

12. This Agreement may be executed in multiple counterparts by the various parties and the failure to have the signatures of all parties on a single Agreement shall not affect the validity or enforceability of any part of this Agreement against any party who executes any counterpart of the Agreement. Executed facsimile copies of this Agreement shall be deemed to be effective as original signatures.

13. **Definitions.** Unless otherwise stated, all terms used in this Agreement have the same meaning as indicated in the Franchise Agreement.

***(THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK.  
SIGNATURES APPEAR ON THE FOLLOWING PAGE.)***



**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

IN WITNESS WHEREOF, the parties have set their hands and seals.

**FRANCHISOR:**

**A1 KITCHEN & BATH FRANCHISING, LLC**

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

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

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

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

**TRANSFEROR:**

\_\_\_\_\_  
(Individual, Partnership or Corporation Name)

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

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

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

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

**EXHIBIT G  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**OPERATIONS MANUAL TABLE OF CONTENTS**

**A1 KITCHEN & BATH FRANCHISING, LLC**

**OPERATIONS MANUAL TABLE OF CONTENTS**

Section	Number of Pages
Introduction to the Manual	10
Introduction to the Franchise System	23
Pre-Opening Procedures	32
Personnel Administration	55
Management of the Team	86
Financial Operations	95
Marketing	110
Understanding Daily Operating Procedures	126
Managing the Showroom	130
Total Pages	130

**EXHIBIT H  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES AND  
FRANCHISEES THAT HAVE LEFT THE SYSTEM IN THE PAST FISCAL YEAR**

**Current Franchisees as of December 31, 2022**

No.	First Name	Last Name	Address	City	State	Zip Code	Phone	Email Address
0002	Casey & Dustin	Ridley & Ridley	165 Outlet Center Drive	Calhoun	GA	30701	706-861-7901	casey.ridley@thedesignery.com
0001	Casey & Dustin	Ridley & Ridley	402 Direct Connection Drive	Rossville	GA	30741	706-861-7901	casey.ridley@thedesignery.com
0004	Andrew	Dukes	1167 McDonald Drive	Chattanooga	TN	37412		
0003	Casey & Dustin	Ridley & Ridley	2538 NW Keith Street	Cleveland	TN	37312	706-861-7901	casey.ridley@thedesignery.com

**Franchisees with Unopened Outlets as of December 31, 2022**

None

**Former Franchisees**

The name and last known address of every Franchisee who had a The Designery Franchise transferred, terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under our Franchise Agreement during our last fiscal year, or who has not communicated with us within ten (10) 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 I  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**FRANCHISEE AFFIRMATIONS AND ACKNOWLEDGEMENTS**

## FRANCHISEE AFFIRMATIONS AND ACKNOWLEDGEMENTS

As you know, A1 Kitchen & Bath Franchising, LLC (“we” or “us”), and you are preparing to enter into a Franchise Agreement for the operation of a franchised business (a “Franchised Business”). The purposes of this Franchisee Affirmations and Acknowledgements (“Acknowledgement”) are to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your Franchised Business. **You cannot sign or date this Acknowledgement 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 and pay your franchise fee.** 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 on the back of this sheet.

- Yes \_\_\_ No \_\_\_      1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to the Franchise Agreement you intend to enter into with us?
- Yes \_\_\_ No \_\_\_      2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes \_\_\_ No \_\_\_      3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?
- Yes \_\_\_ No \_\_\_      4. Do you understand all the information contained in the Franchise Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes \_\_\_ No \_\_\_      5. Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating a Franchised Business with this/these professional advisor(s)?
- Yes \_\_\_ No \_\_\_      6. Do you understand the success or failure of your Franchised Business 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 weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes \_\_\_ No \_\_\_      7. Do you understand that you must devote your personal full-time attention and best efforts to the management and operation of your Franchised Business, and must not own, maintain, engage in, be employed by, or have any interest in any other business other than the Franchised Business?
- Yes \_\_\_ No \_\_\_      If you do not intend to devote your personal full-time attention and best efforts, did you receive permission from the franchisor to own, maintain, engage in, be employed by or have any interest in any other business?

- Yes \_\_\_ No \_\_\_
8. Do you understand we have only granted you certain protected territorial rights under the Franchise Agreement and that we have reserved certain rights under the Franchise Agreement?
- Yes \_\_\_ No \_\_\_
9. Do you understand that we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the Proprietary Marks or other mark, at any location outside your Designated Territory, without regard to the proximity of these activities to the premises of your Franchised Business?
- Yes \_\_\_ No \_\_\_
10. Do you understand that all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, in Mecklenburg County, North Carolina?
- Yes \_\_\_ No \_\_\_
11. Do you understand that the Franchise Agreement provides you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and you are not entitled to any punitive, consequential or other special damages?
- Yes \_\_\_ No \_\_\_
12. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement is A1 Kitchen & Bath Franchising, LLC?
- Yes \_\_\_ No \_\_\_
13. Do you understand that all persons whose names appear on the Franchise Agreement must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes \_\_\_ No \_\_\_
14. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes \_\_\_ No \_\_\_
15. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?
- Yes \_\_\_ No \_\_\_
16. Do you understand that we will send written notices, as required by your Franchise Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes \_\_\_ No \_\_\_
17. Do you understand that we will not approve your purchase of a Franchised Business, or we may immediately terminate your Franchise Agreement if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?



Yes \_\_\_ No \_\_\_

18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business 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?

Yes \_\_\_ No \_\_\_

19. Is it true that no broker, 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 a Franchised Business 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?

Yes \_\_\_ No \_\_\_

20. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement 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?

Yes \_\_\_ No \_\_\_

21. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with the exception of those payments or loans provided in the Franchise Disclosure Document?

Yes \_\_\_ No \_\_\_

22. Did you receive the Franchise Disclosure Document at least fourteen (14) days before you completed and signed this Acknowledgment?

Yes \_\_\_ No \_\_\_

23. Did you receive the Franchise Agreement at least seven (7) days before you completed and signed this Acknowledgment?

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ACKNOWLEDGMENT, 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)

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT J  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**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
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	August 8, 2022
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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

**EXHIBIT K  
TO  
A1 KITCHEN & BATH FRANCHISING, LLC  
FRANCHISE DISCLOSURE DOCUMENT**

**RECEIPTS**

## RECEIPTS (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 A1 Kitchen & Bath Franchising, 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.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If A1 Kitchen & Bath Franchising, 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 state administrator identified in Exhibit A of this Franchise Disclosure Document. A list of franchisor's agents registered to receive service of process is listed as Exhibit A of this Franchise Disclosure Document.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Zack Dudan, Homefront Brands; 107 Parr Drive, Huntersville, NC 28078; (980) 443-2700
Christina Rodgers, Homefront Brands; 107 Parr Drive, Huntersville, NC 28078; (980) 443-2700
Garret Hinojosa, Homefront Brands; 107 Parr Drive, Huntersville, NC 28078; (980) 443-2700

Issuance Date: April 29, 2023

I have received a disclosure document issued April 29, 2023, which included the following Exhibits:

Exhibit A	List of State Administrators and Agents for Service of Process
Exhibit B	Franchise Agreement
Exhibit C	Multi-Unit Addendum
Exhibit D	State Specific Addenda
Exhibit E	Financial Statements
Exhibit F	Sample Assignment and Assumption Agreement
Exhibit G	Operations Manual Table of Contents
Exhibit H	List of Franchisees and Franchisees That Have Left the System in the Past Fiscal Year
Exhibit I	Franchisee Affirmations and Acknowledgements
Exhibit J	State Effective Dates
Exhibit K	Receipts

If an Individual:

If a Business Entity:

Signature: \_\_\_\_\_

Entity: \_\_\_\_\_

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

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

Telephone No.: \_\_\_\_\_

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

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

Address: \_\_\_\_\_

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

You should return one copy of the signed receipt either by courier, personal delivery or mailing it to Zack Dudan at 107 Parr Drive, Huntersville, NC 28078; or emailing (as an attachment) to Zack Dudan at [development@thedesignery.com](mailto:development@thedesignery.com). You may keep the second copy for your records.

## RECEIPTS (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 A1 Kitchen & Bath Franchising, 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.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If A1 Kitchen & Bath Franchising, 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 state administrator identified in Exhibit A of this Franchise Disclosure Document. A list of franchisor's agents registered to receive service of process is listed as Exhibit A of this Franchise Disclosure Document.

The name, principal business address, and telephone number of each franchise seller offering the franchise is:
Zack Dudan, Homefront Brands; 107 Parr Drive, Huntersville, NC 28078; (980) 443-2700
Christina Rodgers, Homefront Brands; 107 Parr Drive, Huntersville, NC 28078; (980) 443-2700
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Exhibit J	State Effective Dates
Exhibit K	Receipts

If an Individual:

If a Business Entity:

Signature: \_\_\_\_\_

Entity: \_\_\_\_\_

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

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

Telephone No.: \_\_\_\_\_

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

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

Address: \_\_\_\_\_

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